

**2017 PROPERTY VALUES AND
TAXES IN SOUTHEAST WISCONSIN**

PUBLIC POLICY FORUM



PROPERTY VALUES AND TAXES IN SOUTHEAST WISCONSIN

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INTRODUCTION

This report is an annual Public Policy Forum publication that analyzes property values and property taxes within the seven-county southeast Wisconsin region. The report explores trends in property values – an important indicator of the region’s economic health – and then examines the connection between those values and the property tax levies and rates of local governments and school districts.

This year’s report first examines recently-released 2017 regional data on equalized property values, breaking down the information by county and analyzing trends. Our analysis also contains information on 2016 property values, as those values were used to determine 2017 property tax rates and levies, which are the focus of the second part of the report. The discussion of 2017 values not only provides insight on the pace of economic growth in the region and how it differs among the seven counties, but also sheds light on how changes in 2017 property values might affect the ability of local governments and school districts to generate resources for their 2018 budgets.

After presenting data on property values in the region, we examine 2017 budgeted tax levies and tax rates in southeast Wisconsin. Again, we aggregate the data for the region as a whole and by individual county. This allows us to provide a snapshot of how property values impact the tax bills of citizens, as well as how they affect the wherewithal of local governments and school districts to capture sufficient revenue to support their operations. We also offer observations on trends and policy implications.

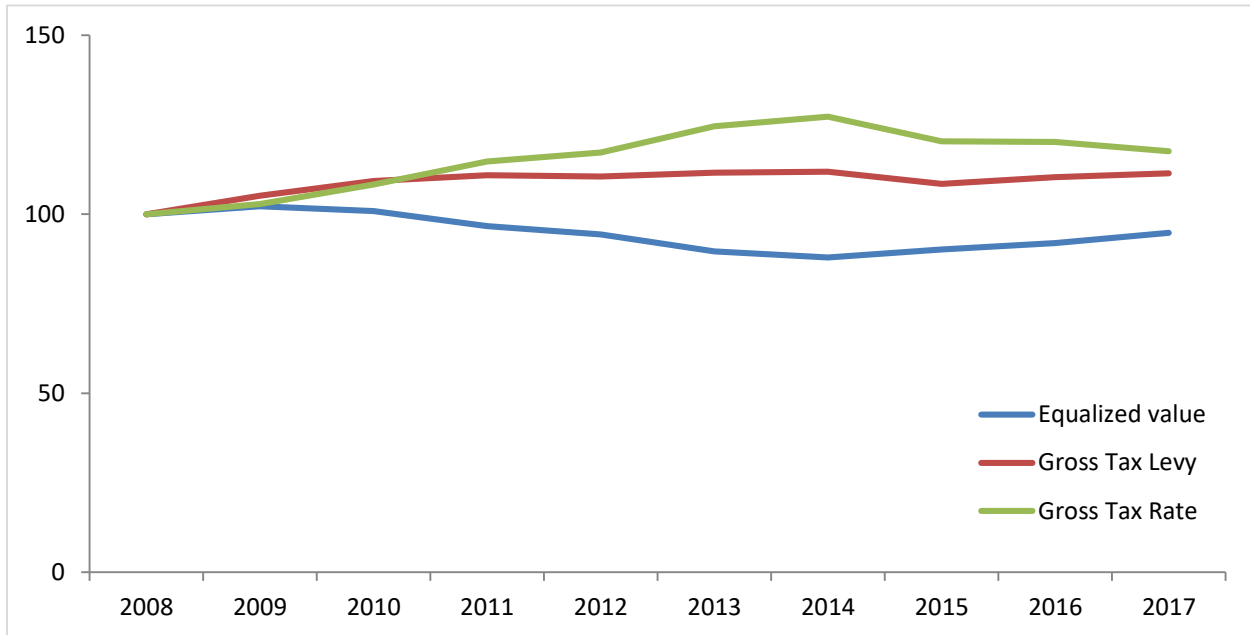
This year’s analysis reveals that property values in the region continue to grow. In fact, the 3.5% rate of growth in the region’s aggregate property value is the highest since 2007. Unlike last year, however, the region’s growth in property values lagged that of the State of Wisconsin as a whole, which experienced 4.1% growth in property values.

With regard to property tax levies, we find that total property taxes collected in the seven southeast Wisconsin counties grew by 1.0%, which is a smaller increase in collections than last year’s 1.8%. Meanwhile, the region’s aggregate property tax *rate* declined by 2.2%, reflecting (in part) the 3.2% growth in property values in 2016.

Chart 1 shows the aggregate equalized property values, gross tax levy, and gross tax rate for southeast Wisconsin indexed to 100 in 2008. This chart illustrates the general inverse relationship between property values and property tax rates that has existed over the past decade, and the modest growth in gross property tax levy collections over that time.



Chart 1: Ten-year southeast Wisconsin aggregate property valuation, aggregate gross tax rate, and aggregate gross tax levy, indexed to 100



MAJOR FINDINGS

- In 2017, aggregate equalized property values in southeast Wisconsin increased for the fourth consecutive year. In fact, this year’s 3.5% growth rate is the highest since 2007. Every county in the region experienced an increase in aggregate property values, led by Washington County at 5.6%. Property values in the region still have not recovered to pre-recession levels, but they are now within \$7.8 billion (4%) of their 2008 peak.
- Residential property values in the region also grew at their highest level since 2007, increasing 4.0% from 2016. All seven counties in southeast Wisconsin experienced increases in residential property values for the fourth consecutive year. Washington County again saw the largest increase at 5.9%.
- Commercial property values in the region grew by 2.4%, the lowest rate of growth since the return to positive growth in 2014. The state as a whole saw a 5.1% increase in commercial property value, which represents its highest rate of growth since 2007.
- On the municipal level, 137 of the region’s 148 cities, villages, and towns experienced increases in their equalized property values in 2017. That is an improvement over 2016, when 124 municipalities experienced an increase in equalized value, and it is the highest total since 2007.



- The region's aggregate gross property tax levy collections increased by 1.0%, which is lower than last year's increase of 1.8% and lower than the percentage increase in property values in the region in 2016 (3.2%). Every county in the region except Racine County experienced an increase in property tax levy collections, with Kenosha County's the largest at 2.2%.
- The aggregate property tax rate in the region declined from \$22.60 per \$1,000 of equalized value in 2016 to \$22.11 in 2017 (2.2%). This is the third consecutive year in which the region's aggregate tax rate has declined. The region's 2017 aggregate rate now is about equivalent to what it was in 2012, which means an average property taxpayer in the region whose property value has not changed would be paying about the same amount in property taxes as he or she paid five years ago.
- Property taxes levied by school districts remain the largest component of the region's annual property tax levy (comprising 44.5% of total property taxes levied), but school district levies fell by \$20.6 million (1.1%) in 2017. Property taxes accruing to TIF districts saw a notable increase of 8.3%, although TIF districts still account for only 4.1% of total property taxes in the region.
- To calculate an average tax bill in southeast Wisconsin, we apply the region's average residential property value to the aggregate gross tax rate. The hypothetical average tax bill in the region decreased by \$59 to \$4,292 in 2017. This is the lowest hypothetical average tax bill in the region since 2007.



METHODOLOGY

This report focuses on annual changes in property values, total property tax levies, and property tax rates in the seven-county southeast Wisconsin region.

Municipal tax rates are based on the total value of all taxable property in each municipality, also known as the tax base. Because local assessors are responsible for determining the property values for their jurisdictions, total assessed value across municipalities and counties is not a uniform measure. To bring all values to a uniform level comparable across jurisdictions, the state equalizes assessed values by using tools such as market sales analysis, random appraisals, and local assessors' reports. **Equalized values**, calculated yearly, are meant to reflect fair market value (the most probable selling price).

Our analysis utilizes equalized values determined by the Wisconsin Department of Revenue (DOR) as of January 1, 2017. Total property value has two categories: real estate and personal property. Real estate makes up the overwhelming majority of the tax base and has eight classifications: residential, commercial, manufacturing, agricultural, undeveloped, agricultural forest, forest, and other. The three classifications analyzed in this report are residential, commercial, and manufacturing.

Changes in property value are classified in three ways. "Economic change" refers to remodeling of existing properties or changes as a result of market conditions, such as during a recession. The other classifications include changes "due to new construction" and "other" changes. The "other" category includes technical corrections that were made to the value of the property, demolition or destruction of property, and changes in the exempt status or classification of property. New construction drives total value growth, as previously undeveloped parcels are used more intensively, generating a higher land utility and a higher value.

This report also uses data from the Wisconsin Department of Revenue on 2016-17 municipal property tax levies and tax rates in the seven counties of southeast Wisconsin. The data are not fully audited and thus are considered preliminary.

The **tax levy** is the amount of money that each taxing jurisdiction (county, municipality, school district, technical college district, tax increment finance district, special district and the state) expects to receive from property taxes. To calculate a **tax rate** (also known as a mill rate), each government divides the levy by the total property value (tax base) in its jurisdiction and multiplies the result by 1,000. This calculation allows property tax payments to be distributed evenly among taxpayers according to individual property values.

Budgets for taxing jurisdictions for 2017 – including property tax levies – were adopted late in 2016. Consequently, 2016 property values were used to determine 2017 rates. We look at 2016 property values when we are analyzing the 2017 levies, as this allows us to illustrate the connection between 2016 values and 2017 levies. As in previous years, we received data on 2017 equalized values in mid-August and include analysis of that data as well in light of its availability and significance.

Because each property taxpayer lives within several taxing jurisdictions, we add the various tax rates together to arrive at the aggregate gross tax rate. It is important to note that in this report, **when the gross tax rate or levy for a particular county is referenced, it does not refer to the rate or levy**



attributable to county government in that county, but to the aggregate total of all taxing jurisdictions in the county (including the county government).

Also, the net tax rate that determines each taxpayer's tax bill differs from the gross rate in that the net rate results from subtracting the State school levy tax credit from the gross tax rate. Taxpayers can determine their individual payment by dividing their property value by 1,000 and multiplying the resulting number by the *net* tax rate. In this report, we use the *gross* rate. The report presents a hypothetical regional and county aggregated gross tax rate calculated by summing each municipality's gross tax rate into a rate for southeast Wisconsin, or for a county, as a whole.

