



Department of Administration
Budget and Policy Division

Tom Barrett
Mayor

Sharon Robinson
Director of Administration

Sharon Cook
Director of Intergovernmental Relations

Assembly Bill 573 - Columbus Park Legislation

A 2003 Supreme Court decision on Columbus Park Housing Corporation v. Kenosha held that a non-stock, non-profit corporation that rents to qualified low-income persons is not exempt from property taxes because low-income individuals would have been subject to property taxes if they owned the property. In response, 2003 Wisconsin Act 195 was enacted to overturn the court's decision. The Act also directed the Legislative Council to study the issue of tax exemption for housing. The Special Committee on Tax Exemptions for Residential Property issued its findings in April of 2005 – resulting in Assembly Bill 573, which proposes to do the following:

- Specify the types of property owned by a benevolent associations that are exempt from the property tax to include:
 - a) nursing homes
 - b) community based residential facilities
 - c) adult family homes
 - d) residential care apartment complexes
 - e) domestic abuse shelters
 - f) homeless shelters and transitional housing facilities
 - g) housing for low-income persons that is operated in compliance with IRS income eligibility limits for federal low-income housing programs
 - h) AODA facilities
 - i) housing for people with disabilities
 - j) nonresidential property
- Eliminate the exemption for high-end senior housing facilities.
- Allow that leasehold income can be used to further the property owner's benevolent or educational, or religious activities in addition to paying for the maintenance of the property or construction debt retirement ("rent use" requirement).

Good public policy is needed:

- **Current law violates equal protection** – The current system does not treat similarly situated individuals equally as an exemption from taxes could be granted to one person that would not be granted to an otherwise identical person. This is particularly egregious when a low-income homeowner is required to pay taxes, whereas a person of above average income may not be required to do so.
- **State policies for tax relief are inconsistent** - Under current law, the state recognizes the burden of property taxes for low-income individuals by granting a modest homestead tax credit to any individuals that make below \$24,500. Above this level, the state's policy is to require full payment of property taxes. However, under

the exemption law, the state grants **full** exemption to individuals with incomes far above this level.

- **Exemptions increase taxes for those who must pay** - Whenever an exemption is granted, the taxes that would otherwise be collected from the exempt party are instead shifted to other taxpayers. This results in a higher tax rate – for everyone, including those individuals receiving the homestead credit, diluting its benefit. In Milwaukee, the exemption for high-end senior homes alone costs our taxpayers over \$7 million. For this reason, exemptions must be granted only when appropriate.
- Two examples in Milwaukee include:
 - **Milwaukee Protestant Home (Provides assisted living, nursing beds and independent apartments).**
 - High End Independent Apartments: 72 – building 82 more
 - Entrance Fee: Up to \$98,000
 - Monthly Fee: \$1,000-\$2,000
 - **Alexian Village (Provides assisted living, nursing beds and independent apartments).**
 - High End Independent Apartments: 280
 - Entrance Fee: Up to \$ 200,000
 - Monthly Fee: \$1,000-\$2000

Statewide more and more housing is coming off the tax rolls shifting the burden to fewer and fewer people every year. For example in 1972 in Milwaukee, the portion of the City's tax burden that was paid by residential property was 46%. By 2004 it had increased to 70%. History indicates that this figure increases each and every year.

Specific Issues to address:

- Milwaukee would like an amendment to the “rent use” requirement to specify that lease income spent on benevolent activities must be spent in the municipality (or county) in which the facility is located.

For more information, please contact:

Jennifer Gonda, Legislative Fiscal Manager – Senior
(414) 286-3492 or jgonda@milwaukee.gov

Mary Reavey, City Assessor
(414) 286-3101 or mreave@milwaukee.gov