

# PROPERTY TAX ADMINISTRATION

## Multiple Installments



"IMPLEMENTING THESE CHANGES WON'T BE EASY.  
WE'RE PRETTY SET IN DOING THINGS THE WRONG WAY."

**QUIZ: Who needs to give the City of Madison permission to change its method of property tax collection?**

A. The Wisconsin Department of Revenue

B. Dane County

C. The Wisconsin Legislature

D. None of the above

## D. None of the above

Wisconsin statutes:

74.12 (a): “ The governing body of any taxation district may, by ordinance, authorize the payment of taxes on real property and improvements on leased land or special assessments or both those taxes and assessments in 3 or more installments.”

## Requirements:

1. “Such an ordinance applies to collections of a calendar year only if it is enacted on or before August 15 of the preceding calendar year.”
2. “Any kind of obligation to which the installment option pertains may be paid in 3 or more installments.”
3. “The first installment shall be paid on or before January 31 and at least 50% of the obligation to which the installment option pertains shall be paid on or before April 30.”
4. “All obligations to which the installment option pertains shall be paid by July 31.”

# Chronology:

1. Government Investment Officers Association—March, 2010



## 2. Treasurer's staff



### 3. Recommendation to Mayor Dave:

#### Pros:

1. Fewer delinquencies
2. More predictable cash flow for city
3. Additional revenue
4. Leverage of treasurer's office payment processing capacity

#### Cons:

1. Fiscal impact on Dane County
2. Confusion during transition period





#### 4. Meeting with County Treasurer Worzala:



## 5. Research



## Cities with multiple installments:

- New Berlin
- Waukesha
- Racine
- Beloit
- Shawano
- West Bend
- Phillips
- LaCrosse
- Kenosha
- West Allis
- Wausau
- Oshkosh
- Muskego
- Appleton
- Menasha
- Neenah
- Two Rivers
- Wisconsin Rapids
- Cudahy
- Franklin
- Glendale
- Greenfield
- Milwaukee
- Oak Creek
- Saint Francis
- Sparta
- Tomah
- Stevens Point
- Watertown
- Hurley
- Watertown
- Merrill
- Manitowoc
- Rice Lake
- DePere
- Oconomowoc
- Wauwatosa

## Villages with multiple installments:

- Pleasant Prairie
- Grafton
- Bayside
- Whitefish Bay
- Sussex
- Mukwonago
- West Milwaukee
- Shorewood
- River Hills
- Hales Corners
- Menomonee Falls
- Greendale
- Fox Point
- Brown Deer
- Bayside
- Prentice

## Towns with multiple installments:

- Georgetown  
(pop. 171)
- Harmony  
(pop. 222)
- Catawba  
(pop. 269)
- Lake  
(pop. 1,128)
- Grafton  
(pop. 3,980)
- Emery  
(pop. 297)
- Maxville  
(pop. 309)

## 5. Research (continued)



## Peggy Steeno, CPA, MBA, Director of Finance, City of Oshkosh:

“The City of Oshkosh has 4 installments (Jan./March/May/July). The most positive aspect of the four installments is the customer service piece. Four installments really makes a tax bill more palatable for our citizens.”

## MaryAnne Groat, CPA, Director of Finance, City of Wausau:

“The City of Wausau has had a three installment plan for many years. I know the citizens of Wausau like it because when we inform new residents they always provide positive feedback. I would recommend it!”



## Mark Padesky, City Treasurer Supervisor, City of La Crosse:

“There are definitely positives to extending your installments. The biggest positive is that it is much easier for the taxpayer to split their payments into smaller increments rather than have two large payments.

