



Wisconsin Taxpayers Alliance

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NEWS

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Unlocking the Mysteries of Property Assessment

New WISTAX Explains How Higher Values Don't Always Mean Higher Taxes

MADISON—"My assessment just went up. Now my property taxes will increase!" is a cry heard in many communities after local governments revalue properties. That conclusion is often wrong, according to a new report from the Wisconsin Taxpayers Alliance (WISTAX). In "Property Assessment: Understanding Property Valuation and Shifting Tax Burdens," WISTAX's property tax experts show that, following revaluation, individual taxes may rise or fall depending on value changes on other property in the community. Now in its 85th year, WISTAX is a nonpartisan organization dedicated to public policy research and citizen education.

The role of assessments in Wisconsin's property tax system is often misunderstood. At its most basic, a property owner's share of the total tax levy is the same as his or her share of total assessed values. Thus, the value of a taxpayer's home may rise during revaluation. However, if the value of other taxable properties in the community rise more, his or her share of values will fall. That means the taxpayer's share of total property taxes will also fall. In other words, revaluation can lead to slightly higher taxes for some, and lower taxes for others. Most property taxpayers are unaware of this property tax shifting.

While revaluations are not popular, they are necessary for an equitable property tax system. In many communities, properties appreciate at different rates, depending on location, type of property, and other factors. Without revaluation, assessments become dated and do not reflect current market conditions. The impact of dated assessments is some property owners paying too much tax and some paying too little.

The new report also explains a second type of shifting—between residents of neighboring communities. County and school taxes are levied on property owners in multiple municipalities. The state uses equalized values, or estimates of current market value, to distribute these taxes among the various municipalities. Like assessments and individual property owners in a community, a community's share of county and school taxes is the same as its share of equalized values.

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The WISTAX report shows that when one community's equalized values rise faster than others in the same county or school district, that community is allocated a greater share of county and school taxes. That amount is then distributed among taxpayers using assessed values. This type of shifting occurs annually, even without revaluation, and creates the greatest source of confusion among property taxpayers.

The report also points out that tax rates—often a subject of comparison among communities and occasional bragging by local officials—provide little real information unless placed in the context of property values. The property tax rate is simply the total levy divided by total property values. When levies increase, but at a slower pace than values, the property tax rate falls. Focus on a declining rate masks the increase in total property taxes. Rising values allow local officials to lower rates while increasing tax collections. By the same token, declining values can drive rates higher just to keep revenues constant.

The report also notes that assessments remain a responsibility of municipal officials although the state Department of Revenue sets standards for assessors. The report lays out the process for individuals who want to challenge their assessments, noting that the assessor's value is presumed correct unless proven otherwise by factual evidence and "small percentage differences in value are not sufficient to warrant a change."

The WISTAX report, "Property Assessment: Understanding Property Value and Shifting Tax Burdens," is available now by visiting www.wistax.org; emailing wistax@wistax.org; calling 608.241.9789; or writing WISTAX at 401 North Lawn Ave., Madison, WI 53704-5033. □

(Editor's Note: An electronic version of this release is available at www.wistax.org.)