Finally, while it is important to note that the property tax is the most prominent revenue-raising tool available to local governments and school districts, it is not the only tool. Local governments also make use of a variety of fees on items ranging from garbage pick-up to snow removal, and most school districts employ student fees for various activities. Also, some counties in the region have implemented a 0.5% county sales tax, while others have not. This report does not address trends in local government and school district fee collections or county sales tax collections. Consequently, it should not be used to evaluate overall local government revenue trends.

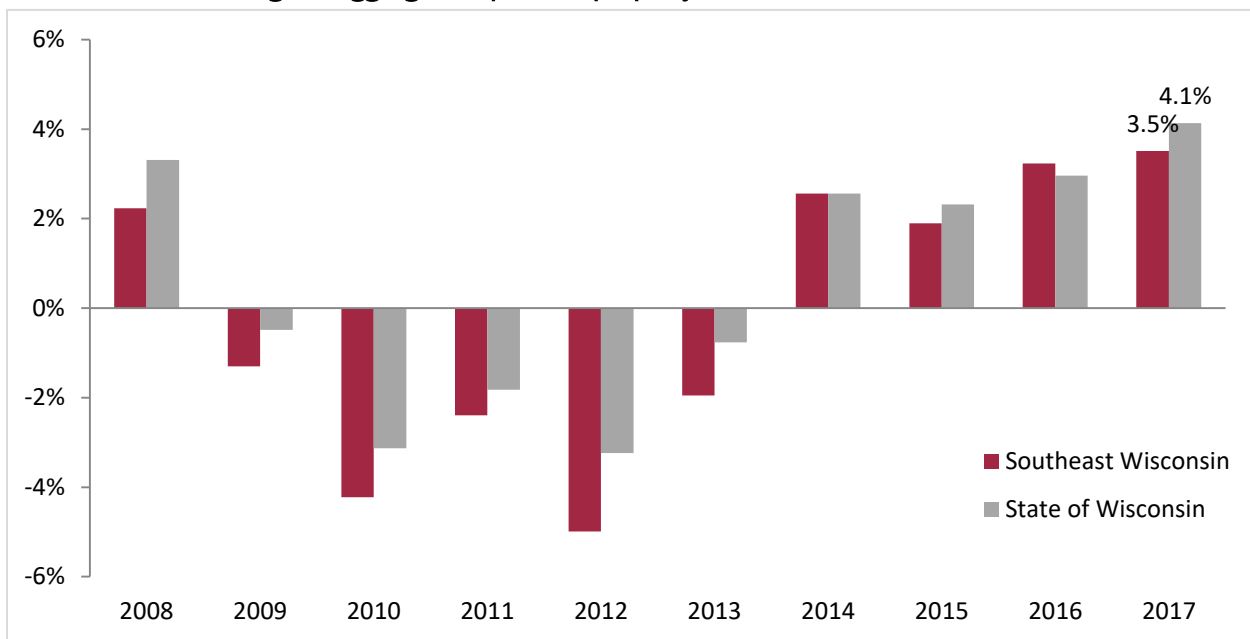


PROPERTY VALUES IN SOUTHEAST WISCONSIN

PROPERTY VALUES CONTINUE THEIR ASCENT

Property values in southeast Wisconsin continue to move closer to pre-recession levels, as the region experienced growing values for the fourth consecutive year. Aggregate equalized property values in the region totaled \$185.4 billion in 2017, which is the highest total since 2008, when regional values totaled \$193.2 billion. As shown in **Chart 2**, values in the region grew by 3.5% in 2017, following growth of 3.2% in 2016. The 2017 increase is the largest annual percentage increase since 2008.

Chart 2: Annual change in aggregate equalized property values in Southeast Wisconsin and state



While this progress is notable, it is important to note that pre-recession growth rates consistently exceeded 6%, including growth rates of 10.7% in 2005 and 2006. Also, the state's aggregate property value grew at a higher rate than the region in 2017 at 4.1%. Last year, the region experienced a higher growth rate than the state for the first time since 2006.

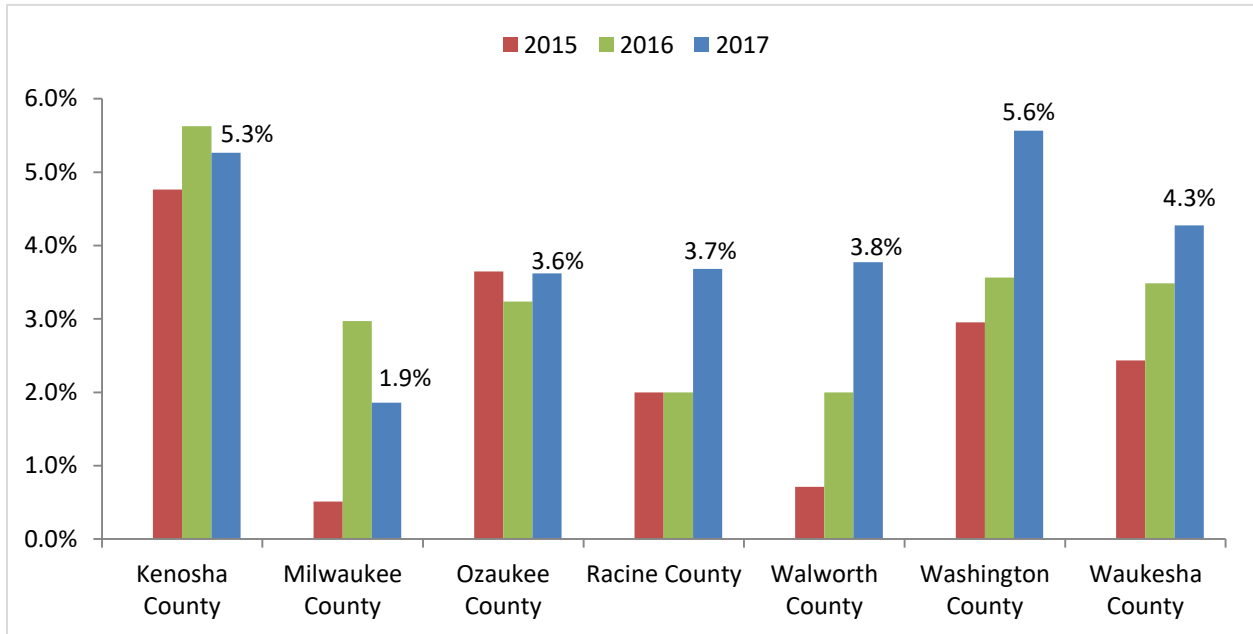
Chart 3 shows that **all seven counties in the region experienced growth in aggregate equalized property values, marking the fourth consecutive year this has occurred.** In addition, five of the seven counties experienced a higher rate of growth than in the previous year (the exceptions are Kenosha and Milwaukee counties). Washington County had the highest growth rate at 5.6%, as well as the largest single-year improvement with an increase of two percentage points over its 2016 rate.

Milwaukee County's growth rate of 1.9% was the lowest among the region's counties. This comes after Milwaukee County experienced the largest increase in growth from 2015 to 2016 (2.8% in



2016 as compared to 0.7% in 2015). However, as we will discuss below, an error made by the Department of Revenue in its 2016 equalization calculation for the City of Milwaukee caused that year's growth to be overstated, and 2017 equalized values in the City to be understated. This error also skews rates of growth for Milwaukee County as a whole.

Chart 3: Annual change in aggregate equalized property values, by county



RESIDENTIAL PROPERTY VALUES CONTINUE TO GROW

Residential property values comprise 71.3% of total property values in southeast Wisconsin, totaling \$132.3 billion. Residential properties were hit hardest among the three major sectors in the aftermath of the recession, as shown in **Chart 4**. In recent years, growth has resumed in all three sectors.



Chart 4: Residential, commercial, and manufacturing property values (2009-2017)