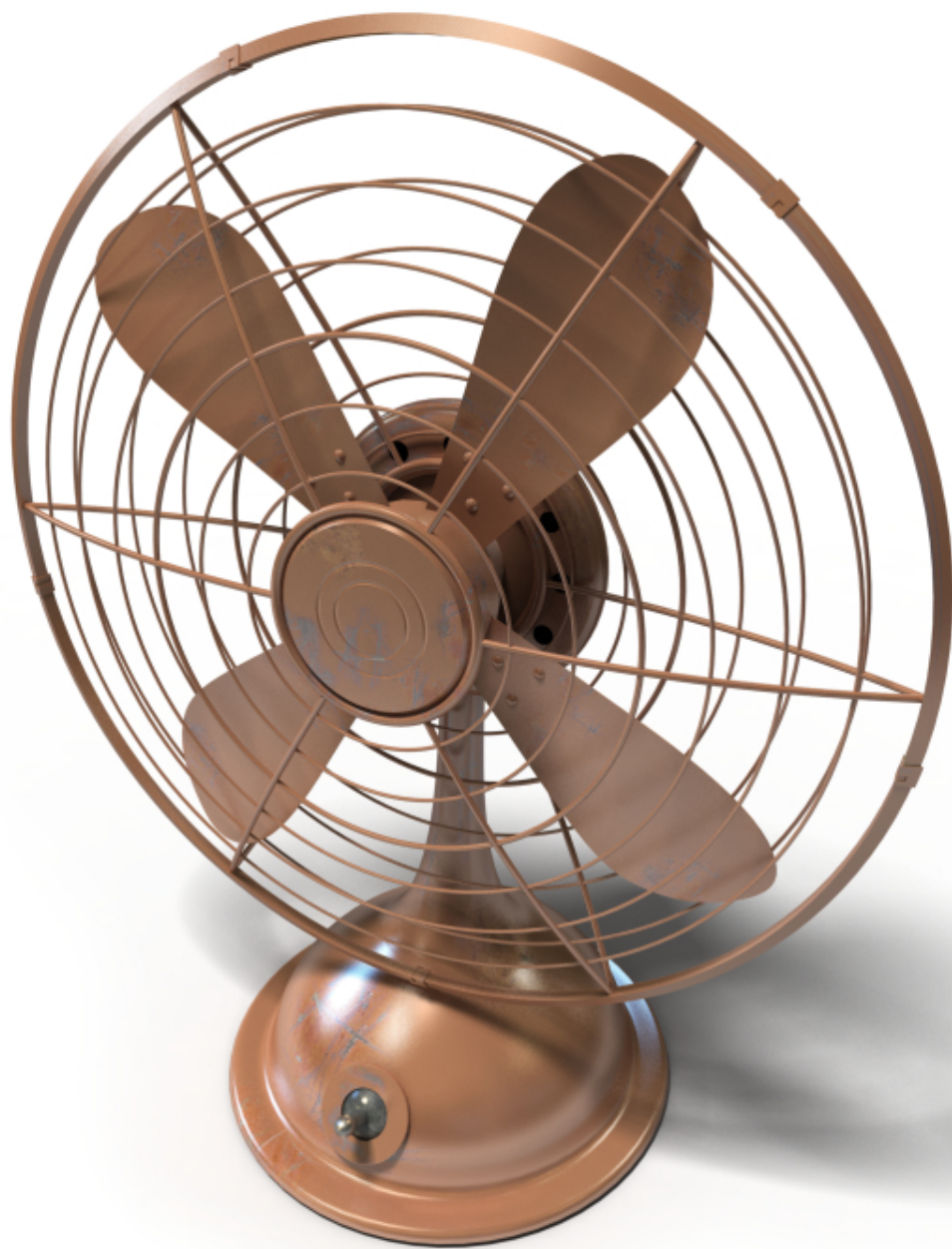
There are a number of reasons that your county would be resistant to change. I don't feel that confusion will be a major issue.

There has never been any discussion about going back to the two payments. I don't feel that the residents of the City will ever approve of it. If they are in favor of it, then I feel we should be, too.”

