

Reply to Common Council File No. 041042
From DOA-Budget and Management Division

December 10, 2004

Ref: 04013


Common Council File No. 041042 is an ordinance relating to the implementation of a "Fair Share" Payment in Lieu of Taxes program. This program is designed to ask tax-exempt properties to contribute annual payments to help support the city services they receive.

Throughout the United States most central cities have disproportionately large percentages of tax-exempt property due to the convenience of their central location. Unfortunately, this places a higher burden of subsidizing the tax-exempt properties on city residents who typically can least afford to pay. In the City of Milwaukee, about one-third of all property is currently tax-exempt. There are 67 different types of exemption categories for property. In Milwaukee these exemptions encompass over 1,300 tax-exempt properties that are non-government owned. These tax exemptions translate into tens of millions of dollars in lost tax revenue for the city each year.

Although tax-exempt properties pay for water and sewer usage and a portion of snow and ice removal through user fees, they receive most city services free of charge. Examples of free services provided include: police protection, fire response, street lighting, tree pruning, boulevard maintenance, street repair and maintenance, sidewalk and alley repair and maintenance, and planning and development services. The cost of providing these services make up nearly 90 percent of the property tax levy supported budget.

The City of Milwaukee needs to continue diversifying its sources of revenue to reduce revenue reliance on resident and business taxpayers. Recovering some of the cost of city services provided to our more than 1,300 tax-exempt properties would be a wise fiscal strategy for the years to come. Not only will this initiative help the city, but it will benefit tax-exempt properties as the city is better able to maintain the high level of city services they are accustomed to receiving.

RECOMMENDATION: ADOPT COMMON COUNCIL FILE 041042 WHICH APPROVES AN ORDINANCE RELATING TO IMPLEMENTATION OF A FAIR SHARE PAYMENT IN LIEU OF TAXES PROGRAM.


Jennifer C. Gonda
Fiscal Planning Specialist

JCG:

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