



ASSESSOR'S OFFICE

Mary P. Reavey
Assessment Commissioner

Peter C. Weissenfluh
Chief Assessor

September 6, 2002

TO: Alderman Michael D' Amato, Chair
Judiciary and Legislation Committee

FROM: Mary Reavey
Assessment Commissioner

SUBJECT: File Ref - 020241 Substitute resolution relating to continuation of
biennial property revaluations by the Assessor's Office

I have had the opportunity to review Alderman Bohl's resolution that would seek to continue biennial revaluations in the City of Milwaukee. I would like to provide some information that may be useful to you as you consider the merits of the resolution.

The reason for yearly revaluations is to make sure that all property pays its share of property taxes, no more, no less. Yearly revaluations would ensure that equity among properties would be maintained. When assessments slip to some fraction of market value as they do during the year we do not revalue, inequities tend to occur. The longer the period of time this happens the greater the disparity and greater the impact to property owners. This is demonstrated using attachments #1 and #2, "Attachment #1, - Residential neighborhoods -- January 2002" and "Attachment #2 - Residential Neighborhoods -- January 2001". The neighborhoods outlined in *purple* on both maps show neighborhoods where taxes were underpaid by 10% or more (i.e. other neighborhoods subsidized them) and thus, did not pay their fair share in 2001(Attachment #1) or would have underpaid taxes in 2002(Attachment #2) by 10% or more had we not conducted a revaluation. On the other hand, the neighborhoods designated in *pink* overpaid taxes by 10% or more in 2001(Attachment #1) or potentially would have overpaid by 10% or more in 2002(Attachment #2) had we not conducted a revaluation. It is interesting to note how the disparity, non-uniformity, and inequities increase with time -- in this case in just two years. And, obviously, the more adjustments the assessor's office needs to make, the greater the frustration and number of appeals that come as a result. In fact, there is a direct correlation between the number of appeals and the dollar value of the changed assessments. Going from 4 year to 2 year revaluation cycles caused appeals to drop from a high of over 12,200 to around 4,000 - 4,500 on average. This is a drop of over 65%.

Assessors currently conducting yearly revaluations confirm that appeals will drop further still with annual revaluations.