6. Draft ordinance & budget amendment

7. Begin legislative process





## County resistance:

- Equity
- Confusion
- Increased delinquencies
- Revenue loss

(also, political climate)

# REBOOT



# I. Delinquencies

Year	# of Parcels	Expected # of	Actual # of	% in Excess
		Delinquent Parcels	Delinquent Parcels	of Historical Average
2008	73,394	1,468	2,879	96.1%
2009	73,891	1,478	3,019	104.3%
2010	74,115	1,482	2,478	67.2%
2011	74,096	1,482	2,284	54.1%

# I. Delinquencies

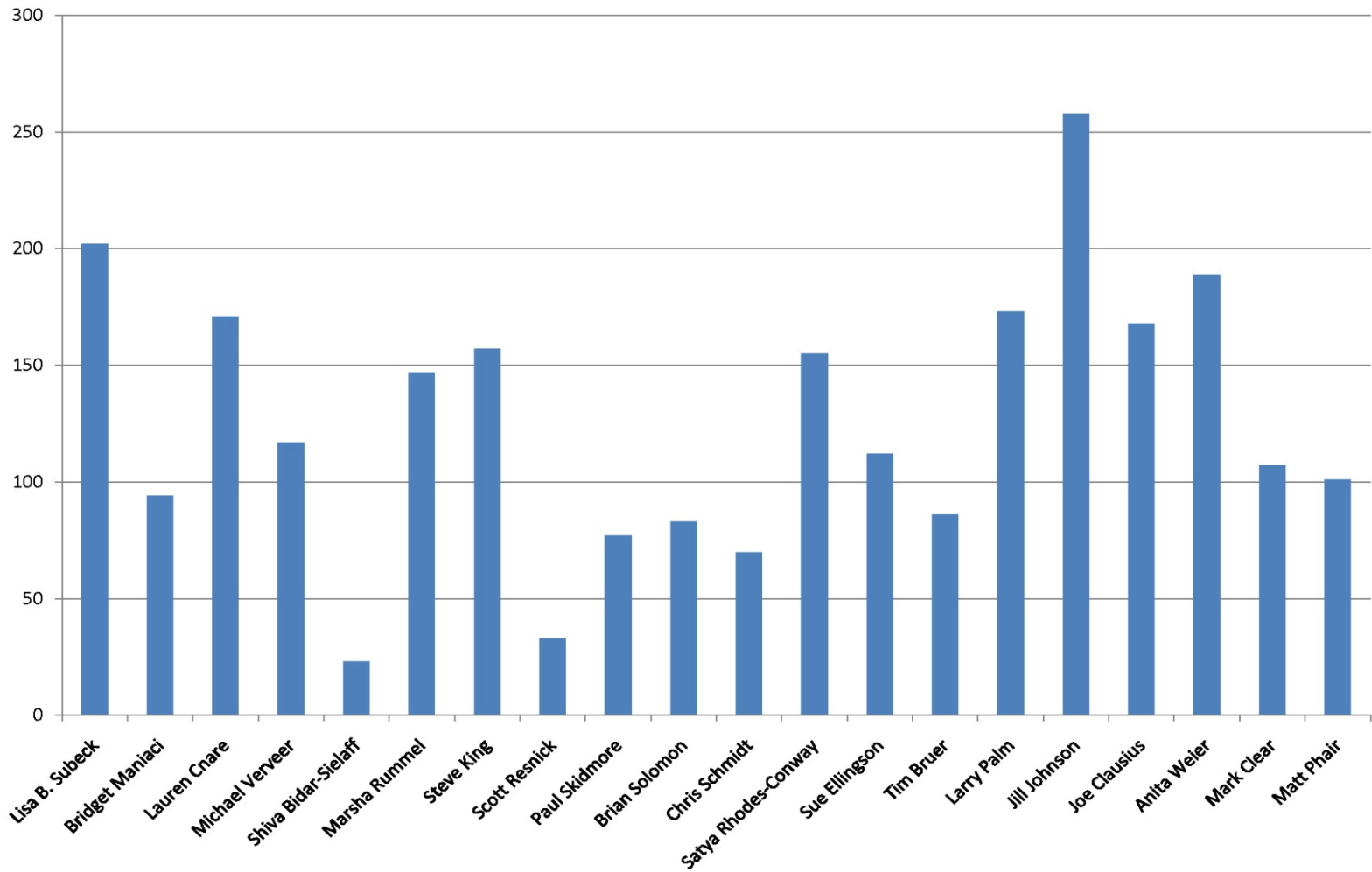
<b>Year</b>	<b># of Parcels</b>	<b>Expected # of Delinquent Parcels</b>	<b>Actual # of Delinquent Parcels</b>	<b>% in Excess of Historical Average</b>
2008	73,394	1,468	2,879	96.10%
2009	73,891	1,478	3,019	104.30%
2010	74,115	1,482	2,478	67.20%
2011	74,096	1,482	2,284	54.10%
2012	74,095	1,482	2,105	42.04%