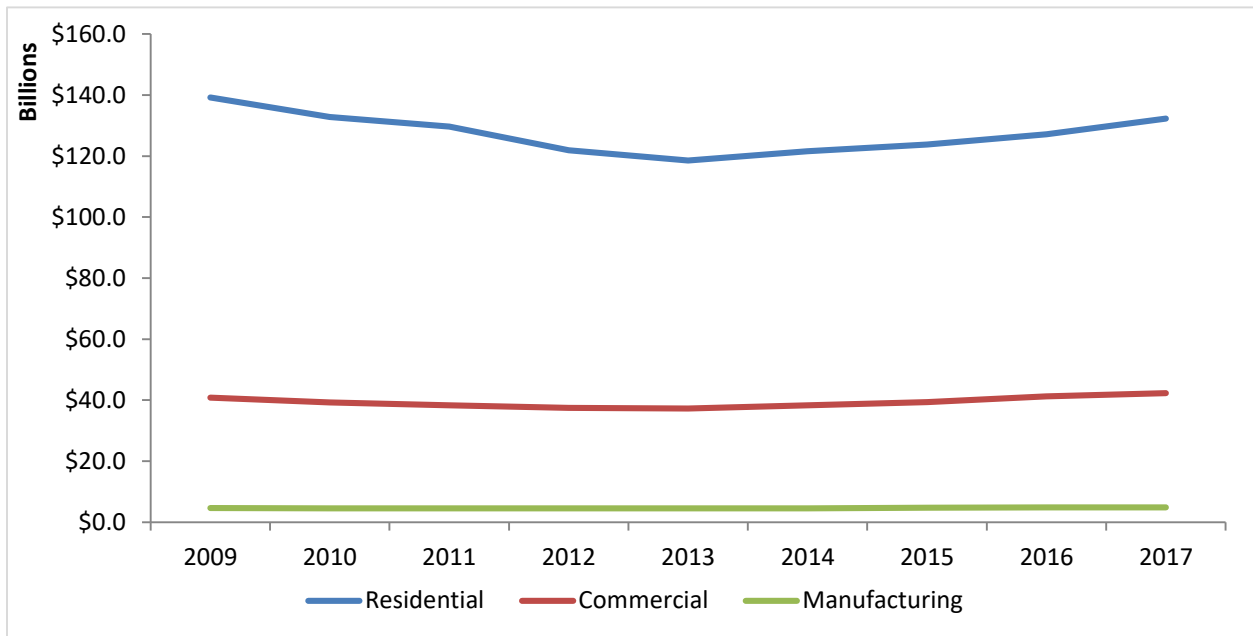
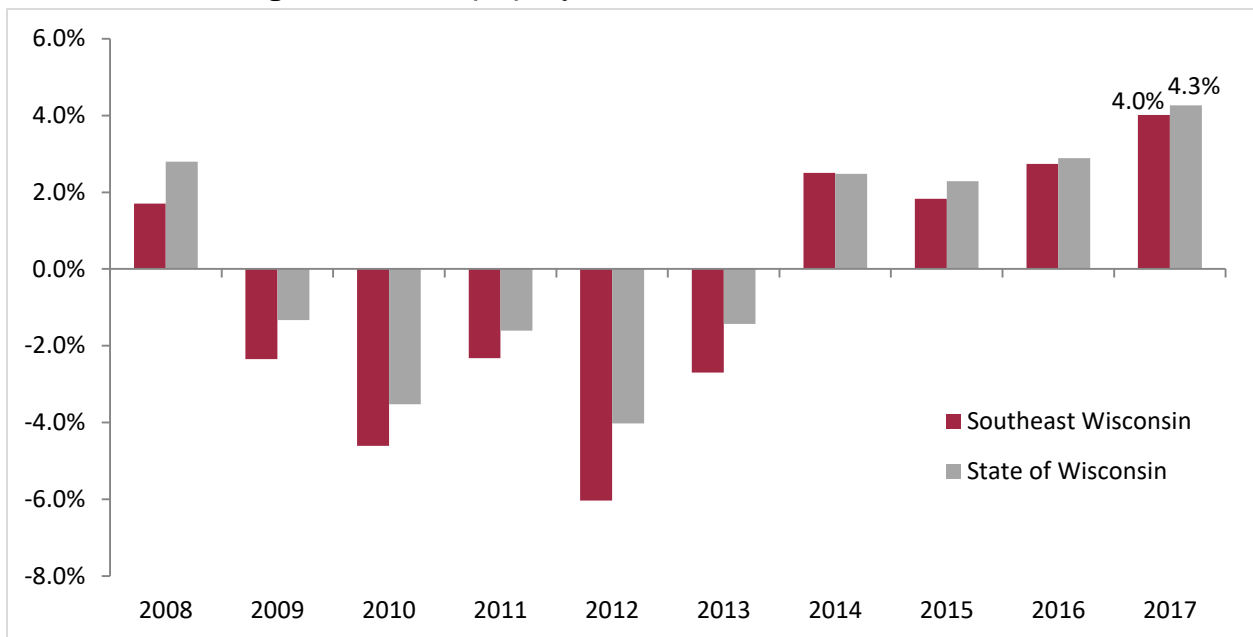


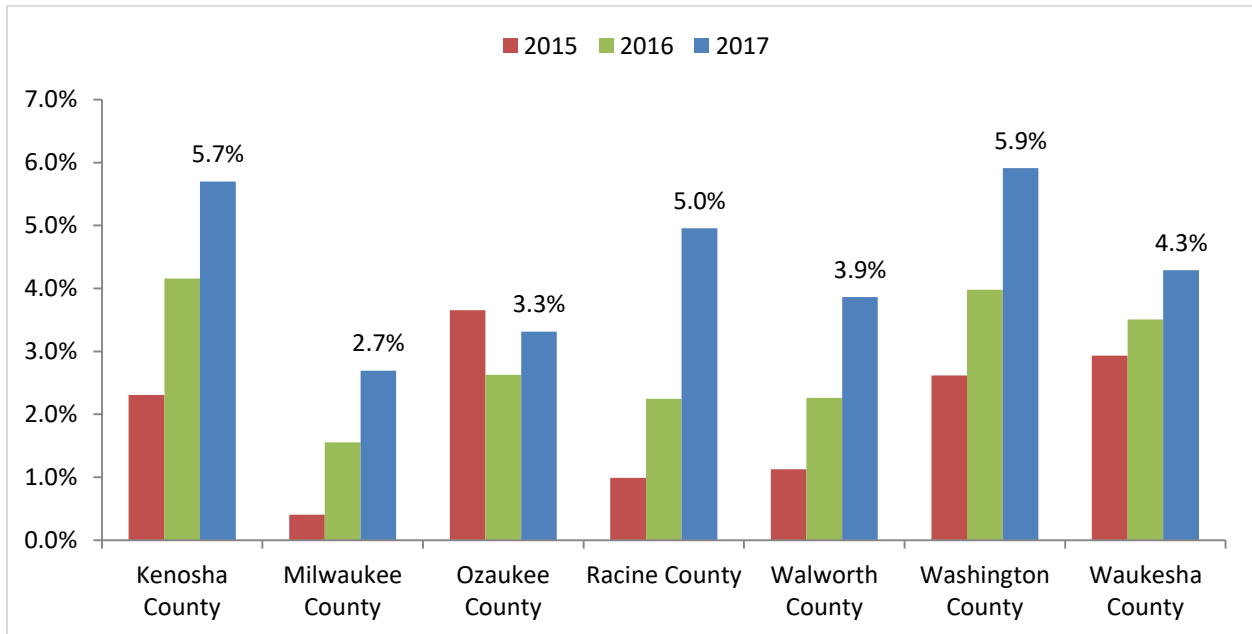
Chart 5 provides a 10-year snapshot of annual changes in residential property values for both the region and the state. The 4.0% growth in residential property values for 2017 marks the highest rate of growth during the 10-year period (and the highest since the region experienced 6.0% growth in 2007). The state once again experienced greater residential property value growth than the region, however, at 4.3%. This is also the highest rate of growth for the state since 2007.

Chart 5: Annual change in residential property values in southeast Wisconsin and state



When we look at movement in residential property values by county, we see that for the fourth consecutive year, every county in southeast Wisconsin experienced an increase. **Chart 6** provides a three-year snapshot and shows that Washington County experienced the largest increase in residential property values in 2017 at 5.9%, followed closely by Kenosha County at 5.7%. Milwaukee County experienced the lowest growth rate at 2.7%. Each of the seven counties in the region has seen its growth rate increase in each of the past three years, with the exception of Ozaukee County. Racine County experienced the largest single-year increase in its rate of growth of residential property values at 2.7 percentage points.

Chart 6: Annual change in residential property values, by county



Although residential property values in the region continue to grow, their levels still lag pre-recession values. The region's aggregate residential equalized property values remain 7% lower than their 2008 peak, as shown in **Chart 7**. In contrast, the state has made up almost all of its lost ground, as total residential values statewide now are only 0.4% lower than 2008 values. When we look at individual values by county in southeast Wisconsin, we find that three – Ozaukee, Washington, and Waukesha – now have residential property values that surpass their 2008 levels. Milwaukee County's 2017 residential property values are 15.7% lower than their 2008 peak.



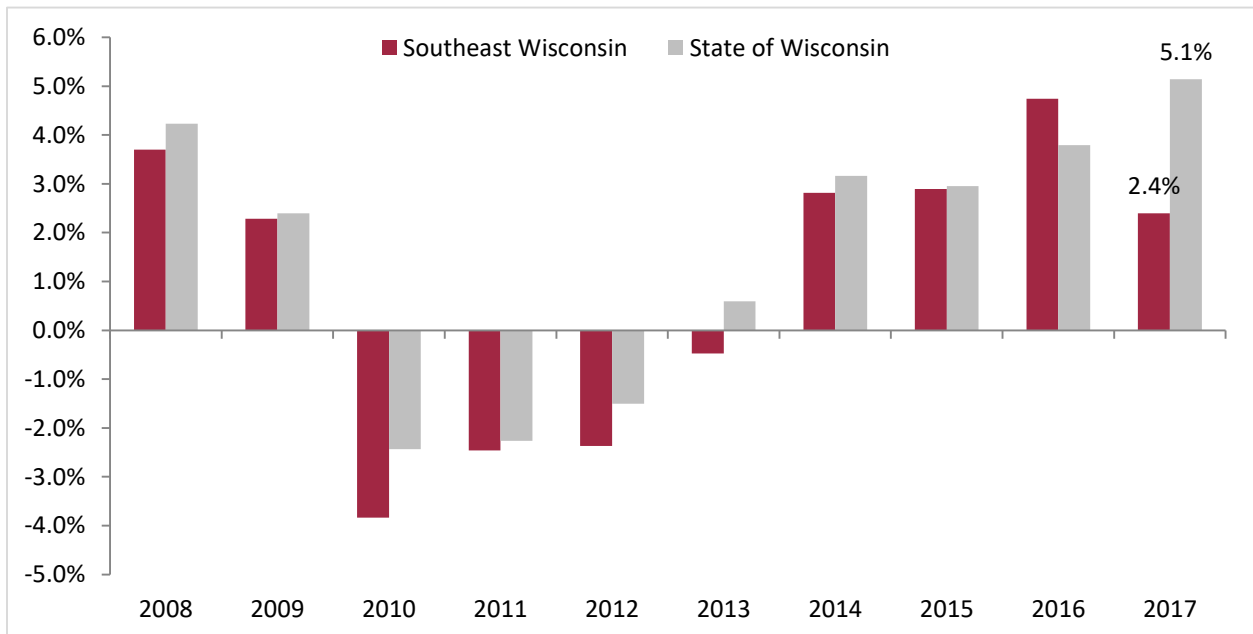
Chart 7: Change in residential property values in southeast Wisconsin and state since 2008 peak



