

UNDERSTANDING THE PROPERTY TAX BILL

Every December, taxpayers receive a special holiday gift in the mail—their annual property tax bill. While most ignore the details and immediately look for the “total due,” the tax bill includes much more than the amount of tax due. Taxpayers can benefit from better understanding their annual bills.

AMOUNT OWED

Property Taxes

The sample 2011-12 tax bill below is received in December 2011 and is due in 2012. It shows that, in the Village of Bascom in Commons County, Buck E. Badger is being billed \$3,516.19 (A on tax bill) in total property taxes. That amount is reduced by the state-funded first dollar (\$79.76) and lottery and

gaming (\$74.86) credits, resulting in a net tax bill of \$3,361.57 (B). Net property taxes due this year were 1% (C) more than the prior year (D). In addition to name, address, and governmental information, a legal description of Mr. Badger’s property and his parcel number appears at the top right (G).

Additional Charges

In addition to property taxes, some municipalities bill for other services provided; the most common being garbage pickup. This practice removes some costs from the property tax, slightly reducing the tax rate. It can also help communities remain below state-imposed limits that restrict the allowable increases on local tax levies.

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|---|---|--|--|---|--------------|
| STATE OF WISCONSIN PROPERTY TAX BILL FOR 2011 VILLAGE OF BASCOM COUNTY OF COMMONS BUCK E BADGER 1 VARSITY LANE BASCOM WI 53500 | | | BILL NUMBER: 1650978 (G) 19043/17 1 VARSITY LN SEC. 01, T 05 N, R 09 E LOT 2 CSM 3514 CS14 / 91&92 R2069 / 36&37-7/24/80 DESCR AS ... PARCEL NUMBER: 165/0509-013-6362-8 | | |
| Assessed Value Land | Ass'd. Value Improvements (M) | Total Assessed Value | Ave. Assmt. Ratio (N) | Net Assessed Value Rate (Does NOT reflect Lottery Credit) (L) | |
| 31,500 | 138,500 | 170,000 | 0.8822 | 0.02012429 | |
| Est. Fair Mkt. Land | Est. Fair Mkt. Improvements | Total Est. Fair Mkt. (O) | <input type="checkbox"/> A Star in this box means Unpaid Prior Year Taxes | School taxes reduced by school levy tax credit (K) | |
| 35,700 | 157,000 | 192,700 | | \$ 195.39 | |
| Taxing Jurisdiction | 2010 Est. State Aids Allocated Tax Dist. | 2011 Est. State Aids Allocated Tax Dist. | 2010 Net Tax | 2011 Net Tax | % Tax Change |
| STATE OF WISCONSIN | | | 35.62 | 36.20 | 1.6% |
| COMMONS COUNTY | 159,772 | 161,134 | 475.64 | 485.37 | 2.0% |
| VILLAGE OF BASCOM | 1,345,929 | 1,387,928 | 1,361.61 | 1,408.73 | 3.5% |
| BASCOM SCHOOL DISTRICT | 9,560,805 | 9,801,734 | 1,385.99 | 1,341.46 | -3.2% |
| TECHNICAL COLLEGE | 202,715 | 191,460 | 233.75 | 244.43 | 4.6% (J) |
| Total | 11,269,221 | 11,542,256 (P) | 3,492.61 | 3,516.19 (A) | 0.7% |
| | First Dollar Credit | | 78.50 | 79.76 | 1.6% |
| | Lottery & Gaming Credit | | 85.28 | 74.86 | -12.2% |
| | Net Property Tax | | 3,328.83 (D) | 3,361.57 (B) | 1.0% (C) |
| Make Check Payable to: | Full Payment Due On or Before January 31 | | Net Property Tax | | 3,361.57 |
| VILLAGE OF BASCOM 123 CAMPUS DR. BASCOM WI 53500 | \$ | 3,741.94 | GARBAGE COLLECTION 95.00 (E) SIDEWALK 285.37 | | |
| | Or First Installment Due On or Before January 31 | | | | |
| | \$ | 2,061.16 | | | |
| And Second Installment Payment Payable To: | And Second Installment Due On Or Before July 31 | | | | |
| COMMONS COUNTY TREASURER PO BOX 2005 VAN HISE WI 53007 | \$ | 1,680.78 | | | |
| TOTAL DUE FOR FULL PAYMENT PAY BY JANUARY 31 \$ 3,741.94 (F) Warning: If not paid by due dates, installment option is lost and total tax is delinquent subject to interest and if applicable, penalty. (See reverse) | | | | | |