<b>Year</b>	<b>\$ Net General Tax</b>	<b>Expected \$ of Delinquent Tax</b>	<b>Actual \$ of Delinquent Tax</b>	<b>% in Excess of Historical Average</b>
2008	\$420,355,953	\$8,407,119	\$11,289,953	34.3%
2009	\$442,722,395	\$8,854,448	\$15,201,065	71.7%
2010	\$461,798,556	\$9,235,971	\$12,239,307	32.5%
2011	\$475,129,131	\$9,502,583	\$12,117,794	27.5%

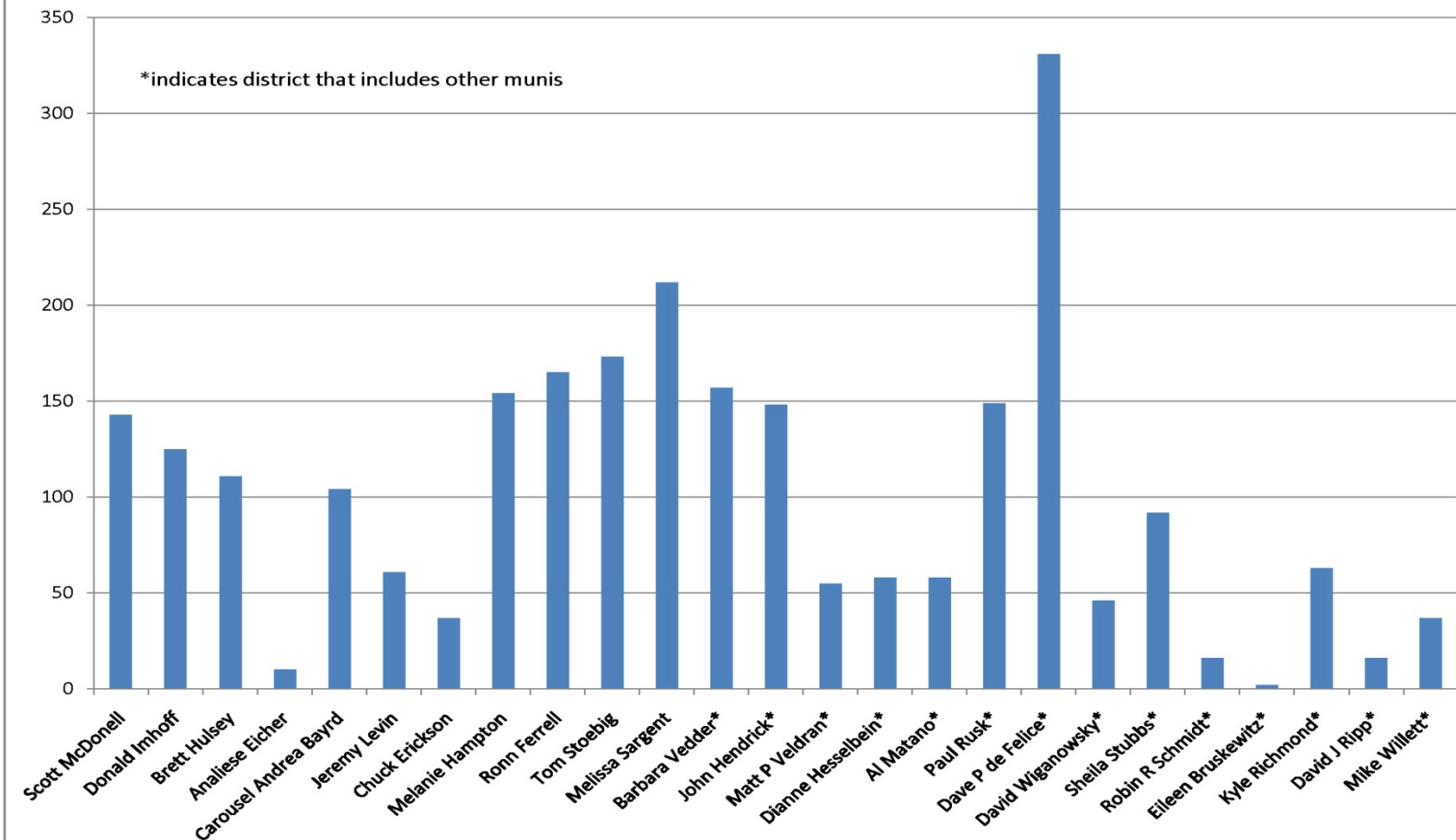


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2011	\$475,129,131	\$9,502,583	\$12,117,794	27.50%
2012	\$490,301,289	\$9,806,026	\$10,064,219	2.63%

