

# **Five Facts about Closing Dark Store and Walgreens tax Loopholes**

Prepared by the League of Wisconsin Municipalities  
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- 1. 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. 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 50% of all property taxes collected. 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.
- 3. The 2018 Legislative Council Study Committee on Property Tax Assessment Practices (aka, the dark store study committee) did not recommend any bills directly addressing the dark store or Walgreens tax loopholes.** After hearing testimony from all sides on the issue, the committee chair explicitly decided that given the committee's make-up, it would not be possible to reach consensus on a compromise dark store and Walgreens legislative proposal. Consequently, the committee focused on areas of agreement and recommended three bills generally improving the overall tax assessment process without specifically addressing the dark store and Walgreens tax reduction strategies.
- 4. 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 officials seek a fair and equitable property tax system, not more tax dollars.
- 5. Municipal Assessors 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.** As public officials, municipal assessors must strictly adhere to state law, case law, and the Wisconsin Property Assessment Manual (WPAM) when assessing the fair market value of property. Assessors must be certified by the Department of Revenue (DOR). Assessors must comply with annual training and continuing education requirements. DOR may decertify any assessor that is consistently not assessing property in compliance with the standards and procedures set forth in state law and the WPAM.