A side effect of shifting services from property taxes to user fees is its impact on federal (and sometimes state) income taxes. While property taxes paid can be deducted from income when calculating federal income taxes owed, fees cannot. In other words, removing services from property tax funding can raise federal income taxes.

In the sample tax bill, Mr. Badger is charged for two services not funded with property taxes, a \$95 fee for garbage pickup and a \$285.37 special assessment for sidewalks (E). Adding these two charges to the tax bill brings the total amount due to \$3,741.94 (F).

MORE INFORMATION

Tax bills are no one's idea of light reading, but they have a lot more to tell—about tax trends, assessment practices, and even state budget priorities—than the amount due.

Individual Levies

In Wisconsin, property taxes can be confusing because they are levied by multiple governments. In the sample bill, Mr. Badger has to pay property taxes to the state (\$36.20), county (\$485.37), village (\$1,408.73), local school district (\$1,341.46), and local technical college (\$244.43, H). Some taxpayers may also pay to lake or sewer districts, or to other local taxing bodies.

Levies for each taxing unit are listed for both 2011 and 2010 (I) which enables comparison. Mr. Badger's school taxes fell 3.2% this year, while the local technical college district and village levies rose 4.6% (J) and 3.5%, respectively.

To some, a net levy increase of just 1.0% might be surprising considering all taxing units, except the local school district, increased their levies by 1.6% or more. However, because schools generally account for the largest portion of taxes due, they have a larger effect on the total bill than other individual taxing units.

The Bascom school district levy differs slightly from other levies listed on Mr. Badger's tax bill because of the school levy credit (K). Unlike the first dollar and lottery and gaming credits—which are subtracted from the gross tax total at the bottom of the bill—the school levy credit is subtracted directly from the school levy. In Mr. Badger's case, the Bascom school levy (before the credit) was \$1,536.85. After reducing it

by the credit amount (\$195.39), the levy shown on the tax bill was \$1,341.46. Thus, the school levy shown on the tax bill is a net amount.

Tax Rate

Often, most property tax discussion focuses on tax rates. The rate is determined by dividing the tax levy by assessed property value. In Mr. Badger's case, the net tax rate, after all state aid and tax credits (except the lottery credit), is \$.02021 (L). The rate is typically expressed per \$1,000 of property value, in which case Mr. Badger's rate was \$20.21 for each \$1,000 of assessed value.

Values

The tax bill lists two values associated with the Badger property. The first is the assessed value (M): Mr. Badger's land is assessed at \$31,500 and his improvements at \$138,500. The assessed value is determined annually by a local assessor, although it can remain unchanged for several years if the municipality does not do an annual revaluation.

The bill also shows the estimated fair-market value (O). This figure is derived from the Wisconsin Department of Revenue's annual estimates of equalized values. Equalized values are used to fairly distribute total county, school, and technical college levies among the municipalities within those taxing districts. These estimates are as of January 1 of the year the property tax bill is sent; in this case, January 1, 2011.

The average assessment ratio (N) shows taxpayers at what percent of market value their property is being assessed. Assessed and fair-market values can differ significantly if a municipality does not keep its valuations current. In such cases, the average assessment ratio will differ from 1.00 (or 100%). In Mr. Badger's case, his home is assessed at 88.22% (0.8822) of fair-market value (\$170,000/\$192,700).

State Aids

State-local finance in Wisconsin is rather unusual compared to other states. While the majority of tax revenue here is collected at the state level, most services are provided locally. As a result, state aids to local governments comprise the majority of spending in the state budget.

Mr. Badger's bill shows that state aid paid to local units serving him totaled over \$11 million in 2011 (P). □