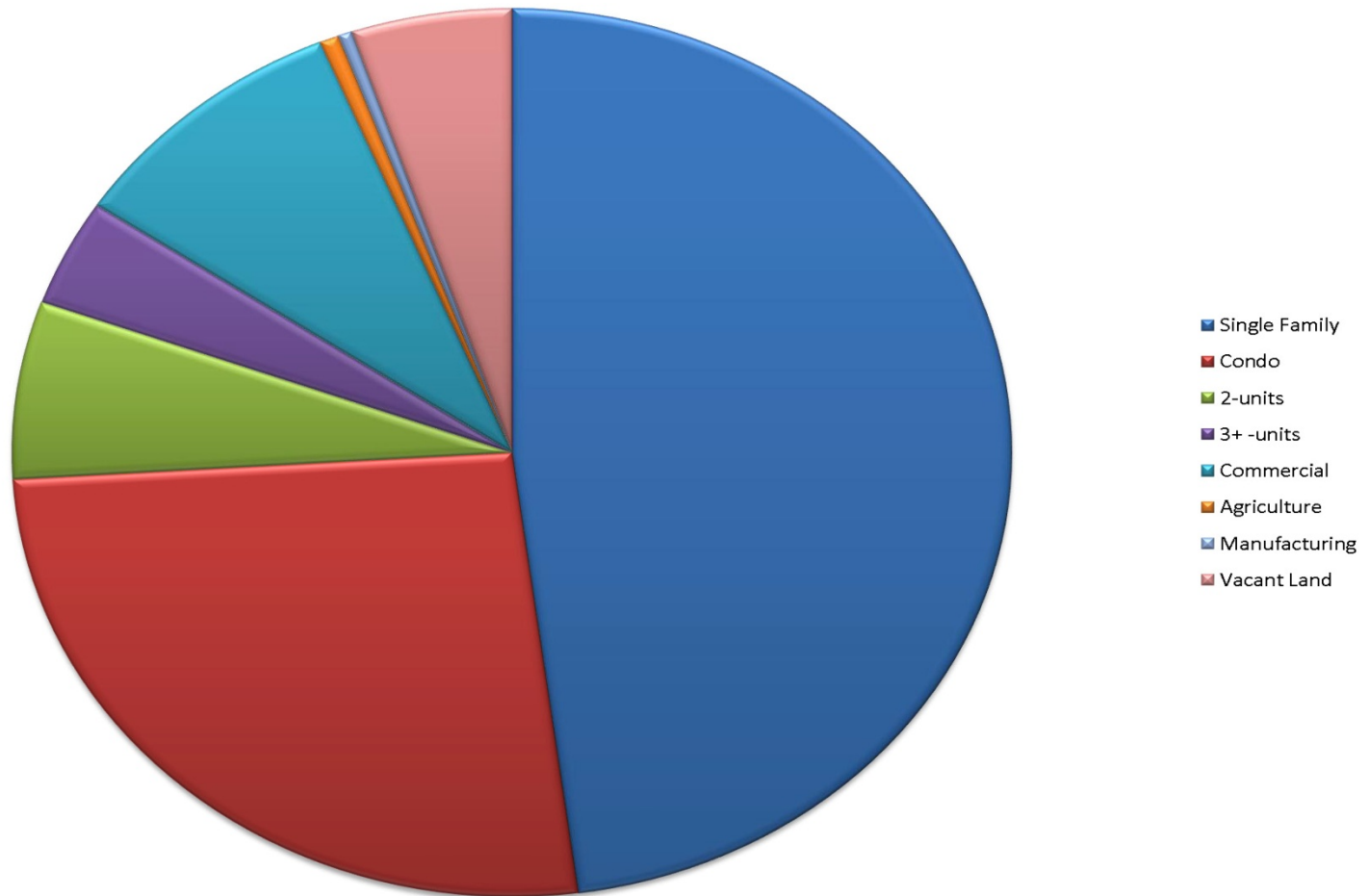
**# of delinquent parcels 2/21/2011**



