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**City of Milwaukee Assessor's Office response to the Report of Investigation
Assessor's Exemption of Property Taxes Processes Religious Organizations § 70.11**

The City of Milwaukee Assessor's Office, by its Commissioner of Assessments, Nicole F. Larsen, hereby submits this response to the above-described report dated May 9, 2023.

SCOPE OF INVESTIGATION

The scope of the Office of the Inspector General's ("OIG") investigation was determining whether there is sufficient evidence that the City's Assessor's Office administers practices that are inconsistent with the Wis. Stats. §70.11, Property Exempted from Taxation, and unlawfully taxed and seized¹ Milwaukee area churches, specifically Black churches on the north side.

BACKGROUND

The OIG's investigation commenced in late 2021 after numerous church pastors and religious leaders from a number of Milwaukee central city churches expressed frustration to the City's Finance and Personnel Committee and members of the Common Council that their churches were being unlawfully taxed and ultimately foreclosed by the City for non-payment of taxes. Additionally, they expressed frustration at the way that requests for exemption were processed and treated, and also at the requirement to file the biennial form with the Assessor's Office.²

The current administration welcomed this investigation, because our commitment to fairness and compliance with the law meant that we recognized the need to identify any deficiencies in

¹ For purposes of clarification, the Assessor's Office has no role in the property foreclosure process. Property foreclosure actions are administered by the Treasurer's Office in conjunction with the City Attorney's Office.

² Commissioner Larsen was not employed at the Assessor's Office when the investigation began, but took up the matter and began work on it immediately after joining the office in January 2022. Chief Assessor/Deputy Commissioner Bill Bowers began employment with the Assessor's Office in April 2022. It was and currently is the Chief Assessor's role to receive requests for exemption, review and process them, and issue determination letters. The former Chief Assessor, Peter Bronek, left City employment, upon information and belief, in September 2021.

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processes and operational procedures. Chief Assessor Bowers and I quickly familiarized ourselves with the applicable law as well as the Assessor's Office's existing procedures and operational guidelines. Most importantly, we familiarized ourselves with the stakeholders, those who were closest to the assessment, taxation, collections and foreclosure processes. Specifically, the church pastors and religious leaders who were subject to or on the receiving end of these City processes.

In meeting with the stakeholders, we learned that there was no singular issue that affected church leaders. While the media reports described a problem of "tax and take," there were a number of other issues causing problems and confusion. Issues identified included:

1. Turnover in church leadership, and the fiscal knowledge was not passed down to the new leaders;
2. Special assessments that were added to tax bills;
3. Municipal service fees added to the tax bill;
4. Foreclosures for delinquent water utility charges;
5. Negative interactions with the City's collection agents; and
6. Some entities were not aware that exempt organizations were responsible for various municipal charges and fees.

We acknowledged our need to be held accountable, and opened all files and databases to the OIG during the course of her investigation. In some instances, records were not located, often due to the date of the records being beyond the mandated retention schedules. Additionally, the Assessor's Office has a newer database for maintaining records, AP5, having gone live with it in March, 2019. Prior to that, it housed property information and records on a legacy mainframe database. If information was stored on the database, it transferred over those records to AP5, but dating back only to 2006. Some paper files are still kept, but because they are beyond the legal time for retaining them, they are inconsistently maintained. Other files had been sent to the City's Records Division, and may be located there if not located in the Assessor's paper files or database.

INTERIM REMEDIAL ACTIONS UNDERTAKEN BY THE ASSESSOR'S OFFICE

When Chief Assessor Bill Bowers started with the office, he immediately jumped in to processing the more than 60 exemption requests that were outstanding from 2021 and 2022. Bill dedicated a significant portion of his workdays from April to October reviewing the requests, conducting inspections, talking with applicants, and issuing determination letters. By October, Bill had completed reviews of all 60+ requests.