SLOWER GROWTH IN COMMERCIAL PROPERTY VALUES

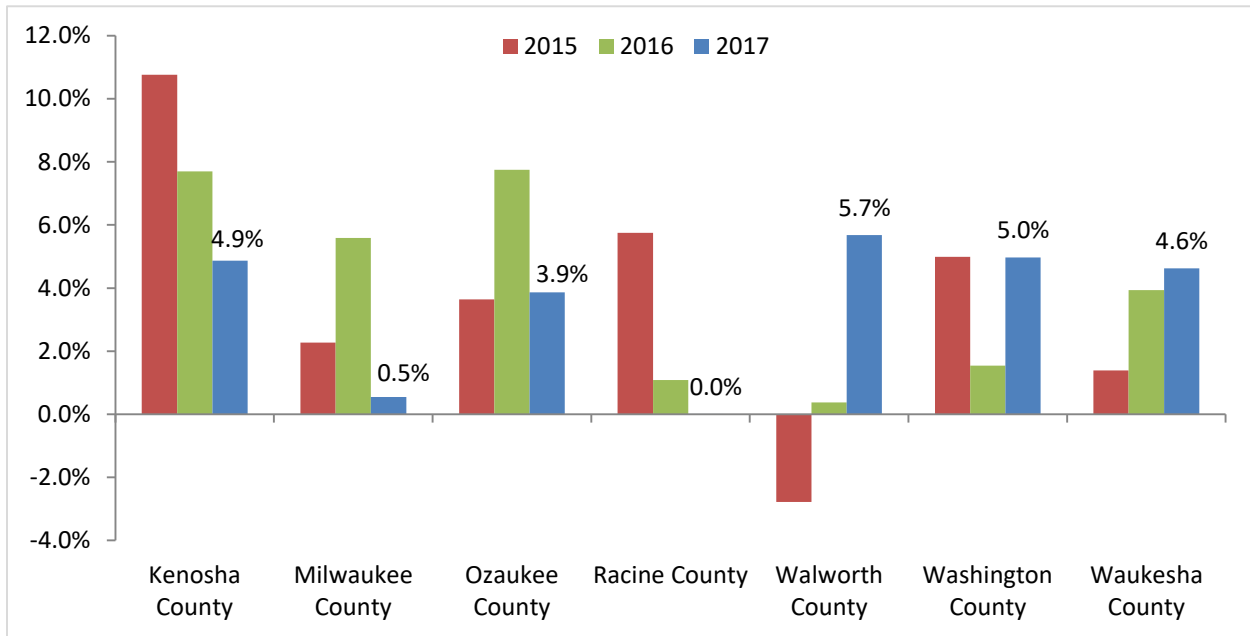
In 2017, commercial property comprised 22.8% of total property value in the region at \$42.3 billion. As shown in **Chart 8**, the rate of growth was 2.4%, which is 2.3 percentage points lower than the 2016 growth rate and the lowest rate of growth since 2013. Conversely, the state as a whole experienced its largest rate of growth in commercial values in the past 10 years at 5.1%.

Chart 8: Annual change in commercial property values in southeast Wisconsin and state



When looking at how commercial property values fared in the individual southeast Wisconsin counties, we see substantial variation, as shown in **Chart 9**. While each of the seven counties experienced commercial property value growth for the second consecutive year, distinctions emerge in their rates of growth. **Only three counties – Walworth, Washington, and Waukesha – experienced higher rates of growth in commercial values in 2017 than the previous year.** Walworth County experienced the largest growth rate in 2017 at 5.7%, after having the lowest growth rate in the region in both 2015 and 2016. On the other end of the spectrum, Racine County experienced only negligible growth in commercial values. Milwaukee County similarly experienced slow growth at 0.5%, which was five percentage points lower than its growth rate in 2016.

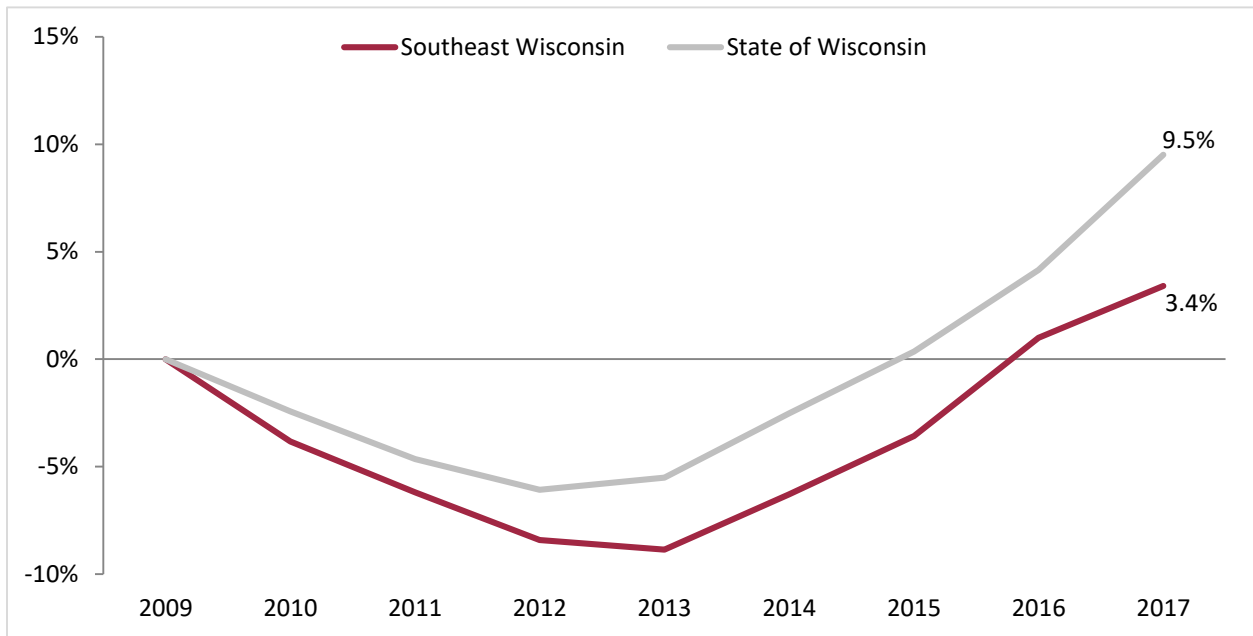
Chart 9: Annual change in commercial property values, by county



Commercial property values in both the region and the state have recovered to levels beyond their 2009 peak, as shown in **Chart 10**. In fact, the state's commercial property values now are 9.5% higher than in 2009, while the region's property values are 3.4% higher. While not shown in the chart, we find that five of the seven southeast Wisconsin counties have higher commercial property values than in 2009. The exceptions are Racine County, where commercial values still are 3.8% below their 2009 peak; and Walworth County, where values remain 9.3% below the 2009 level. On the positive side, Kenosha County's commercial property levels are 23.5% higher than its 2009 values.



Chart 10: Change in commercial property values in the region and state since 2009 peak



REGION'S MANUFACTURING GROWTH CONTINUES TO SLOW

Manufacturing property values account for 2.6% of the region's total property values at a total value of \$4.9 billion. As shown in **Chart 11**, both regional and state manufacturing property values grew for the fifth consecutive year, though for the second straight year the rate of growth was lower than the previous year. The state's 2.4% growth in manufacturing property values exceeded the region's growth of 0.8%.

Chart 11: Annual change in manufacturing property values in southeast Wisconsin and state

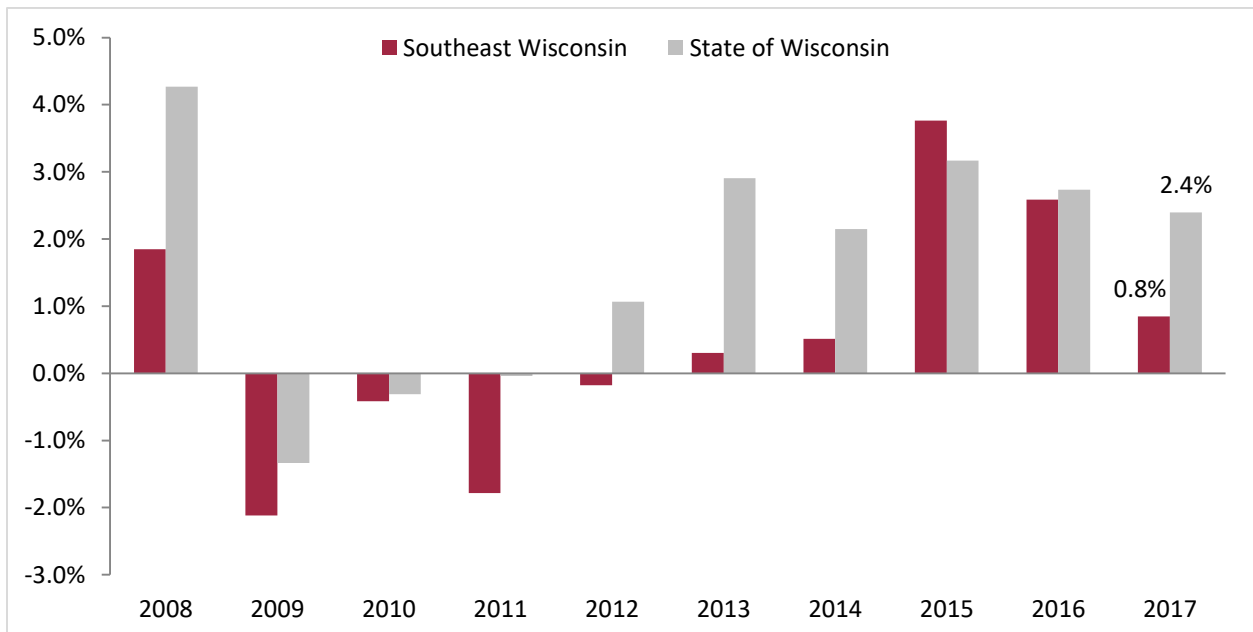
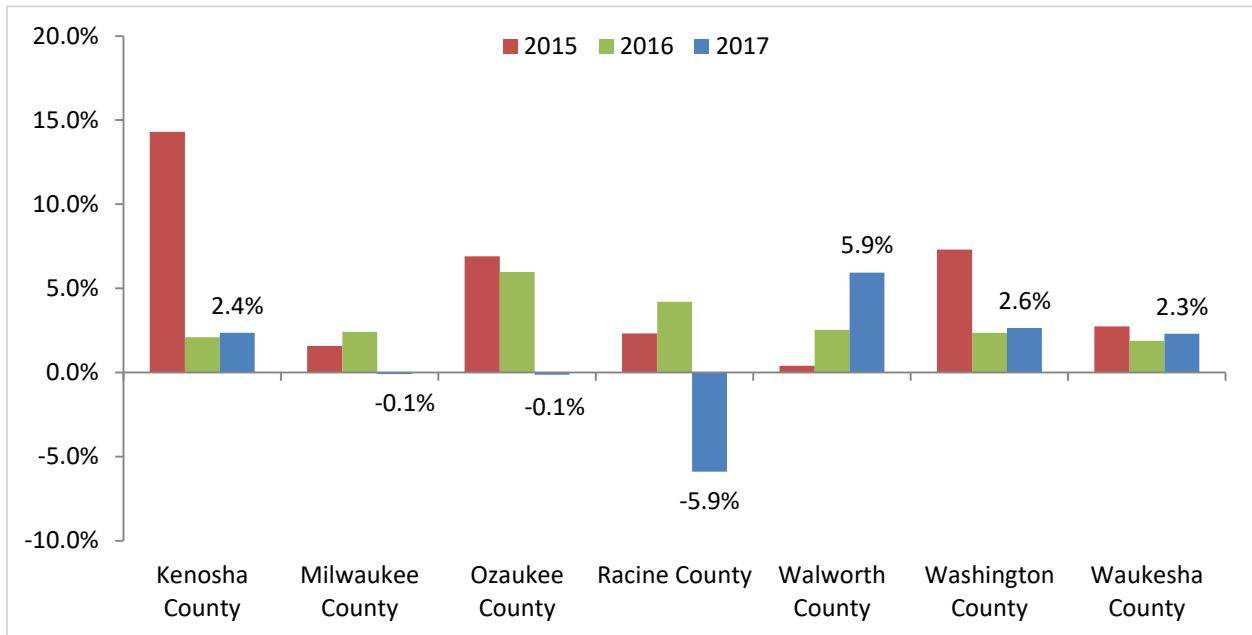


