

## The City of Franklin Froze Property Taxes for 2014... so why did property taxes go up?

It is absolutely true that the City froze property taxes for the 2014 Budget at the 2013 Budget level, but there are other factors that impact tax bills.

Two factors in particular have caused a wide variety of differing results on property tax bills and have also lead to some confusion. The following information details the main impacts on the tax bills that were recently distributed.

### 1. Another Taxing Jurisdiction – The Franklin School District – increased their taxes.

The City of Franklin's share of total property taxes is only about 25%. Although the City didn't increase its property tax levy, the Franklin School District did by 3%. Approximately 80% of residential properties are located in the Franklin School District. Those property owners in the Franklin School District are experiencing the most significant increase, which is largely due to the approval by voters of a referendum. In short, the ability for the Franklin School District to build an addition, remodel, and enhance facility was approved by a majority of voters, and those costs are first appearing on this year's tax bill. Since the Franklin School District is approximately 50% of the total tax bill, their increase of 3% will cause in increase of approximately 1.5% in the total tax bill for residents of this area.

[Note: Other factors also impacted the final tax bill variations, such as manufacturing property valuations and state designations of TIF increments, but these other factors generally had a more limited impact (less than 1%) and so are not discussed in detail herein.]

### 2. The property assessment revaluation reallocated the total property tax bill, so some properties had taxes decrease and some had taxes increase.

The property assessment revaluation that occurred earlier this year is the second factor that has impacted property tax bills. This is the factor that is probably causing the most confusion. State law and the State's Constitution require that property taxes be distributed equitably and the method of doing that is to allocate property taxes based upon assessed value. Every property, therefore, pays its proportional share of the total property taxes based on its proportional share of the total City-wide assessed value. (In simple terms, a person with a \$250,000 house will pay twice the property taxes of a person with a \$125,000 home.)

The revaluation process that occurred earlier this year and occurs every 3 years or so is the State's method for requiring City's to ensure that the assessed values remain indicative of the real estate market values. Cities are required to allocate property taxes based upon the assessed values. Each revaluation effectively adjusts each property's share of the total assessed value. As such, even though the City froze its property taxes, the changes in assessed value have caused a redistribution of the taxes to meet the state law requirements.

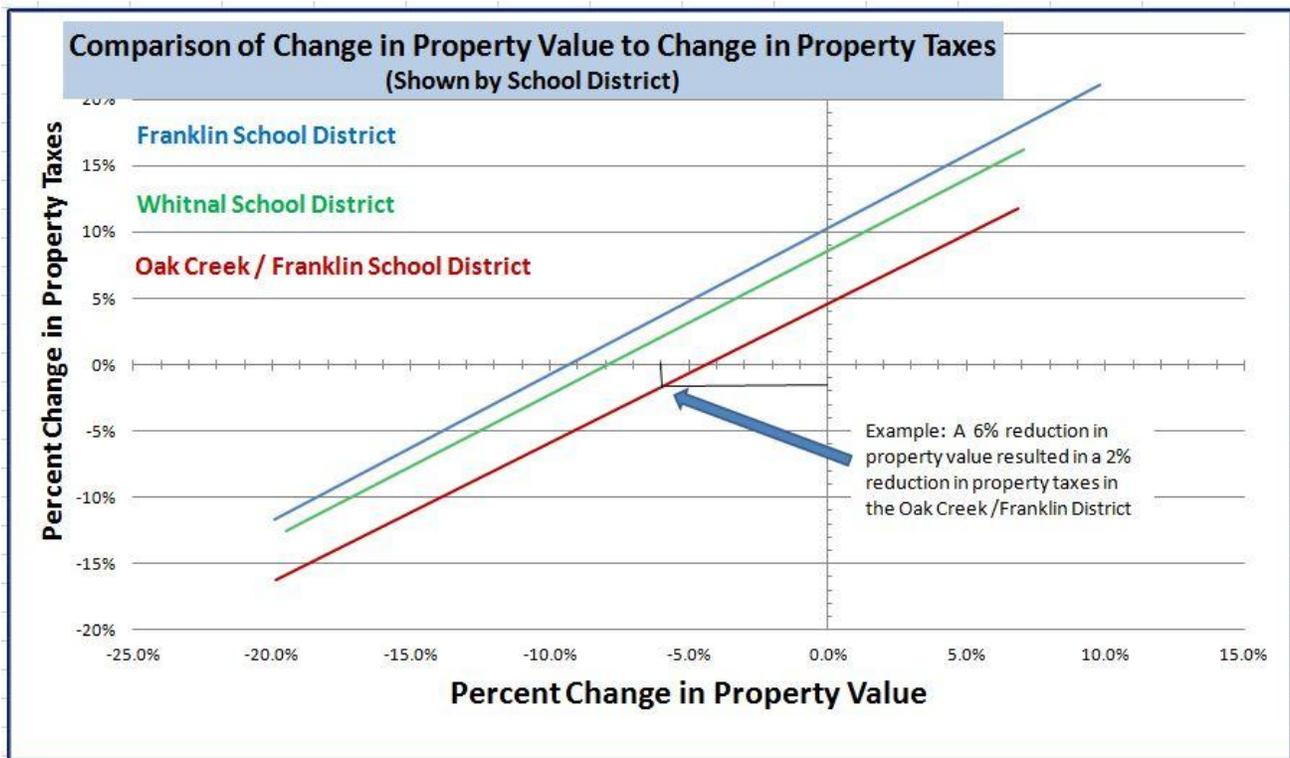
The Wisconsin Department of Revenue's "2013 Guide for Property Owners" ([www.revenue.wi.gov/pubs/slf/pb060.pdf](http://www.revenue.wi.gov/pubs/slf/pb060.pdf)), indicates the following:

