

Daniel J. Diliberti
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DATE: October 22, 2013

TO: State Legislature

FROM: Daniel J. Diliberti, Milwaukee County Treasurer

SUBJECT: Assembly Bill 415/Senate Bill 328 relating to collection of costs of razing buildings

The proposed legislation seeks to clarify how municipalities identify and charge for demolition costs passed on and charged to counties.

Placing demolition costs on county taxes as a special tax can overburden a county at the time of settlement for reimbursing a municipality. If the demolition costs are instead listed as a special charge, the county has needed flexibility regarding reimbursement to municipalities for special charges if the funds become available in the delinquent tax collection and foreclosure process.

In Milwaukee County, at settlement time – when we reimburse municipalities for all delinquent taxes and take on the responsibility to collect those taxes - with the exception of one-time demolition charges, special charges hover around \$10-\$60,000 per municipality (depending on its size) for unpaid delinquent special charges. There are cases where it is been a much greater amount.

Milwaukee County has worked with the municipalities and has had a tradition of reimbursing municipalities for those special charges – which usually encompass unpaid utility charges, snow removal, untended lawn mowing charges, etc. These charges on individual properties usually accumulate in small amounts and are fairly easy to recover along with the collection of delinquent property taxes. That is why it has been a long-standing tradition for Milwaukee County to simply reimburse municipalities for these relatively small amounts of special charges and later collect them in the course of collecting delinquent property taxes.

However, demolition costs – charges that can amount to a million dollars or more - have recently shown up as special charges in the settlement process – charges that are clearly outside of the possibility of recovery during the delinquent tax collection process. Once a property has its building improvements removed by demolishment; the property value is substantially reduced. So if a county forecloses on that property, it stands little chance of recovering those high demolition costs.

It is important to recognize: counties do not enact municipal health and building code ordinances; counties do not inspect, license or condemn buildings; and, counties do not play a role in the enforcement and compliance with these municipal ordinances.

In the last two years, a number of demolition charges were sent to the county. In 2011, taxes (reimbursed in 2012) a municipality charged the county for nearly \$100,000 in special charges for one property. Also in 2011, a demolition cost of another property was charged at \$807,430. For 2012 taxes (reimbursed at settlement in 2013), a charge of \$1,095,852 appeared for demolition charges on a single property. These charges as a special tax or special charge, with no input on when to raze a building by the county, can cause any county financial hardship.

This legislation provides clarity for county taxpayers and corrects a loophole in the tax codes. In addition, it provides counties options for reimbursing municipalities for demolition costs that are recoverable as special charges in the delinquent tax collection process.

This proposal takes on even greater urgency now because not passing this legislation is likely to be interpreted as allowing all municipalities to go ahead and bill future demolition costs to the counties as special taxes, thereby forcing counties to reimburse them at delinquent tax settlement time.

While Milwaukee County has a long-standing practice of working with municipalities in our county and we believe in sharing the burden and carrying out our responsibility to try and collect taxes on these properties, it is not always feasible. If municipalities began using this tax loophole to place razing costs only as special taxes, it could have serious financial implications for the county.

Sincerely,

Daniel J. Diliberti
Milwaukee County Treasurer