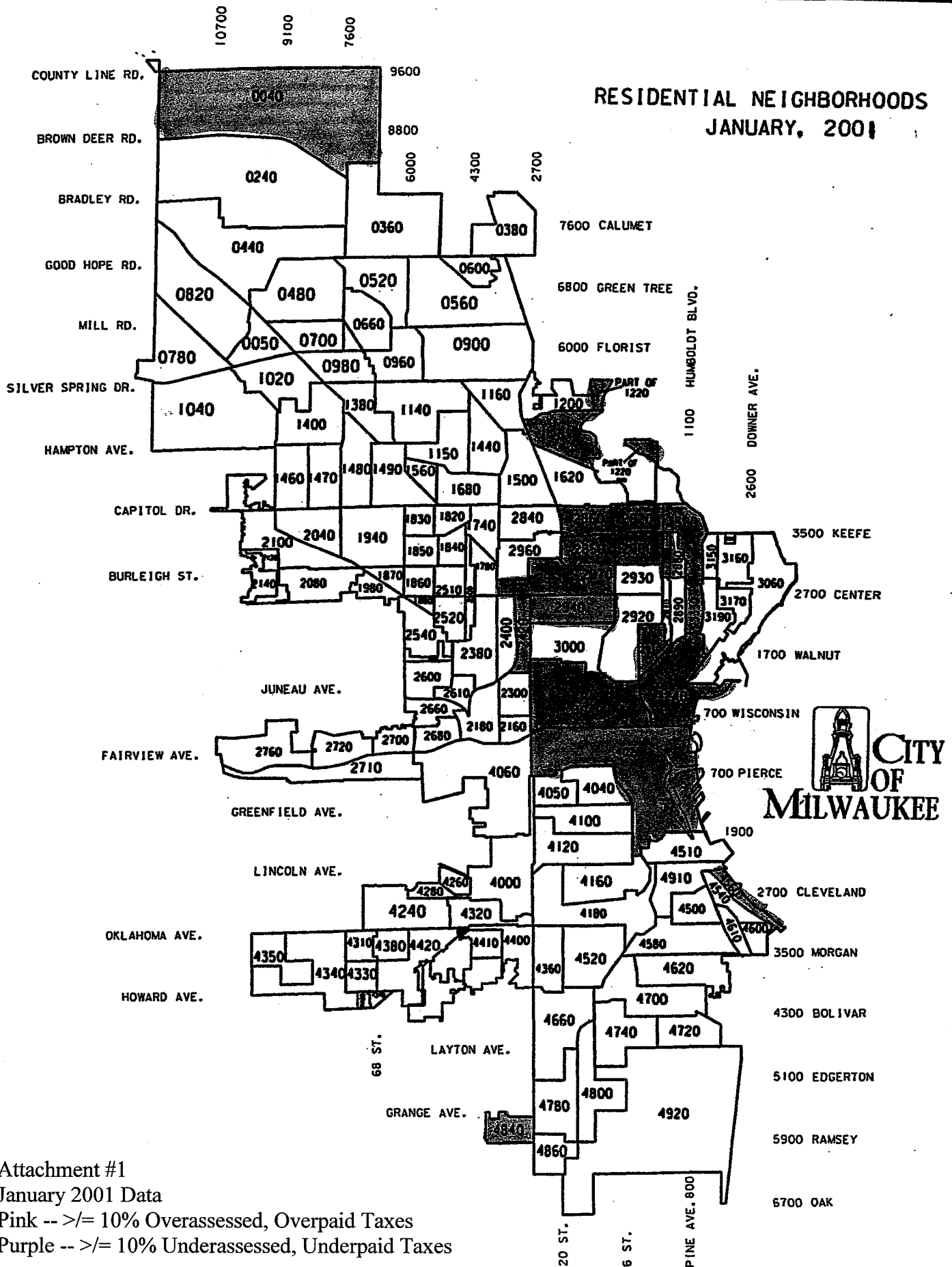
I have carefully reviewed the statements relating to the Milwaukee Public Schools (MPS) and any increased burden if yearly revaluations are implemented and it is obvious that annual revaluations do not harm MPS or any other taxing authority. It is important to distinguish between a revaluation done by the assessor's office creating uniform assessed values and the yearly equalization of municipalities by the Department of Revenue (DOR) creating uniform municipal values. The reason DOR equates all municipalities is to estimate municipal fair market value (actually equalized value¹) each year to ensure the uniform distribution of shared taxes across municipalities. The assessor, on the other hand, assesses property to make sure that each property pays their fair share of tax on an individual level. Regardless of whether the City of Milwaukee performs a revaluation, the base of the City will be "equalized" for the distribution of levies from overlapping taxing districts, shared revenues, and school aids (see Attachment #3 showing the history of assessed and equalized value for a 20 year period). It is the equalized value, not the assessed values that are used in all calculations. So, in essence, MPS or any other taxing districts are not affected by annual revaluations. In truth, annual revaluations create more and better interaction between the municipality and DOR during the process of equalization so that the numbers ultimately established are more accurate and the distribution more fair.

Many constituents wrongly assume that new assessments mean higher taxes. It is important to separate the two. Again, the purpose of the property assessment is meant to make sure everyone's tax burden is fairly distributed based on the legislative mandate of market value. The amount of dollars spent to provide services is determined by various governmental bodies; city, county, school district, technical college, etc. That process is done independently of property assessments. So, in effect, even if the assessments were unchanged, the dollars collected will still be the same, it would just not be done as fairly and equitably as possible. And, the smaller tax base would just result in a higher tax rate.

The yearly expense to conduct a revaluation would actually add less than ½ cent to the tax rate. It is a relatively small price to pay to ensure that all property owners are treated equitably.

¹ Definition of Equalized Value: The equalized value is the estimated value of all taxable real and personal property in each taxation district, by class, as of January 1 and certified by DOR on August 15 of each year. The value represents market value (most probable selling price), except for agricultural property, which is based on its use value (ability to generate agricultural income).

CC: Alderman Richards, Vice Chair
Alderman Gordon
Alderman Johnson-Odom
Alderman Murphy