Chart 12 shows changes in manufacturing property values for the seven counties in southeast Wisconsin over the past three years. Only four of the seven counties – Kenosha, Walworth, Washington, and Waukesha – experienced growth in manufacturing values. Walworth County experienced the largest growth rate in 2017 at 5.9%. Notable among the three counties that saw a drop in manufacturing value was Racine County, which saw a decline of 5.9%. Milwaukee and Ozaukee counties experienced minimal losses of 0.1% each.

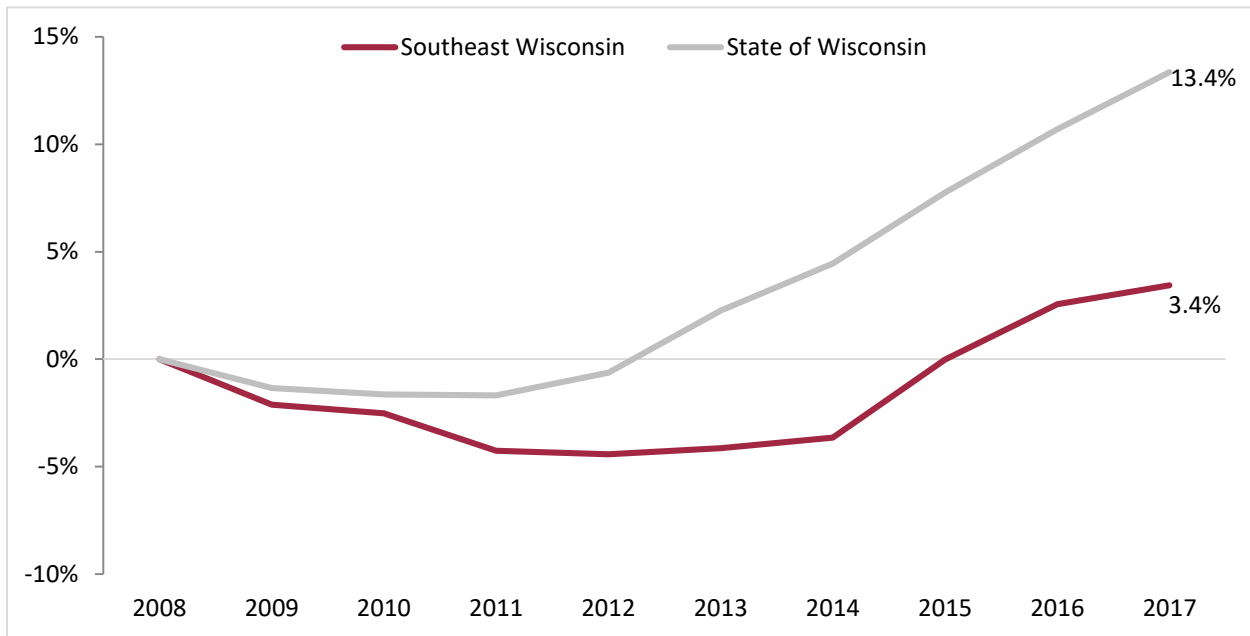
Chart 12: Annual change in manufacturing property values, by county



As shown in **Chart 13**, the region’s manufacturing property values recovered to their pre-recession levels in 2015, while the state's values were fully recovered in 2013. In 2017, the region’s manufacturing property values are 3.4% higher than they were in 2008, while the state’s manufacturing property values are 13.4% higher. While not shown in the chart, we find that manufacturing values in three counties in southeast Wisconsin – Kenosha, Milwaukee, and Ozaukee – still remain below 2008 values (by 8.7%, 2.2%, and 0.7% respectively). Washington County has seen the largest gain in manufacturing property values since 2008 with growth of 21.1%.



Chart 13: Change in manufacturing property values in the region and state since 2008 peak



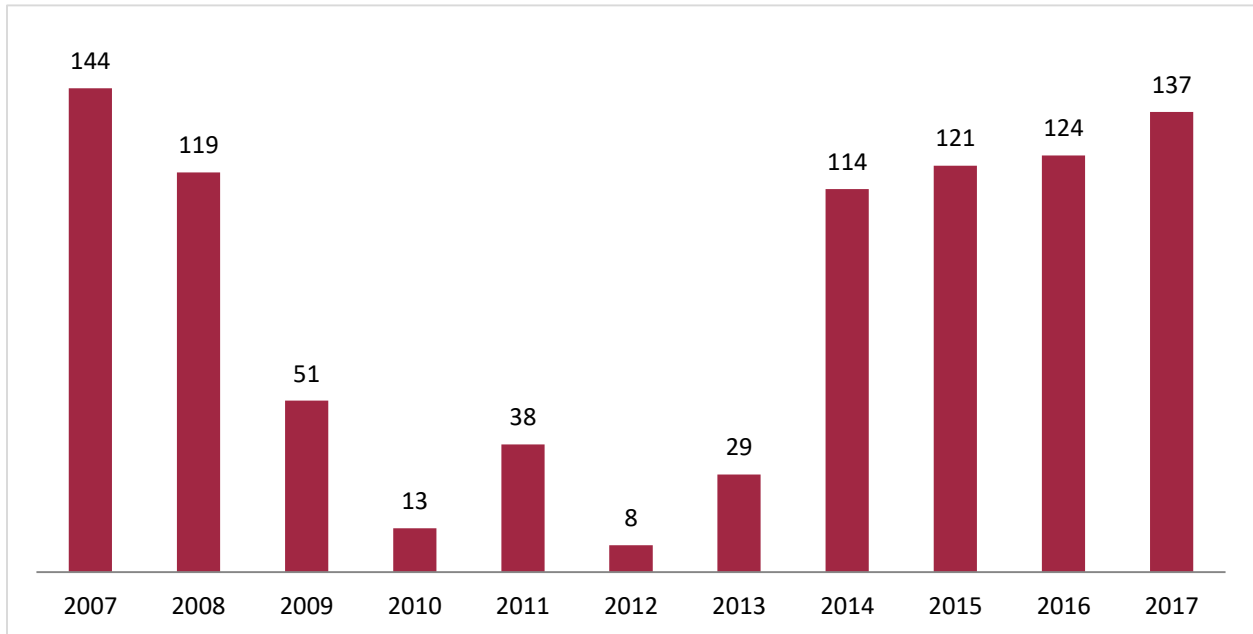
MOST OF THE REGION'S MUNICIPALITIES SEE INCREASED PROPERTY VALUES

When we look at individual municipalities within the southeast Wisconsin region, we see that 137 of the region's 148 municipalities experienced increases in their aggregate equalized property values in 2017.¹ As shown in **Chart 14**, that is the highest total since 2007. The Town of Brookfield in Waukesha County experienced the largest single-year increase at 20%, followed by the Village of Somers in Kenosha County at 14.2%. The Town of Randall (8.8%), Town of Linn (8.6%), and City of Wauwatosa (8.0%) also experienced substantial increases. The Village of Sturtevant in Racine County experienced the largest decrease in equalized property value with a 5.3% reduction, while the Village of River Hills in Milwaukee County experienced the next largest with a 3.2% reduction. The Town of Sharon (-2.1%), Village of Fontana (-2.0%), and Town of Port Washington (-1.1%) also experienced notable decreases in equalized property values.

¹ A separate online directory published on our website contains specific property value information for each of the region's municipalities.



Chart 14: Count of municipalities with increasing property values



The City of Milwaukee experienced a slight loss of equalized value in 2017, with the total value falling 0.5% to \$26.9 billion. This comes after the City experienced a 4.1% increase in 2016. According to the City Assessor's office, the Wisconsin Department of Revenue made an error in its equalization calculation in 2016, which resulted in the 2016 increase being overstated. In turn, correcting that error for this year makes it appear that the City suffered a loss of value in 2017. When we compare the 2017 equalized value of \$26.9 billion to the 2015 value of \$26.0 billion, **we see that Milwaukee's total growth in equalized value over the two-year period was 3.6%**, or an average of 1.8% per year. The City of Milwaukee comprises 14.5% of the region's total equalized property value.