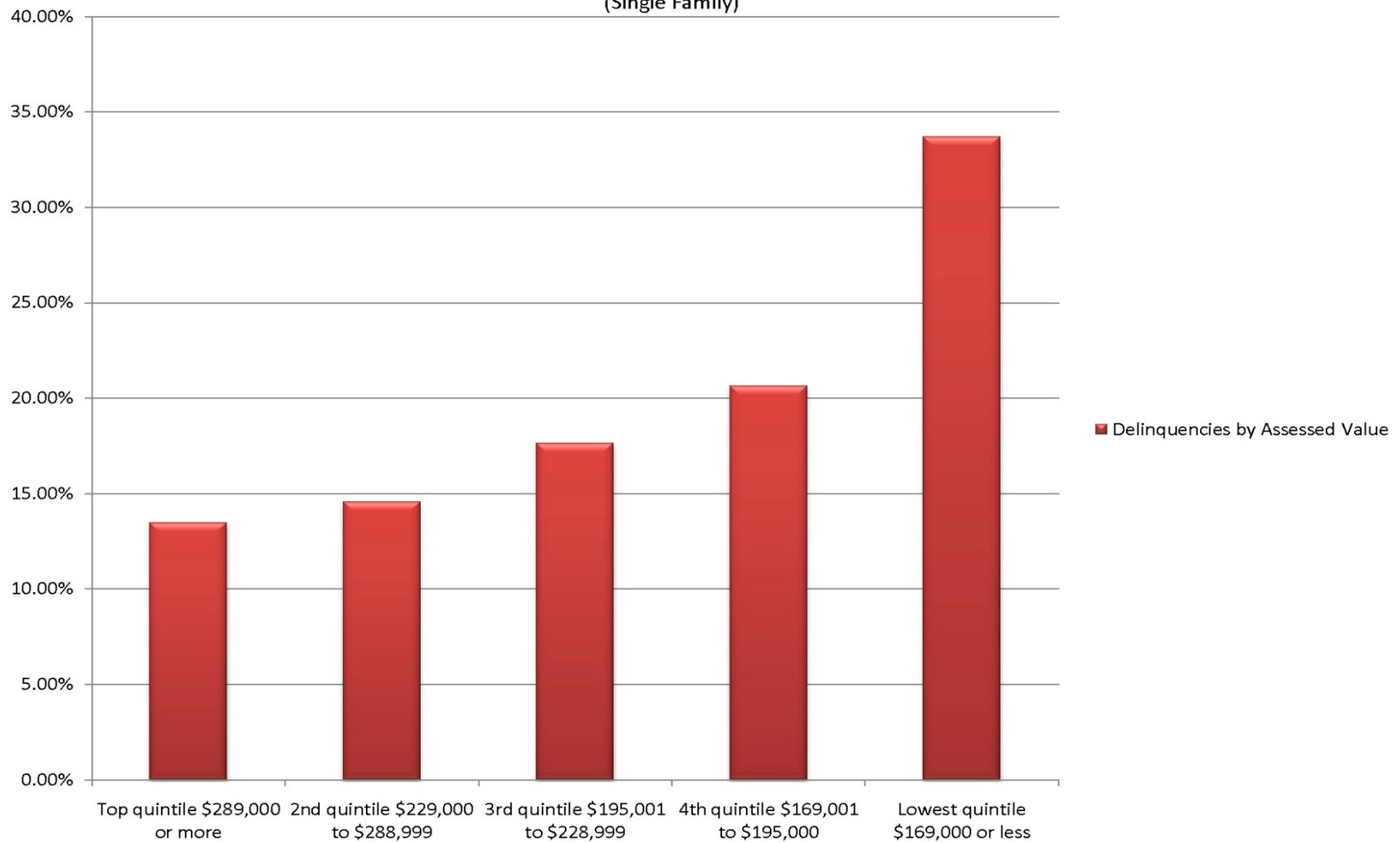
## City of Madison Delinquencies by Supervisory District




