



MEMORANDUM

LEGISLATIVE REFERENCE BUREAU

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To: Ald. Jim Bohl
From: Aaron Cadle – Legislative Fiscal Analyst
Date: October 29, 2015
Subject: County Delinquent Taxes Fund

Per your request, this memo provides a brief overview of the County Delinquent Taxes Fund.

The City Treasurer's longstanding practice of purchasing the County's portion of delinquent taxes (which includes Milwaukee Metropolitan Sewerage District fees and state taxes, but excludes Milwaukee Area Technical College and Milwaukee Public Schools levies) was initiated because the City has always been more aggressive about collecting delinquent taxes than the County.

Before the practice, the City would purchase the County's portion of delinquent taxes on a property-by-property basis, only when the City, after exhausting all other collection options, needed to gain sole legal rights to file for tax foreclosure. It was felt that, since the City was shouldering the lion's share of collecting delinquent taxes, purchasing the County's portion of delinquent taxes on day one would give the City the opportunity to earn 18% interest and penalty to compensate for its efforts.

The purchase was also seen as an attractive investment on its own, earning 18%.

Each February, the City Treasurer identifies as delinquent any City property tax account which is not paid in full by January 31, or is not scheduled for payment through the City's installment plan. The Treasurer then purchases the County taxes owed on all these delinquent accounts, normally collected and remitted to the County by the City, effectively making the County whole for unpaid taxes owed by City property owners. In addition, the City purchases County taxes owed on City tax accounts that become delinquent during the year by failing to meet the conditions of the installment payment plan.

An estimate of the amount the City will spend to purchase the County-portion of delinquent City property tax accounts is included in the City's annual budget to fund purchases made in the subsequent year. Below is a comparison of amount budgeted in the last 4 years for the County Delinquent Taxes Fund, and actual expenditures:

County Delinquent Taxes Fund			
	Budget	Actual	Variance
2014	\$10,530,000	\$9,381,481	\$1,148,519
2013	\$11,300,000	\$9,931,715	\$1,368,285
2012	\$12,300,000	\$10,529,770	\$1,770,230
2011	\$12,300,000	\$11,362,381	\$937,619
Average	\$11,607,500	\$10,301,337	\$1,306,163

Although the Treasurer is confident buying the County's delinquent property taxes is a good investment because the department charges 18% interest and penalty on unpaid balances and ultimately collects roughly 98% of all property taxes owed, the Treasurer does not calculate a "rate of return" on this investment.

The Treasurer also does not calculate the amount "lost" on County taxes purchased resulting from tax foreclosures.