PROPERTY TAXES IN SOUTHEAST WISCONSIN

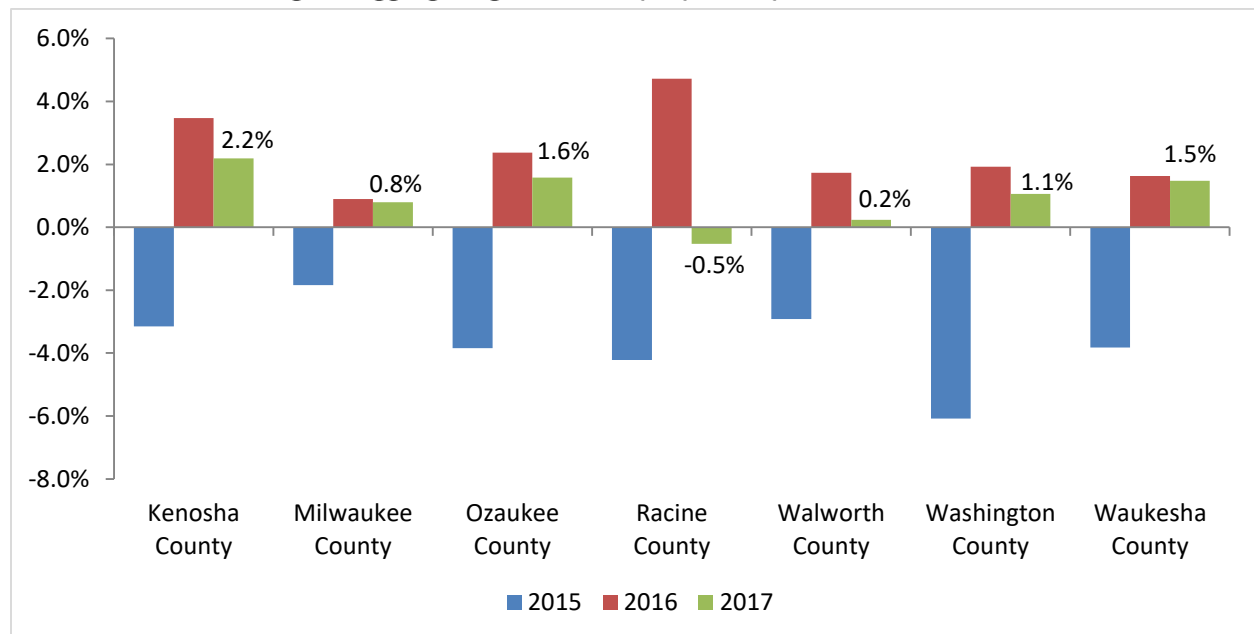
TAX LEVY COLLECTIONS INCREASE SLIGHTLY IN 2017

For our analysis of regional property tax levy trends, we examine tax levies adopted in late 2016 for the 2017 budget year. Overall, we find that the aggregate tax levy for southeast Wisconsin in 2017 increased by \$38 million (1.0%) to a total of \$4 billion. This is the second consecutive year in which the region's aggregate tax levy has increased, but the 2017 increase is smaller than the 1.8% increase experienced in 2016.

Despite these two consecutive years of increased aggregate tax levies, the region's total levy for 2017 still falls about \$10 million short of the peak aggregate levy in 2014. As we have detailed in previous reports, a change to State law in 2014 (Wisconsin Act 145) provided a significant increase in state aid to technical colleges while requiring corresponding reductions in property tax support. That provision contributed to a 3.0% decrease in the region's aggregate levy in 2015. While the region's aggregate levy has increased in each of the past two years, it is still slightly below the aggregate levy from the year before that revision was adopted.

For 2017, six of the seven counties in southeast Wisconsin saw an increase in their aggregate gross tax levies, with Racine County the lone exception. **Chart 15** shows the annual changes in gross tax levy for the last three years in every county in the region. Kenosha County experienced the largest increase at 2.2%, with Ozaukee County next at 1.6%. Racine County's 0.5% decrease in its aggregate gross tax levy followed a sizable increase of 4.7% in 2016 (by far the region's largest that year).

Chart 15: Annual change in aggregate gross tax levy, by county



The chart also shows that the rate of increase in the aggregate gross tax levy for 2017 was lower than the rate of increase for the previous year in all seven counties. In fact, when we compare recent annual changes to those in the years preceding the recession, **we see that even in years in which the region's aggregate gross levy has grown, the growth rate has been minimal when compared to pre-recession levels.** For example, the region's 1% growth rate in 2017 is not notably low for recent years (e.g. the total levy grew by a mere 0.2% in 2014), but it is well below the *lowest* growth rate in the 2004-2010 period, which was 2.4% in 2006.

While the extremely slow growth in the region's aggregate property tax levy in recent years may be related to a variety of factors, two stand out. One is the strict property tax levy limits delineated in annual State of Wisconsin budgets beginning in 2011. For municipalities and counties, those limits generally have prohibited annual increases in levies that exceed the percentage increase in property value created by new construction. For school districts, the State has imposed caps on per pupil revenues based on the combined amounts of State equalization aids and property taxes they receive each year. As a result, many districts have been required to *reduce* their levies to stay within the cap in years in which their equalization aids increased.²

Another likely contributor to the limited growth in property tax levies in recent years is the low rate of inflation. While levies are not tied to inflation from a statutory perspective, the fact that consumer prices have been slow to rise likely has influenced policymakers to similarly control growth in their property tax levies. In the 2004-2010 timeframe, inflation (as measured by the Consumer Price Index) grew by at least 2% annually in every year but one. Conversely, from 2010-2017, the change in CPI was lower than 2% in six out of the eight years.

Our analysis also included a detailed look at property tax levies and rates for every municipality in southeast Wisconsin, which are laid out in an online "directory" available on our website. That analysis shows that in 2017, 97 of the 147 municipalities in southeast Wisconsin experienced increases in their aggregate gross tax levy.³

Notably, **the aggregate gross tax levy in the City of Milwaukee increased by just 0.4%** (up \$2.9 million to \$800 million). The small overall increase is attributed to a \$20.4 million *reduction* in the levy for the Milwaukee Public Schools (MPS), which almost entirely offset increases for other taxing bodies. The decrease at MPS results largely from the revenue limits described above, as an increase in State equalization aids – as well as other elements associated with the State's equalization aid formula – required a corresponding reduction in the district's property tax levy.

² Under State law, both local governments and school districts do have the ability to exceed levy limits by voter referendum.

³ There are 148 municipalities in southeast Wisconsin. However, the Village of Somers (Kenosha County) is not included in this analysis because it was established in 2016 and, therefore, lacks sufficient information to determine a growth rate as calculated for this analysis.

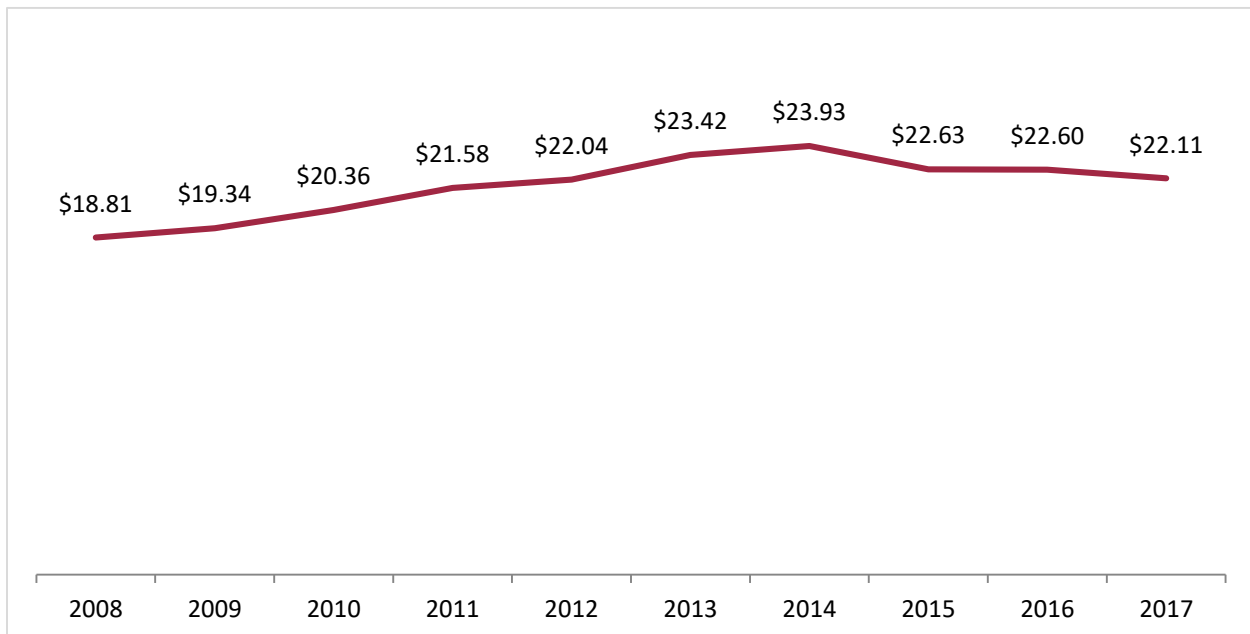


PROPERTY TAX RATES DECLINE MORE SHARPLY THAN PREVIOUS YEAR

Consideration of property tax levies also must take into account what is happening with property tax rates. Ostensibly, if property values are growing, then local governments and school districts should be able to enjoy some growth in their overall levies without having to increase the overall rate. Conversely, if property values are falling, then rates need to be increased in an equivalent manner just to maintain the same amount of tax levy collections.

In 2017, the region's aggregate gross property tax rate declined for the third straight year, from \$22.60 to \$22.11 per \$1,000 of equalized value. As can be seen in **Chart 16**, this year's tax rate decrease of \$0.49 (2.2%) exceeds the slight decrease of \$0.03 (0.1%) seen in 2016. In 2015, the region saw its largest single-year decrease since 2008 with a \$1.30 (5.5%) decline in the tax rate.