In addition to processing the requests, Bill handled a number of inquiries from church leaders related to a number of different matters, including partial exemptions, delinquent tax bill charges, and historical considerations on grants or denials of exemptions, among other issues. Between April and October, the Commissioner and Chief Assessor met 2-4 hours each week to discuss the requests and exemption-related issues. Each exemption request is unique, and each must be evaluated on its own merits. Each request requires a fact-intensive inquiry and an application of the law to the facts to determine whether an exemption is warranted. The task was even more arduous when reviewing a request that had been received a year or more prior, which was the case in a number of them. Requests received for previous years had been denied, but the Assessor's Office had advised the applicant that their request would be reviewed again the following year. There was, however, no official system for tracking these "zombie requests," and it caused

confusion for applicants. We immediately put an end to that process, and now, all requests are given a final disposition either granting or denying the request.

Additionally, we immediately revised the office's exemption request checklist that was used by administrative staff when accepting new requests. The checklist was causing confusion for property owners, and it didn't accurately reflect the guidance from the Wisconsin Property Assessment Manual ("WPAM") on exemptions. We saw immediate results as it streamlined the process for new requests filed for 2023. Additionally, we trained administrative staff on the new procedures for receiving new requests and supporting documents, and empowered them to ask questions at the time a new request came in, rather than waiting for the Chief Assessor to review it at some point in the future and thus create another delay for the requester.

DEFICIENCIES IDENTIFIED BY THE ASSESSOR'S OFFICE

In processing the applications, having discussions with church leaders, and discussing the applicable law, we made a number of discoveries.

First, the exemption request process is confusing. The State of Wisconsin has two standard forms related to exemptions. To apply for a new exemption, property owners must complete a Property Tax Exemption Request (PR-230).³ This is a 4-page form that must be completely filled out and with which supporting documents must be submitted. Review of completed applications revealed that a number of applicants were confused by Question 7b., which requests the applicant state the precise statutory reference and language that supports the exemption. Additionally, Question 31 is confusing to applicants as a number believed they had to submit all of the documents listed. We fielded a number of inquiries requesting clarification on this question. There is another form that property owners who already have exempt status must file every even-numbered year, the PC-220, the Tax Exemption Report. This is a 1-page form that certifies to the municipality that an exempt property is still used for the exempt purpose, and also requires disclosure of whether any portion of the property is leased or used for an unrelated trade or business. If this form is not filed, it could cause the Assessor's Office to review the use of the property. A common misunderstanding was that a failure to file the form would cause an immediate revocation of an exemption, but a review of the files showed that that that was not the case nor is it currently the case.

Second, the collection of municipal charges on the tax bill is not a well-known process among smaller exempt organizations. Property owners both exempt and taxable are charged for various City services: water, stormwater charges, fire inspection fees, special assessments, and other municipal service charges. Some exempt organizations believed that since they were exempt from property taxes, they were exempt from paying for these other charges as well. A number of entities have faced collection for delinquent charges, and in several cases, this resulted in foreclosure of the property via the in rem foreclosure process.

Third, due to aging church populations and the effects of COVID-19, many churches experienced turnover of leadership staff. Knowledge regarding which bills a church may be responsible for had not been passed down to successor leaders, and in a number of cases, the City bills went unpaid. As an organization, having this information ready and available to exempt organizations is necessary for the success of the organization. As discussed more in response to Recommendations

³Wis. Stat. § 70.11 mandates the March 1st deadline for filing a PR-230.

6 and 7 below, the Assessor's Office will continue to work with various City departments to ensure the message is broadly distributed to those who need it.

RESPONSES TO OIG RECOMMENCATIONS and REMEDIAL ACTIONS TAKEN IN RESPONSE TO DEFICIENCIES IDENTIFIED IN THE OIG REPORT

Recommendation 1: Review and Revise Policies and Procedures to Ensure Compliance with Wisconsin Property Assessment Manual and Wis. Stat. §70.11(4) for Church/Religious – Place of Worship.

