



MEMORANDUM

TO: Community and Economic Development Committee

FROM: DeAnn Brosman, City Assessor

DATE: February 16, 2017

RE: Resolution to Encourage our Legislature to Close Tax Loopholes

Please find attached a resolution encouraging our state legislature to close property tax loopholes in Wisconsin. These loopholes have allowed national retailers to be awarded large property tax refunds, thereby shifting their tax burden to homeowners and small business owners. This is impacting our tax base. To help you understand this issue, I have also attached the Dark Store Loophole Resource Page of the Wisconsin League of Municipalities (“the League”) which contains this resolution, along with the League’s Issue Briefing on the Dark Store Tax Shift. Lastly, you will find a recent article from The Post-Crescent describing the impact on our local communities.

As a city, we have awarded the following tax refunds due to these loopholes in recent years:

Target - \$79,128 refund in 2013
Walgreens - \$385,633 refund in 2015
CVS - \$339,594 proposed refund in 2017

Wisconsin assessors are required to value property at its market value – what it would sell for on the open market. Wisconsin courts, however, have not recognized that fully-occupied commercial buildings have a higher market value than vacant, abandoned (i.e. “dark”) commercial buildings. The courts have allowed retailers to use dark stores as comparable sales to occupied stores in assessment cases and, thereby, have awarded them large tax refunds. This dark store method is now being used by non-retailers to appeal assessed values. Most buyers of commercial property are investors who deem dark stores to be worth up to 50% less than occupied stores due to: lost rent, holding costs while vacant, leasing commissions, remodeling cost for a new tenant, seller-imposed restrictions on retail use, higher investment risk, inferior locations, and other factors.

In assessment cases, the courts also have not recognized the existence of all leases that sell with property. By not recognizing leases, the courts have often intrinsically valued commercial property as unoccupied with the above-mentioned discounts. Retail store vacancy in Outagamie County is only 4.5%, but yet we are being forced to assess these properties as if vacant.

State Senate President Roger Roth of Appleton has agreed to co-sponsor legislation to close these loopholes at the encouragement of the League and our mayor. This resolution has recently been passed in other municipalities including Wauwatosa, Brookfield, and West Bend. Please show Senator Roth and our entire legislature your support by passing this resolution.