Chart 16: Ten-year hypothetical aggregate gross tax rate in Southeast Wisconsin

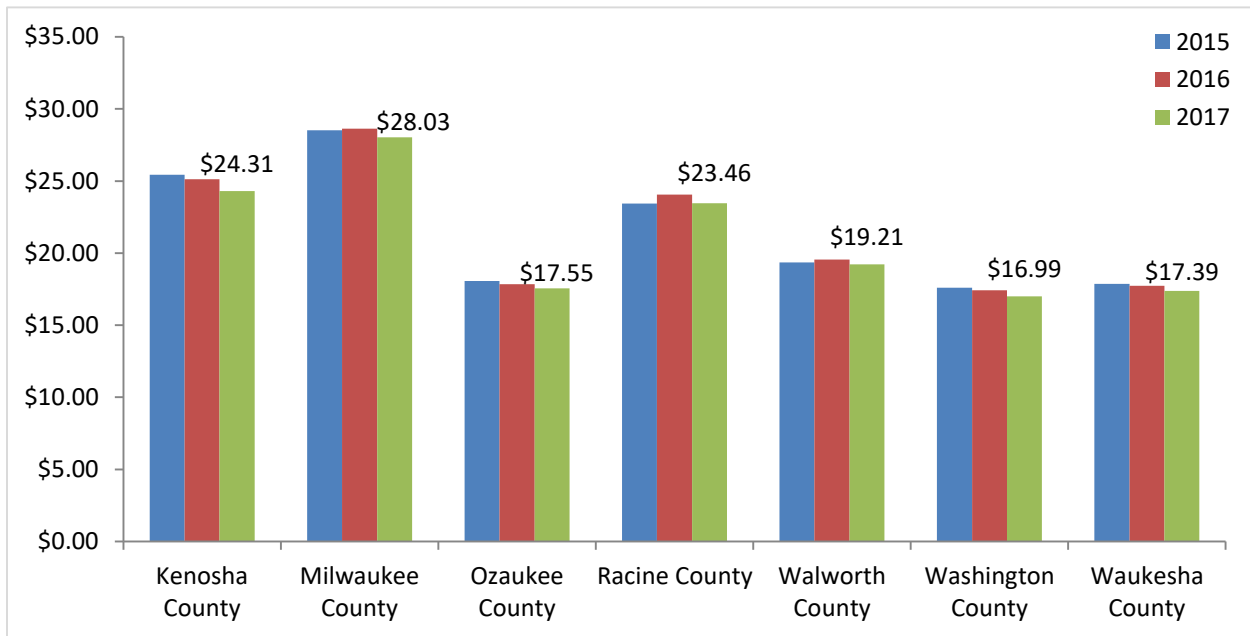


The property tax rate for the region provides additional context with which to consider the increase in its aggregate gross levy. **The fact that the region was able to realize a 1% increase in levy collections while reducing the rate by 2.2% reflects the growth that occurred in property values.** In 2016, aggregate equalized property values grew 3.2%, which helps to explain this increase in property tax collections in the face of a decrease in the property tax rate.

Each of the seven counties in southeast Wisconsin experienced a decrease in its aggregate gross tax rate. As shown in **Chart 17**, those decreases varied among the individual counties, however. Kenosha County saw the largest property tax rate decrease at 3.3%, while Ozaukee County experienced the smallest decrease at 1.6%. The property tax rate in Milwaukee County decreased by 2.1% to \$28.03 per \$1,000 of equalized value, though the aggregate gross tax rate in that county still is the highest in the region (by far).



Chart 17: Aggregate gross tax rates, by county



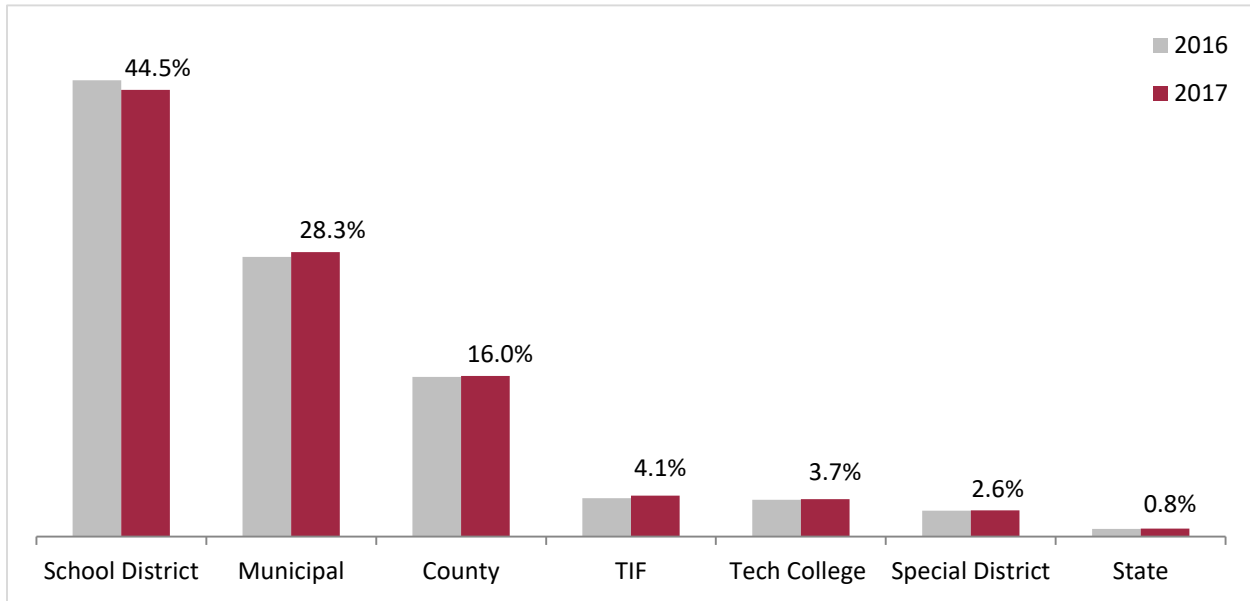
In our online directory that cites property tax information for each municipality in the region, we show that the City of Milwaukee experienced a property tax rate decline of 3.6% to \$29.62. The Village of Brown Deer has the highest property tax rate in southeast Wisconsin at \$32.43 (down 2.7% from 2016).

SCHOOL DISTRICT LEVIES DOWN WHILE INCREASES FOR MUNICIPALITIES, TECHNICAL COLLEGES, AND TIFS EXCEED INFLATION

School district levies continue to comprise the largest share of property tax bills in southeast Wisconsin, accounting for 44.5% of the total bill. Yet, as shown in **Chart 18**, school districts' share of the overall levy declined by a percentage point from 2016, when they comprised 45.5% of the total. Each of the other jurisdictions/categories saw its share increase slightly, though none of those increases exceeded half a percentage point.

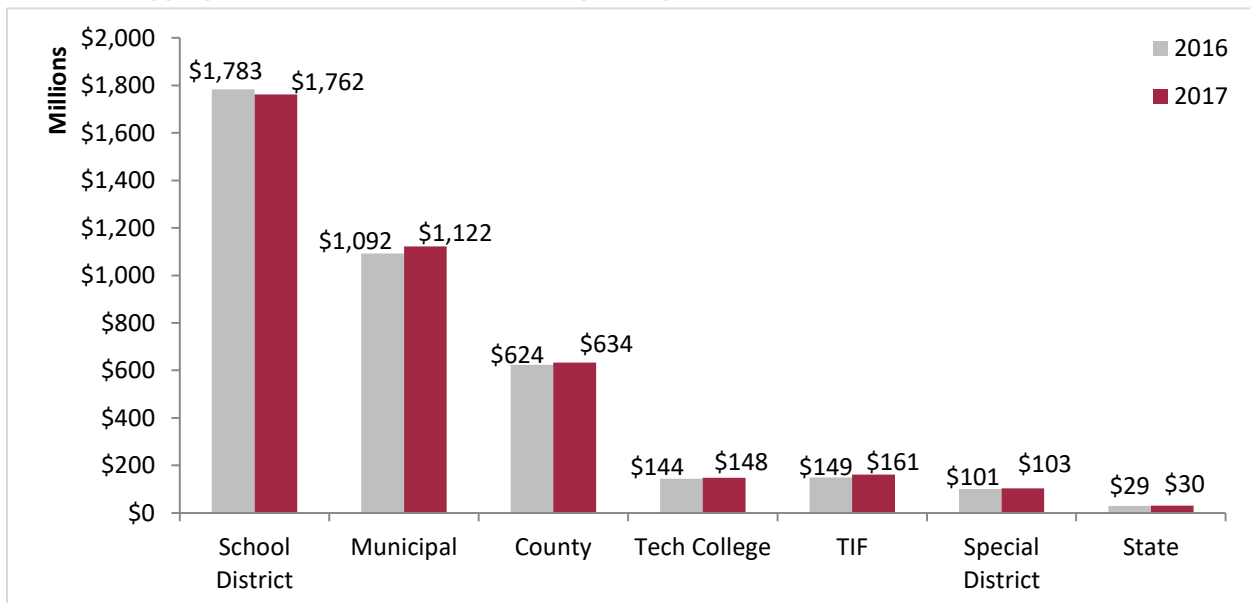


Chart 18: Share of aggregate tax levy among taxing jurisdictions in southeast Wisconsin, 2016-17



In terms of the dollar amounts levied per taxing jurisdiction/category, we find that **all jurisdictions except school districts increased their total amount levied**, as shown in **Chart 19**. The total school district levy in the region fell by \$20.6 million (1.1%) in 2017 and likely can be attributed to the dynamic involving State equalization aids and revenue limits described above.⁴ The decrease in school district levies largely offset higher-than-inflationary increases in municipal, technical college, and Tax Incremental Finance (TIF) levies.

Chart 19: Aggregate tax levy breakdown among taxing jurisdictions in southeast Wisconsin, 2016-17



⁴ Information about individual district calculation of maximum property tax levy amounts can be found at <https://dpi.wi.gov/sfs/limits/revenue-limit-formula>



Particularly notable is the increase in the amount levied by TIF districts, from \$149 million in 2016 to \$161 million in 2017 (8.3%). This follows a 5.9% increase in 2016 and marks the second year in a row that TIF districts experienced the highest increase in levy collections among the different jurisdictions. While it is beyond the scope of this report to analyze the cause of these increases, a possible contributor is enhanced use of tax incremental financing by the City of Milwaukee.

Also of interest is the technical college tax levy, which increased by 2.7%. While it would be difficult to label such an increase as excessive, it does indicate that technical college levies may be on the rise after being reduced substantially by Wisconsin Act 145. Despite these increases, however, technical colleges still only account for 3.7% of the region's total tax levy. Municipal levies – which comprise the second largest jurisdictional share of the total levy – also increased their levies by 2.7%.



