

Four Facts about the Dark Store and Walgreens tax Loopholes

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1. Fact: National bond rating agencies are warning about the possible negative impacts on municipalities of the dark store tax loophole. In January 2018, Standard and Poor's Global Rating published an article saying that the dark store practice could place pressures on the budgets and credit quality of U.S. municipalities. The bond rating agency noted "the potential exists for the growing use of dark store theory to contribute to widespread fiscal pressure for certain types of issuers." Partially on the basis of this, Springsted, a Midwestern local government financial consulting firm, said in a dark store whitepaper distributed to clients in April 2018: "Municipalities at all levels would be wise to understand the [dark store] issue, quantify the potential risk and prepare contingency plans, and consider legislation that could mitigate risk."

2. Fact: Local officials across the state are deeply concerned that the dark store and Walgreens tax loopholes will cause even more of the property tax burden to shift from commercial and manufacturing property owners to homeowners. By any measure, homeowners already bear a disproportionate share of the statewide property tax burden in Wisconsin. Homeowners pay 68% of property taxes in Wisconsin. This is much higher than in most other states. Homeowners in Minnesota, for example, pay only 50% of all property taxes collected statewide. In 1970, homeowners in Wisconsin also paid only 50% of the tax levy. According to an analysis of 12 communities by the League of Wisconsin Municipalities, homeowners could see their property taxes increase by 8% or greater, if commercial and manufacturing property values are lowered by 50% as a result of chain stores, fast food operations, big box retailers, banks and others using the Dark Store and *Walgreens* loopholes. Homeowners should not and cannot bear more of the tax burden.

3. Fact: Local Governments won't receive one dime more in total property tax revenues if the dark store and *Walgreens* tax loopholes are closed. The state strictly limits the total amount of property taxes a city, village, town, or county may collect. A city or county will collect the same total amount of taxes regardless of whether the dark store and *Walgreens* loopholes are closed, unless it significantly cuts spending on essential services, like police and fire or street maintenance. Closing the loopholes will, however, avoid shifting even more of the property tax burden from commercial and manufacturing property to homeowners and small businesses. Local government officials are fighting for a fair and equitable property tax system, not more tax dollars.

4. Fact: Assessors and other local government officials have nothing to gain -- no financial or other personal interest at stake – with regard to how high or low a particular property is assessed for property tax purposes. City, village, and town assessors are required to strictly adhere to state law, case law, and the Wisconsin Property Assessment Manual (WPAM) when assessing the value of property. State law requires assessors to be certified by the Department of Revenue. Assessors must comply with annual training and continuing education requirements. The Department of Revenue has the power to decertify any assessor that is consistently not assessing property in compliance with the standards and procedures set forth in state law and the WPAM.