

Tax-Exempt Institutions Pay for City Services

In **Milwaukee, Wisconsin** (597,000), approximately one-third of all property is tax exempt. To help recover the cost of city services provided to nonprofit institutions, Mayor Tom Barrett introduced the Fair Share program. Through this voluntary program, tax-exempt institutions are asked to pay for their share of city services in the hope that, by reducing the number of tax exemptions, the tax bills of residents can be reduced.

Leadership/staffing

The program was developed by the mayor and city assessment commissioner. The assessment commissioner is responsible for communicating with tax-exempt institutions.

Timeline

The program was approved by the city's common council in December 2004, after winning approval from the council's finance and personnel committee.

Budget/funding

The city estimates that it lost \$34.2 million in revenue from tax-exempt property in 2002. Tax-exempt institutions are asked to contribute the amount that they would pay if they were on the tax rolls, although a lower amount can be negotiated.

Program description

The program began by sending letters to the city's largest tax-exempt institutions, including universities and hospitals. The letters explain that the properties, especially those of large institutions, benefit from such city services as police and fire protection, snowplowing, street lights, and road repairs. Because tax-exempt institutions are not paying for these services, other property owners are subsidizing the services received. Smaller tax-exempt institutions are asked to participate in the program when they request tax-exemption status from the city or when they request approval for expansion. The city cannot compel tax-exempt institutions to

participate in the program, but it is holding discussions with five of the larger institutions.

Results

Some tax-exempt institutions argue that they are tax-exempt because they provide important services to the city, including charitable programs and jobs for residents. However, three churches and two additional nonprofits have agreed to pay the amount requested, and the city is continuing to negotiate with local universities and hospitals.

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