EFFECTS ON TAXPAYERS

The property tax bill charged to an individual property owner reflects the aggregate of the taxes levied by the various taxing jurisdictions, which are then applied via the property tax rate to the property's assessed value. Annual changes to property tax bills, therefore, reflect not only the levying decisions of government bodies, but also any change in the assessed value of the property owner's home or business.

This dynamic precludes us from being able to definitively assess annual tax bill impacts on individual property owners, as we do not know how the value of individual properties changed. Nevertheless, we can illustrate the connection between values, levies, and rates by calculating changes to an average hypothetical tax bill for a resident of each county in southeast Wisconsin and for the region as a whole. We do so in this section by using average 2016 residential equalized values, and applying 2017 aggregate gross tax rates to those amounts.

In 2016, the average residential property value in southeast Wisconsin increased by 0.8% to \$194,140. Ozaukee County and Waukesha County again had the highest average residential property values at \$282,511 and \$277,311, respectively. Milwaukee County had the lowest average residential property value at \$148,187, which represented a 0.6% increase from 2015. With the exception of Waukesha County, which experienced minimal change, every other county in southeast Wisconsin experienced an increase in average residential property value in 2016. Four of those counties (Kenosha, Milwaukee, Ozaukee, and Racine) grew at a rate of less than 1%, while Washington County experienced the largest rate of growth at 3.2%.

Table 1 shows the hypothetical gross property tax bill for every county in southeast Wisconsin – and for the region as a whole – for the past three years. We see that despite the slight rise in average residential property values in 2016, the average hypothetical tax bill declined in most counties in 2017.

Table 1: Average property values, aggregate gross tax rates, and hypothetical gross tax bills

	2015 Averages			2016 Averages			2017 Averages		
	Value*	Rate	Bill	Value*	Rate	Bill	Value*	Rate	Bill
Kenosha Co	\$153,145	\$25.44	\$3,897	\$157,100	\$25.13	\$3,948	\$157,581	\$24.31	\$3,831
Milwaukee Co	\$146,514	\$28.53	\$4,180	\$147,252	\$28.64	\$4,217	\$148,187	\$28.03	\$4,154
Ozaukee Co	\$270,099	\$18.06	\$4,878	\$279,719	\$17.84	\$4,989	\$282,511	\$17.55	\$4,958
Racine Co	\$147,655	\$23.43	\$3,459	\$149,329	\$24.05	\$3,592	\$150,201	\$23.46	\$3,524
Walworth Co	\$209,693	\$19.35	\$4,058	\$211,532	\$19.55	\$4,135	\$215,684	\$19.21	\$4,143
Washington Co	\$205,998	\$17.59	\$3,624	\$211,129	\$17.42	\$3,677	\$217,810	\$16.99	\$3,701
Waukesha Co	\$270,084	\$17.87	\$4,826	\$277,372	\$17.73	\$4,918	\$277,311	\$17.39	\$4,822
SE WI	\$189,952	\$22.63	\$4,298	\$192,535	\$22.60	\$4,351	\$194,140	\$22.11	\$4,292

* The average residential value cited for each year actually represents the average value from the previous year, as the previous year's value is multiplied by the current year's rate to derive the current year's tax bill. In other words, the values listed under the 2017 averages are 2016 values.



For the region as a whole, the hypothetical tax bill for residents decreased by \$59 (1.4%) to \$4,292. Notably, this year’s tax bill also is lower than the hypothetical average tax bill in 2015, which was the first year in which the change in the technical college financing structure was reflected. In fact, when we look back over the past decade, we find that **the 2017 hypothetical gross tax bill for the region is the lowest since 2007**, as shown in **Chart 20**.

Chart 20: Ten-year hypothetical gross property tax bill



On an individual county level, five of the seven counties saw a decrease in their hypothetical gross tax bill. The differences among counties result from the varying magnitudes of property value increases in comparison to declining tax rates. In the counties that experienced decreases in their gross tax bills, the decrease in tax rate outweighed the increase in their average residential property value. Kenosha County, which experienced the largest decrease in its hypothetical gross tax bill (3.0%), also saw a 3.3% reduction in its tax rate. However, Walworth and Washington Counties experienced increases in their hypothetical gross tax bills (0.2% and 0.7% respectively) because of their comparatively large increases in average residential property values (2.0% and 3.2% respectively).

Further breaking down individual county trends, Ozaukee and Waukesha Counties continue to have the highest hypothetical gross tax bills (\$4,958 and \$4,822 respectively), despite having the second- and third-lowest tax rates. This is explained by the fact that their average residential property values of \$282,511 and \$277,311 represent the two highest in southeast Wisconsin.

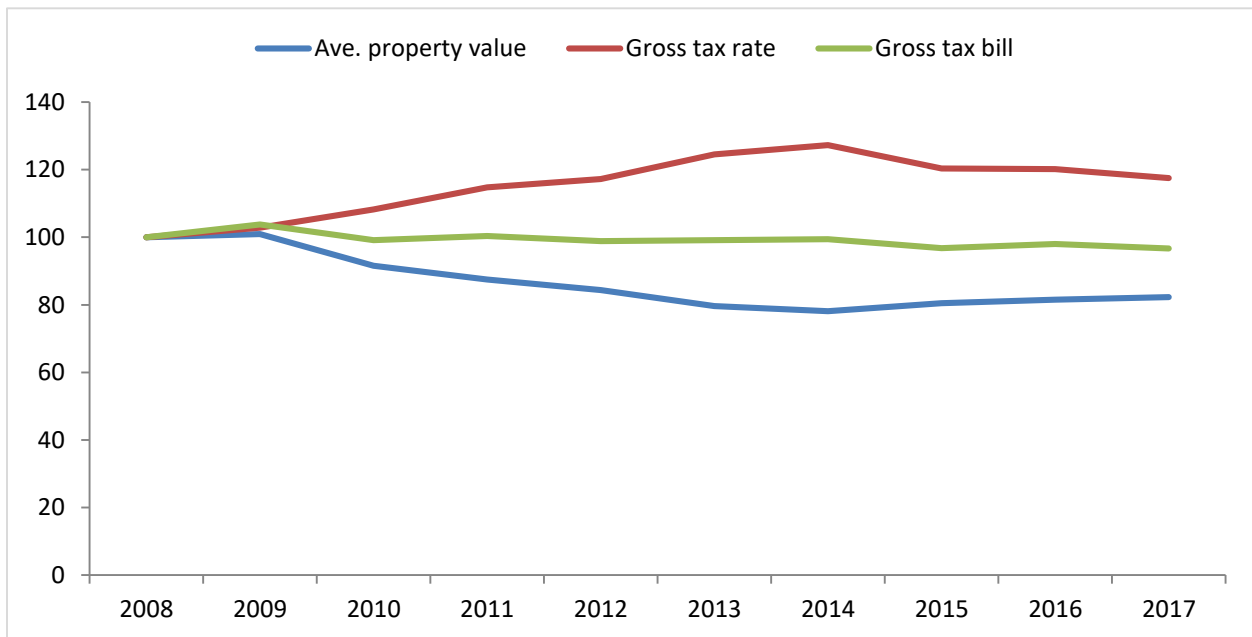
For the 12th consecutive year, Racine County had the lowest hypothetical gross tax bill at \$3,524, most likely due to its relatively low property values. Milwaukee County possessed the third-highest hypothetical gross tax bill (\$4,154) after Ozaukee and Waukesha Counties. For Milwaukee County, this comparably high hypothetical tax bill is not a function of its high property values (Milwaukee



County has the lowest average residential property value in the region), but instead is attributed to the fact that its aggregate property tax rate is highest in the region at \$28.03.

Chart 21 shows the trend in hypothetical gross tax bill, gross tax rate, and average residential property value for the region indexed to 100 annually beginning in 2008 (the year in which the economic recession took hold). The chart shows the effect that average residential property values and tax rates have on the hypothetical tax bill. The property tax rate is 17.5% higher than at the beginning of the period (though it is at its lowest level since 2012), while the average residential property value remains 18.5% lower. The region's hypothetical gross tax bill, however, is 3% lower than in 2008, which reflects the fact that rates have increased slightly below the level at which values have declined.

Chart 21: Southeast Wisconsin hypothetical average tax bill, gross tax rate, and property value indexed to 100



CONCLUSION

This year's analysis of property values and taxes provides good news for southeast Wisconsin property taxpayers. The combination of healthy growth in values and strict levy limits (particularly on school districts) continues to send property tax rates downward, producing a hypothetical average property tax bill for 2017 that is the region's lowest in a decade.

With aggregate tax levies in the region growing by just 1% in 2017 despite a 3.2% increase in property values the year before, taxpayers appear to be reaping a greater share of the benefit of enhanced valuations than school districts and local governments, whose ability to capitalize is limited by state-imposed levy caps. That clearly was the hope of lawmakers who created those caps, and this year's report provides new evidence that it is playing out the way they intended.

With regard to property values, the 3.5% rate of growth in 2017 is the highest since 2007. In fact, the region now is close to recovering the overall value that existed before the 2008-09 recession. Particularly encouraging is the 4% growth in residential values, which also is the highest in the past decade. A cautionary note, however, is that growth in commercial values slowed to 2.6% in 2017, the lowest growth rate in three years. Further caution involves the City of Milwaukee, whose values are growing more slowly than the rest of the region at about 1.8% per year over the past two years.

While citizens in southeast Wisconsin likely will be comforted by the knowledge that property values are growing and that the impacts of such growth on property tax bills is being minimized, not all local governments and school districts may share that comfort level. To the extent that they cannot fully tap into the growth in values to meet their expenditure pressures, they increasingly may be forced to consider service reductions and/or to seek greater efficiencies, including potential service sharing or consolidation with other jurisdictions.

Overall, while efforts to ensure an appropriate balance between controls on property tax levies and sufficient funding for public sector services never are easy, they are far more manageable in an era of sustained property value growth. The region's 3.5% increase in values in 2017 means that this positive environment will continue for most local governments and school districts as they get set to consider their 2018 budgets and levies.