The Assessor's Office has implemented several steps to ensure compliance with the Wisconsin Property Assessment Manual (WPAM) and the applicable Wisconsin statutes, including:

- Disallowing the intake or acceptance of exemption requests or documents after the statutory March 1st deadline. In the past, new applications or those that had been denied were kept for successive years (“zombie applications”), thereby resulting in chaotic record keeping and difficulty in analysis and also creating confusion for applicants.
- Established front desk procedures to make sure that the supporting documents required or recommended in the WPAM are included in the applicants file before the review begins.
- Implemented review protocols that include providing specific references from the Wisconsin statutes or WPAM in the determination letter that is provided to the applicant and stored in the assessor records (AP5).
- Review of WPAM and statutes prior to analyzing each application.
- Established an end date of October 1st for reviewing and making determinations on requests, to remove uncertainty for property owners and allow them to plan for their tax obligations, if any.

We are also in process of creating a policy to inform exempt property owners when an existing exemption is under review or subject to revocation. We could find no such policy for this process.

Recommendation 2: Develop a Process to Maintain Consistent, Up-to-Date, Chronological Notes in the Assessor's Office AP5 Property Tax System.

The City Assessor's Office transitioned from its old “legacy” system to the AP5 system in March, 2019. All staff are directed to keep notes in the Notes tab of the AP5 system when they do any work on a file, including speaking with property owners, performing file maintenance, sending or receiving communications, adjusting values, etc. Most of this documentation is found under the general Notes tab, which keeps a chronological record of those activities. When one views the Notes tab on a PC, they are listed chronologically, newest to oldest. When printed out, however, the Notes do not print in chronological order. This is simply how the software has worked out of the box. We have requested the vendor to create a printed chronological Notes feature, and it has been on a list of tasks to be done by the vendor. This will likely result in a change order with additional costs to reprogram this feature.

Recommendation 3: Ensure records are maintained in accordance with Wisconsin state law, and accordingly, the Wisconsin Municipal Records Schedule (WMRS) and the City of Milwaukee’s Global Retention Schedule, specifically for the Assessor’s Office.

We will be training all Assessor’s Office staff on records retention and the record schedule for each type of record later this year. With particular regard to the exemption files, we have done the following:

- Redesigned the Property Tax Exemption Request (PR-230) intake process to make sure that all documents are captured in AP5 and linked to the internal/external document vault (Document link).
- Redesigned internal operational guidelines such that the exemption notes, changes activities, and determinations are captured in AP5 by the appraisers, administrative staff and chief assessor as they are done.

Recommendation 4: Reassign the Roles and Responsibility for Oversight over Property Owners Seeking Exemption from Property Taxes in Wisconsin to the Level of an Appraiser; and Develop a Monitoring Process to Ensure Approval and Denial Determinations are in Compliance Wi. Stat. §70.11.

As far back as 2011, the office identified understaffing as a reason for the failure to adequately process and monitor exemptions:

“The number of workers in the assessor's office has dropped from about 80 to 47 in the last couple of decades. Two full-time staff positions dedicated solely to processing and monitoring exemptions were cut in the past several years.”

Milwaukee Journal Sentinel, *Lax Regulations of Property Tax Exemptions Costly*, March 6, 2011. <http://archive.jsonline.com/watchdog/watchdogreports/117473703.html>. The number of Assessor’s Office employees has remained mostly static since this article was published, and there are still no staff, aside from the Chief Assessor, dedicated to processing and monitoring exemptions. As part of the 2024 budgeting process, however, the office is working with the Budget and Management Division to realign positions and responsibilities to better handle exemptions review. We recognize the need to remove the primary exemption work from the Chief Assessor’s duties and shift those to a non-management level employee while retaining management review of the process. Additionally, we have done the following:

- We immediately revised the office’s exemption request checklist to ensure it was fully compliant with state law governing exemptions and applicable WPAM provisions, and
- We trained administrative staff on the new procedures for receiving new requests and supporting documents.

Recommendation 5: Perform a review of all parcels currently owned by religious organizations that have been exempted from property taxes under WI Stat. §70.11 based on its ownership and use to ensure each property has met the requirements for exemption.