**"When inequities happen, some property owners are paying more than their fair share of the property taxes and some are paying less. A complete reassessment or revaluation may be the only remedy.... only those properties that are not presently paying their fair share of the tax burden will pay more taxes after a revaluation. Properties presently paying more than their fair share will pay less." [Page 21]**

Therefore, if your City of Franklin taxes went down it indicates that the revaluation showed that your property was paying more than its fair share of property taxes, based on its fair market value. Conversely, if your City of Franklin taxes went up it indicates that the revaluation showed that your property was not paying its fair share, based on its fair market value. Any change caused by the reassessment simply reinstates the measure of fairness required by State law and the State Constitution.

**How did the revaluation affect Franklin residences?** On average, the average property had a decrease in property value of approximately 9 percent. If, as part of the revaluation, a property’s value went down 9%, that property likely experienced very little change in their property tax bill due to the revaluation. As the state manual indicates, properties that did not lose as much value as average will have a greater share of the total City-wide property and that property’s taxes will rise. For example, a property that only lost 4% of its value will likely have a property tax increase of around 5% due to the revaluation. On the other hand, many properties lost more value than the average. For example, the real estate market showed that many condominiums lost 20% to 50% of their market value. Properties that lost more value than the 9% average would experience a decrease in their property tax bill due to the revaluation.

Altogether the following table is an easy way to see approximately how your property tax bill is impacted by a change in the property value. This takes in all factors impacting the property tax bill. This is the same table from the main website page but enlarged to make it easier to read.



The following table shows the variation in how individual residential properties were affected.

<u>Impact on Property Tax Bill</u>	<u>% of Properties</u>
Decrease of more than 7%	25.0%
Decrease between 3% and 7%	21.1%
Decrease between 1% and 3%	11.6%
Between 1% Decrease and 1% Increase	10.9%
Increase between 1% and 3%	10.6%
Increase between 3% and 5%	8.5%

Increase between 5% and 7%	5.2%
Increase of more than 7%	7.1%

\*Excludes properties with changes such as building permits

**Why isn't every house impacted the same during a revaluation?**

The assessment process analyzes sales by neighborhoods, by housing type, and by a variety of other factors (age, conditions, sq. footage, etc.). Each of these factors could impact a house's final reassessment, but they can also create trends. For example, property sales indicate that certain neighborhoods in the City retained their values better during the recent economic downturn. For example, real estate market analysis revealed that the properties around Southwood Glen School and in the area north and south of Rawson Avenue between 35th and 41st Streets retained their value better than some other areas of the City. This has resulted in these neighborhoods generally having less of a property value reduction and, therefore, an increase in their share of the total property taxes. Similarly, some housing types fared better or worse during the last few years than others. The average condominium, for example, lost significantly more value than the average house, so the property tax share for condominiums is generally reduced. The average ranch-style house retained more value than the average two-story house, for example. Each of these factors comes into play during a revaluation. For an understanding of what factors may be influencing your house, call the Assessing Department at 425-1416.

**How is it fair that there is so much variation between housing reassessments? Is this normal?** The State monitors assessments pretty closely to ensure that community's stay on top of keeping assessed values on par with actual market values. That is why the City updates assessments so frequently. Franklin, like most cities, does not reassess every year because it is an expensive process, but the City did revaluations in 2006, 2010, and again this year, 2013. During the period of 2010 through 2013, however, the real estate market was very volatile. That volatility in the market place (as shown by actual property sales), gets reflected in the assessed value and, therefore, in the property tax bill allocation. Some residences in the City lost a lot of value during that period, while some lost only a little in value, while others actually increased in value. It is probably fair to say that the revaluations in 2006 and 2010 did not have the degree of variation that the market has shown in the 2013 revaluation. Therefore, the variation in revaluation—and, therefore, in the property tax bill impacts—is probably greater than normal. Nonetheless, the law requires that property tax bills be allocated based upon the fair market values represented by the assessments.

This shift in share of the property taxes does impact the distribution of taxes from each of the taxing jurisdictions, not just the City's. **Please note, however, that the revaluation process and the shift in property tax burden is required both by statute and by the State's Constitution.** The City must try to ensure that the assessed valuations are reflective of the market place and that like classes of property are similarly addressed. This is precisely what the revaluation does. Failure to have implemented the revaluation would have caused those properties that experienced the larger reductions in property value to continue to pay additional property taxes that were not fairly allocable to those properties under the law.

**The revaluation impact applies to all taxing jurisdictions.** All of the taxing bodies are required to use the same assessed values as the basis for the allocation of their property taxes. That means if the revaluation resulted in your property receiving a 2% reduction, the reduction is applied to ALL taxing bodies (the City, School District, County, etc.). Again, as the State "Guide" indicates, this is necessary so that every property pays its fair share...and only its fair share.