**Delinquencies by Property Use**



## Delinquencies by Assessed Value (Single Family)



Are delinquency rates effected by the number of installments?



# “The Effect of Increasing the Number of Property Tax Payment Installments on the Rate of Property Tax Delinquency”

By Paul Waldhart

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## About the Author

Paul Waldhart received his Masters in Public Affairs from the University of Wisconsin-Madison's LaFollette School of Public Affairs in May 2011. His studies included statistical and policy analysis, as well as tax policy. In addition to researching for the Lincoln Institute, Paul has co-authored working papers prepared for Wisconsin's Department of Children and Families and Wisconsin's Department of Corrections. The latter of these two reports was part of the *Wisconsin Family Impact Seminars* series and presented to Wisconsin's State Legislature. Paul is currently a legislative analyst for the Wisconsin Legislative Audit Bureau.



# Multivariate Regression Analysis

## Variables

- Number of installments
- Population
- Housing price index
- Foreclosure rate
- Per capita equalized property value
- Percent average effective tax rate
- Percent unemployment
- Percent poverty
- Reminder notices?
- Amount of penalty
- Net tax levy
- “Sale book” data

## Municipalities in Study

- Appleton
- Ashwaubenon
- Beloit
- Brookfield
- Cedarburg
- DePere
- Fitchburg
- Franklin
- Germantown
- Grand Chute
- Green Bay
- Greenfield
- Janesville
- Madison
- Manitowoc
- Marshfield
- Menasha
- Menomonee Falls
- Mequon
- Milwaukee
- Muskego
- Neenah
- New Berlin
- Oak Creek
- Oshkosh
- Port Washington
- South Milwaukee
- Stevens Point
- Sun Prairie
- Superior
- Two Rivers
- Watertown
- Waukesha
- Wauwatosa
- West Allis
- West Bend

## Conclusion:

“ . . . Results shed light on the important question of how the number of payment installments impacts delinquency. The results provide strong statistical evidence that having three installments as opposed to two leads to a 1.23 percentage point decline in delinquency. **For the average Wisconsin municipality surveyed, this reduces delinquency in half.**”

## Citizens' survey:

- Conducted on city's website
- Detailed preface comparing current collection method to proposal
- 743 responses

## Question 1:

**Most property owners pay their total bill in December, and, therefore, won't be affected by this proposal. Which statement comes closest to your thoughts?**

I never use the installment options, so it doesn't matter to me. **42.6%**

I use installments, and I would like the option of spreading my payment out over four installments. **37.6%**