The Assessor's Office could in fact perform a review of all exempt properties owned by religious organizations. This has not been done at any time in recent history to this writer's knowledge, nor has there been any sort of review of any exempt properties regardless of their basis for exemption in general. There is no statutory requirement to review exemptions; however, there is a constitutional mandate to tax properties uniformly, and so it is understandable why prior Assessor's Office administrators directed staff to focus on taxable properties.

Despite the fact that there is no requirement to monitor exempt properties, I support the Inspector General's recommendation, and would take it a step further and recommend that the Assessor's Office conduct a review of all currently-exempt properties regardless of ownership, for two reasons: First, to ensure that only those property owners entitled to exemptions have them. Second, to ensure that the City does not inadvertently create legal issues by focusing on religious organizations, when there are many other bases for exemptions. All owners of exempt properties should be treated equally and their exemptions reviewed with equal scrutiny.

In light of the fact that there are approximately 4,000 non-governmental or special district properties plus 40-80 new exemption requests received each year, it would require *at least* two FTEs to perform this work. I would request that the Office be provided with the funding necessary to hire one exemption specialist and one administrative level staffer to receive requests and perform exemption reviews and determinations. Absent such funding, we would need to reassign staff that currently values taxable properties away from that to now do the exemption work. It is a policy decision to focus resources on exempt properties over taxable properties, and so if the Common Council directs the Assessor's Office to so redirect its staff to focus on exempt properties instead of taxable properties, it will do so.

Recommendation 6: Implement a Public Relations Program or Develop Informational Tools to Disseminate Pertinent Information for Property Owners Who are Seeking Exemption from Property Taxes under §70.11.

The Assessor's Office developed informational tools that were distributed to the pastors' group at our February 8, 2022 meeting. We gave a PowerPoint presentation and left extra copies of the slide deck with the organizer, in addition to extra copies of the Request for Exemption and the Biennial Report. We created a document titled "Wisconsin Property Tax Exemption Forms for Churches" which was distributed at the same meeting. We've revised and updated the "Exemptions" page on the Assessor's Office webpage which now provides FAQs, the form needed for requesting an exemption application, a link to the state law applicable to churches, Wis. Stat. § 70.11(4), and other pertinent information.

We have accepted all requests to participate in town halls, resource fairs, and meetings related to church exemptions including meetings with the pastors' group on February 8, 2022, June 9, 2022, and dozens of site visits and telephone calls between the Commissioner and Chief Assessor with concerned parties. Due to budget constraints and the requirement to perform the core function of valuing all real and personal property, this office has not had a public relations program with the specific goal of encouraging property owners to seek exemptions. If such a campaign were to be implemented, the Assessor's Office would need additional funding to hire external specialists, as it does not employ any public relations staff.

Recommendation 7: The Assessor's Office, together with the Treasurer's Office, the Department of City Development, the Department of Neighborhood Services, the Department of Public Works and all other City departments or divisions that assess fees included on the property tax bill should collaborate to develop and document information providing guidance and direction to property owners on identifying which department to contact for specific information related to property tax exemption, assessment activities, properties nearing or already in in-rem foreclosure status.

Throughout the course of the investigation, the Assessor's Office, the Treasurer's Office, and DCD have maintained open lines of communications on the matters of assessments, foreclosures, and vacation of foreclosure judgments. Each of these departments, as well as the additional departments listed above, has a separate and distinct role in assessments, special assessments, taxation, and collection of taxes. No department can speak for another but the departments together can collaborate to provide information that describes their respective roles and where property owners can get assistance. The Assessor's Office will add the information to its webpage, and commits to working with the other City departments to find ways to get this information into the hands of property owners who need it most.

CONCLUSION

The OIG's report identifies important recommendations, the result of a diligent and thorough investigation. While I am pleased that the conclusions reached did not substantiate the allegations made, I am cognizant of the fact that we need to make improvements in how we do business. I am hopeful that the corrective actions taken thus far are seen as a demonstration of our commitment to ensure everyone is treated fairly and equitably under the law. We will continue to review our processes and create improvements when and where needed.

Thank you for the opportunity to respond to the OIG's report.