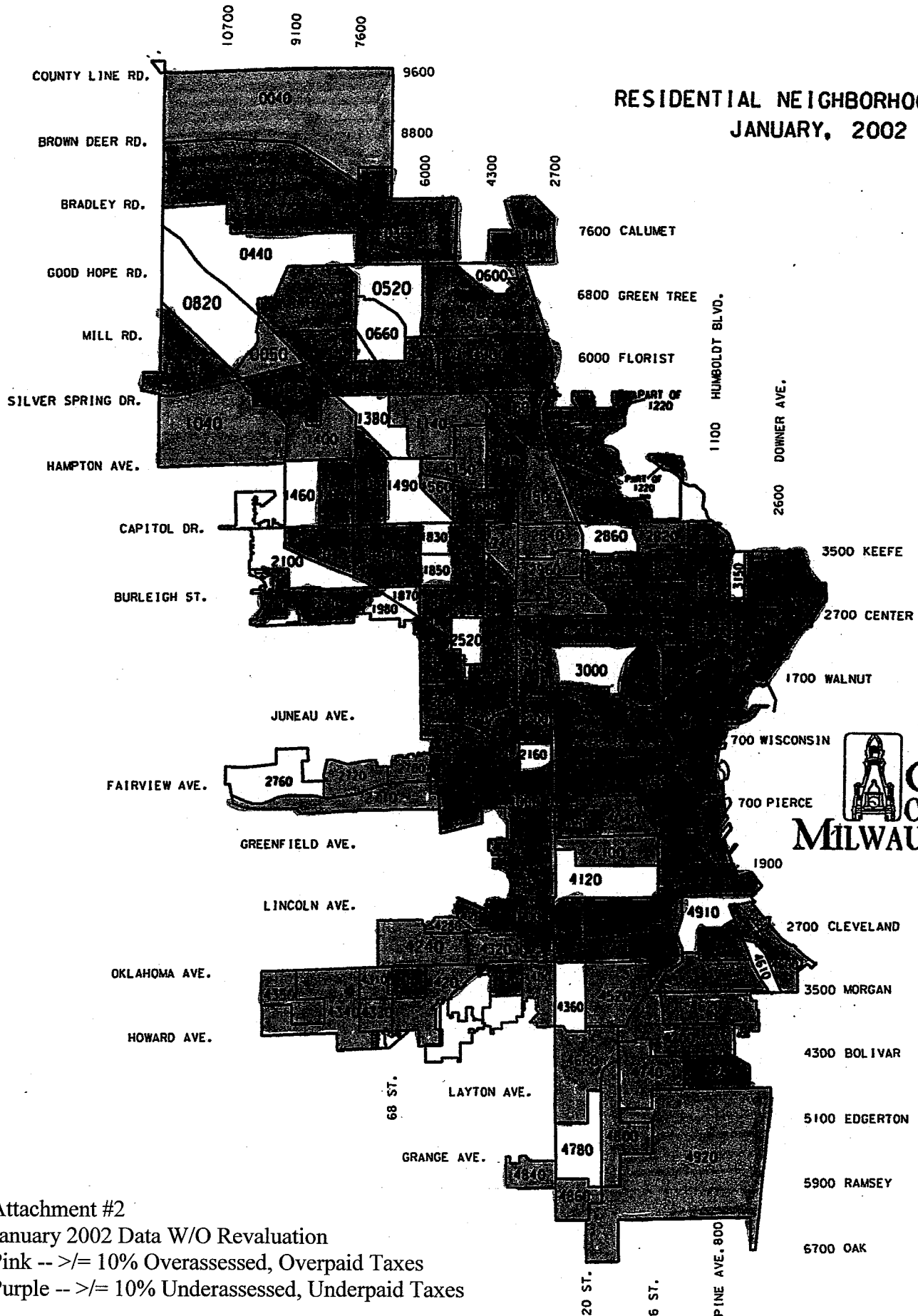
Attachment #1

January 2001 Data

Pink -- $\geq 10\%$ Overassessed, Overpaid Taxes

Purple -- $\geq 10\%$ Underassessed, Underpaid Taxes

RESIDENTIAL NEIGHBORHOODS JANUARY, 2002



CITY OF MILWAUKEE ASSESSED VS EQUALIZED VALUES 1983-2002

(1)		(2)	(4)
BUDGET YEAR	ASSMT YEAR	EQUALIZED VALUE (BY WIS. DOR)	ASSESSED VALUE
1984	1983	10,906,140,500	10,542,257,409
1985	1984	11,024,844,350	11,001,962,788
1986	1985	11,152,271,400	11,076,973,939
1987	1986	11,180,828,300	11,140,002,650
1988	1987	11,709,536,100	11,303,216,840
1989	1988	12,002,507,700	11,865,998,530
1990	1989	12,648,407,000	12,017,461,680
1991	1990	12,808,006,900	12,614,530,930
1992	1991	13,186,114,800	12,701,237,140
1993	1992	13,267,297,100	13,336,770,460
1994	1993	14,030,071,100	13,345,967,960
1995	1994	14,344,471,600	14,029,733,500
1996	1995	14,802,966,200	13,976,648,900
1997	1996	15,023,224,000	14,850,606,600
1998	1997	15,495,206,900	14,914,137,234
1999	1998	16,211,511,300	16,072,114,035
2000	1999	16,683,708,500	15,774,873,167
2001	2000	17,322,120,200	17,582,994,597
2002	2001	19,453,830,200	17,699,784,394