

**PERSONAL PROPERTY OVER-
VALUATION FOR 2021**

WHAT ERROR WAS CREATED WHEN THE PERSONAL PROPERTY ASSESSED VALUES IN 2021?

- All property should be assessed at the same level of assessment
- Equalization of personal property is needed during maintenance years
- Locally assessed personal property should have been equalized in the same manner as manufacturing real and personal property – this was not done

**CAN THIS AMOUNT BE REDUCED
THROUGH CHARGEBACKS TO THE
OTHER TAXING ENTITIES?**

- Yes. The Wisconsin Department of Revenue has been notified and they have given verbal approval for the chargebacks for these errors.
- Per the DOR, this type of error is not unusual.
- Statutes have been created to guide municipalities on how to correct errors.

WHAT IS THE WORST-CASE FINANCIAL IMPACT ON THE CITY?

- The initial estimated liability has been estimated at \$1,137,281

WHAT IS THE WORST-CASE FINANCIAL IMPACT ON THE CITY?

- An initial review of the impacts are shown below:

Projected Refund amount= \$1,137,266

- Total number of accounts = 6,647
- Not all accounts are eligible for charge backs
- Charge back count = 600
- Charge back recovery = \$420,270
- Net city liability = \$716,996

WHY DID THIS HAPPEN?

- Revaluations have been performed every year for the last 20 years. When a revaluation is performed, equalizing locally assessed personal property is not required. Equalizing locally assessed personal property was not on anyone's radar in 2021.
- The Assessor's office staff was not trained on this process by the CAMA vendor because when the software was purchased, there was no discussion about not performing annual revaluations.
- The 2021 personal property values were established under the same processes employed for the last 20 years. I.e. valuing the accounts at 100% of market value.

WHEN WAS THIS DISCOVERED?

- On December 23, 2021, a representative from Northwestern Mutual contacted the Assessor's office to question the personal property tax bill his office received.
- This was noticeable because the large assessment (over \$26M) caused the error to be noticed.

AT THE TIME OF DISCOVERY, WHO WAS NOTIFIED?

- The Assessor's Office notified the Budget office, the Comptroller, the Treasurer, the Mayor's office, the City Attorney's Office, the Wisconsin Department of Revenue, the President of the Assessor's CAMA system company, and Alderman Murphy

WHAT GUIDANCE HAS BEEN PROVIDED BY THE WISCONSIN DEPARTMENT OF REVENUE?

- 1. [Sec. 74.33 \(1\)](#), Wis. Stats., allows the taxation district to refund or rescind in part any general property tax – this applies because of the clerical error and/or arithmetic error
- 2. [Sec. 74.35](#), Wis. Stats., allows property owners to file a claim of unlawful tax and see a refund for the same errors. See page 29 of DOR's Guide for Property Owners: <https://www.revenue.wi.gov/DOR%20Publications/pb060.pdf>

WHAT GUIDANCE HAS BEEN PROVIDED BY THE WISCONSIN DEPARTMENT OF REVENUE?

- 3. Beyond statute [Sec. 74.33 \(1\)](#), DOR recommendations include:
- All data will need to be provided in the PC-201 for DOR to be able to review and make a determination as to whether the chargeback is approved or denied
- Taxes refunded or rescinded for properties within a Tax Incremental District (TID) are not eligible for a chargeback unless the TID's current value is less than the TID's base value in the year the property owner received the tax refund.
- One PC-201 must be filed for each personal property account
- Amount for each submission must be \$250.00 or more
- These requirements are from [statute 74.41](#)

WHO IS RESPONSIBLE FOR NOT CATCHING THIS?

- The Assessor's Office has the responsibility of establishing assessed values. Any staff member or supervisor within the Assessor's Office could have questioned the personal property assessed values or raised the equalization issue. The 2021 valuation process was the same as what has been followed for the last 20 years. Staff shortages within the Assessor's Office and the higher than normal workloads contributed to this not being caught.
- The CAMA vendor did not provide training on how to equalize values, however, because the training was not requested by the Assessor's office. Training has now occurred and the process has been tested in a test environment. The process can be implemented in future years.

**WERE ANY PERSONAL PROPERTY
ACCOUNT HOLDERS NOTIFIED OF
THEIR 2021 ASSESSMENTS IN WRITING?**

- Yes.
- Only the 2,676 dooamaged accounts were notified via letters on September 1, 2021.
- Did the letter mention the proposed ratio. No.
- Dooamage status does not impact the solution

WILL ALL PERSONAL PROPERTY ACCOUNTS BE ADJUSTED?

- Yes.
- Article VIII, section I, of the Wisconsin Constitution requires, in part, the uniform taxation of property

WHEN SHOULD THIS HAVE BEEN CAUGHT?

- If assessment notices had been mailed to personal property account holders, the error would have been discovered
- This error could have been noticed by several Assessor staff members
- In late November staff members from the Assessor's and Comptroller's office review the total assessed value and tax rate
- Reviewing the assessment level including any equalization of locally assessed personal property has not been part of this process for the last 20 years. This type of review should be included in these discussions in future years.

**HOW MANY ACCOUNTS WILL BE
ELIGIBLE FOR CHARGEBACK
SUBMISSION?**

- Charge back count = 600
- Charge back amount = \$435,135
- DOR will notify the other taxing bodies in November
- Amount will be paid by the four taxing bodies to the city

WHAT IS THE IMPACT ON OTHER TAXES BY ENTITY?

Taxing Entity	Estimated Chargeback
MPS School District	\$250,866
Milwaukee County	\$116,381
MATC	\$40,482
MMSD	\$27,406

CAN THE CITY RECOUP THESE FUNDS?

- DOR will notify the other taxing bodies in November
- s. 74.41 (5) Notice and Payment
- (a) The department of revenue shall certify to the clerk of the taxation district the amount determined to be charged back or shared under sub. (4) And shall furnish a copy of the certification to each affected taxing jurisdiction.
- Any notice that is certified by DOR (approved), **the city may add their share as a one-time adjustment to the levy limit worksheet in section D, line D.**
- This onetime adjustment still needs to be voted on for the final budget. If November 15, 2022, is too late in the budget process for this year, the city will still have next year's budget and levy limit worksheet to add it to.

WHAT IS THE PROPOSED SOLUTION?

- These accounts were over-billed due to a calculation error (s. 74.33)
- As approved by the Budget Office, the City Attorney's office and the City Comptroller, the Treasurer's office will post an assessment credit to each such account.
- These credits will be booked to the Omitted Taxes and Adjustments Account (904003), as is done with any other correction to the tax roll.

WHAT IS THE PROPOSED SOLUTION?

- Additionally:
- A resolution for immediate adoption by the Common Council at its January 18th meeting that authorizes the correction of the personal property tax roll as stated above.
- A notice will be mailed to the affected owners regarding the correction being made to their 2021 personal property tax accounts.

WHICH WISCONSIN STATUTES HAVE BEEN DISCUSSED AS POTENTIAL SOLUTIONS?

- **74.33** Sharing and charging back of taxes due to palpable errors.
- **74.35** Recovery of unlawful taxes.
- **74.41** Charging back refunded or rescinded taxes; sharing certain collected taxes.
- **70.43** Correction of errors by assessors.
- **74.05** Correction of tax roll information.
- **74.33** Sharing and charging back of taxes due to palpable errors.
- **74.41** Charging back refunded or rescinded taxes; sharing certain collected taxes.