I'm used to the present method and would rather not change anything. **19.9%**

## Question 2:

**The proposed new method of property tax collection would have the City of Madison collect from December through July of each year. Currently, the city collects during the months of December and January only. Which statement comes closest to your thoughts?**

It will be easier for me to remember if I'm always paying the same office, the City of Madison Treasurer. **49.4%**

I am used to paying the first installment to the city and the second installment to the county. A change will be more confusing. **5.5%**

It doesn't matter to me one way or the other. **45.1%**

## Question 3:

**Under the proposed new collection method, property owners who are delinquent from earlier years will be getting notices from the city reminding them of current taxes due and from the county reminding them of past years' delinquent taxes. Which statement comes closest to your thoughts?**

It would be very confusing to receive reminders from both the city and the county. This confusion is serious enough to give up on the whole idea. **10.5%**

I wouldn't find it confusing to get reminders from both units of government. City reminders would be current year taxes, county notices would be prior years' taxes. **11.8%**

I don't plan on being delinquent, so it isn't an issue with me. **77.7%**

## Question 4:

**Under the proposed new collection method, interest and penalty would still be charged to the delinquent taxpayers, although it is anticipated there will be fewer delinquents. However, interest and penalty collected by the city will be part of city revenue, where now it is county revenue. (A reasonable estimate is that where the county under the current system might collect \$400,000 in a year from delinquent city taxpayers, under the new method the city might collect \$200,000 with the other \$200,000 being kept by the taxpayers who would not go delinquent with four installments.) Which statement comes closest to your thoughts?**

The county shouldn't lose this revenue, so we should not make any changes. **10.2%**

If taxpayers who would otherwise do delinquent can avoid paying interest and penalties that would total \$200,000, we should make the change to four installments. **58.2%**

I pay taxes to both the city and the county, so it doesn't matter to me how that tax money is split up between the two units of government. **31.6%**



## SUMMARY

### Status Quo

- Tax bills calculated, printed, and mailed first week of December
- City collects taxes through January 31<sup>st</sup> (plus grace period)
- On January 15<sup>th</sup> city pays other taxing districts (county, schools, MATC) their share of taxes collected through December 31<sup>st</sup> (approx. 75% of taxes owed).
- On approx. February 7<sup>th</sup> the city transfers all payment records to Dane County and no longer accepts payments

### Multiple Installments

- Tax bills calculated, printed, and mailed first week of December
- City collects taxes through July 31<sup>st</sup> (plus grace period)
- On January 15<sup>th</sup> city pays other taxing districts (county, schools, MATC) their share of taxes collected through December 31<sup>st</sup> (approx. 75% of taxes owed).

## SUMMARY (continued)

### **Status Quo**

- On February 20<sup>th</sup> the city pays the other taxing districts their share of taxes collected through January 31st

### **Multiple Installments**

- On February 20<sup>th</sup> the city pays the other taxing districts their share of taxes collected through January 31st
- On April 15<sup>th</sup> the city pays the other taxing districts their share of taxes collected through March 31st
- On June 15<sup>th</sup> the city pays the other taxing districts their share of taxes collected through May 31st

## SUMMARY (continued)

### Status Quo

- On August 20<sup>th</sup> the **COUNTY** pays the other taxing districts their share of taxes collected through July 31<sup>st</sup> plus all delinquent taxes owed the city

### Multiple Installments

- On August 15<sup>th</sup> the city pays the other taxing districts their share of taxes collected through July 31<sup>st</sup>
- On August 20<sup>th</sup> Dane County pays the city for uncollected delinquent taxes
- On approx. August 7<sup>th</sup> the city transfers all payment records to Dane County for collection

## BOTTOM LINE:

1. Bring Madison in line with other large communities in Wisconsin
  - Majority of 10 largest cities
  - Majority of cities with pop. over 20,000
  - Majority of 2<sup>nd</sup> class cities

## BOTTOM LINE:

### 2. Help property taxpayers

- Lower delinquencies
- Spread out payments for those who wish
- Simplify the process

### 3. Help the city

- More efficient city government
- Enhance city cash flow
- Increase revenue