

Pros and Cons of Collecting Property Tax in Four Installments

In general, I base my opinion on recommending this on the fact that a clear majority of large cities in the state use multiple installments. The taxpayers in those cities like it, and the cities themselves like it. Below, I have listed a number of points being brought up by the county treasurer with my interpretation of the pros and cons of each.

Fairness: The county treasurer sees as a **con** that under our proposal city of Madison taxpayers will be treated differently than other Dane County taxpayers. My response is that there currently are many differences between municipal taxing districts and counties. Over twenty counties in Wisconsin don't charge a .5% penalty. Is it unfair that Dane County does? In some cities (Lacrosse, Kenosha, Racine, etc.) property owners in the city have three or four installments, the rest of the county has two. In Waukesha County, of 37 municipalities, 31 use two installments and 6 use three installments. Of those six, three (V. of Mukwonago, C. of Muskego, and C. Oconomowoc) have due dates of January 31, April 30, and July 31; the other three (C. of New Berlin, V. of Sussex, and C. of Waukesha) have due dates of January 31, March 31, and May 31. My point is that different collection practices are common in the state. Finally, is it fair to not allow the City of Madison to exercise an option that the state clearly permits?

Cash Flow Advantage for Taxpayers: We see as a **pro** that spreading out the number of payments from two to four would be an advantage for some taxpayers. Requiring a smaller tax payment by January 31st will be a positive for a certain number of taxpayers. Taxpayers will have greater control over the timing of their payments. Some may use their federal income tax refund as a way of paying the second, third, or fourth installments, an alternative currently unavailable to them. I believe the county treasurer would rebut this point by pointing out that the third installment would require an earlier payment of that third-quarter of taxes than is currently the case.

Interest and penalty: Our proposal would not charge delinquent Madison taxpayers the .5% monthly penalty. The city attorney does not think the city can charge it, because while the statutes indicate that if the city collects it, we can keep it, the statutes do not empower the city to enforce the current county ordinance. We see this as a **pro** for our proposal in these tough economic times; the county sees it as a **con**, because of their fairness argument. The county argues that this adds ambiguity, and the resultant ambiguity should prevent the city from considering the entire proposal. The city sees a further **pro** in that this two-tiered system will hopefully motivate delinquent taxpayers to clear up their delinquency before it is turned over to the county in August.

Convenience/Confusion: The city sees a **pro** in that the proposal would have taxpayers pay ALL current year property taxes to the City of Madison. Currently, the system of paying the first installment to Madison and the second to Dane County confuses some people and some out-of state mortgage companies. However, the county does not see this as a benefit, because it would be new, different, and only apply to Madison residents.

Reminder notices: The county sees as a **con** that the city would only have one mailing of a reminder notice which would include billing information for the three remaining installments. Our response is that: 1) there is no requirement that any reminder notices be sent; 2) some counties and cities don't send any reminder notices; 3) the single mailing will save costs; and 4) the mailing will be augmented by e-mails to subscribers prior to every due date.

Delinquent notices: Under the proposal we see as a **pro** that the city will be responsible for sending delinquent notices. Madison should be able to do this earlier than what the county currently does. Delinquent taxpayers should receive their notice while still in their first month of delinquency, instead of not receiving a notice until the second month. The number of notices would be fairly small, decrease each month, and is of a size smaller than many mailings the city treasurer currently does.

Revenue through delinquent interest charged: A **pro** for the city would be that interest on delinquent taxes collected between February and July would be kept by the city. Inasmuch as the county currently keeps these interest charges and levies an additional .5% penalty, the county see this loss of revenue as a **con**. Based on totals from cities that currently use multiple installments and our own projections, it is conservatively estimated that this revenue could total \$200,000.

Investment interest earned on collected balances: Currently, the county keeps all second installment payments made from February through July before distributing them in August to the other taxing districts. A **pro** for the city in our proposal is that we would be collecting taxes for six more months and realize the investment earnings. The total would be less than what the county currently earns because we would distribute to the other taxing districts more frequently. At today's low interest rates, we estimate this revenue to be less than \$10,000. However, the county sees this as a **con**, because upon a return to higher interest rates the earnings could easily be in excess of \$100,000.

While I'm not suggesting that I have addressed all of the county treasurer's objections to Madison going to multiple installments, these seem to be the ones mentioned most frequently.

In the final analysis moving to four installments clearly benefits the taxpayers and the City of Madison. It is unfortunate that the county will suffer some revenue loss, but we are only attempting to exercise an option that dozens of other municipalities in Wisconsin already use.