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Milwaukee County Finance Committee  
901 N. 9<sup>th</sup> St.  
Milwaukee, WI 53233

Committee members:

I am part of the suburban Milwaukee treasurer group, representing Wauwatosa in managing its treasury operations. Wauwatosa, along with several other suburban municipalities are supportive of a property tax interest and penalty waiver, and as a service to our citizens who are experiencing financial hardship would like the ability to be able to enact a waiver.

Act 185 provides that the interest and penalty waiver is effective for any due dates April 1, 2020 and later for both the suburban municipalities who collect taxes in installments under state statute 74.12 and the City of Milwaukee, which collects in installments under 74.87. Once a taxpayer does not make the indicated payments by each installment due date, the entire tax bill is considered delinquent, subject to interest and penalty, and the installment option is lost. As of now, we have two sets of tax bill statuses, delinquent and postponed:

- Those taxpayers who did not fulfill the January 31, February 29 or March 31 due date obligations are in delinquent status. Interest and penalty will accrue until fully paid.
- Those taxpayers who did fulfill the due date obligations March 31 or earlier are in postponed status. Only these would be eligible for an interest and penalty waiver.

In listening to the Committee of the Whole meeting on May 14, there are understandable concerns about the County passing an interest and penalty waiver resolution.

- **Reduction in interest and penalty revenue.** There are a few important clarifications to make, however. First, this revenue is only earned if a delinquent tax is collected. Payments are apportioned based on the percentage of interest and penalty due on the tax bill, which is 1.5% per month. (As an example, if a tax bill was one month delinquent and a payment was made of \$101.50, \$1.50 would be allocated to interest & penalty revenue and \$100 towards the taxes due.) This

revenue reduction is bound to occur anyway due to the economic environment. A waiver just gives the opportunity for some taxpayers to potentially avoid additional charges on top of their taxes due, if improvement in the local economy results in improvement for their personal financial situation. Second, municipalities would also see a reduction in interest and penalty revenue if a waiver is enacted. Municipalities collect interest and penalty on any delinquent taxes collected prior to August 1. Wauwatosa is looking at a \$20,000 budget shortfall for its \$75,000 annual budget. While not the dollar figure of the county, it is still impactful for a municipality with a budget of one tenth the size of the County. Other suburban municipalities are looking at even larger shortfalls.

- **The potential for those who are able to pay to take the opportunity to delay payment for cash flow purposes.** This is a scenario that is bound to happen. However, if taxpayers are able to pay, they will pay, it's just a question of timing. If there is no waiver, they pay by regular due date. If there is, they pay closer to September 30. In either case, the payment is timely and no interest and penalty is charged or collected. This would have a cash flow impact, but it would not have an interest and penalty revenue impact. This distinction is important.
- **Cash flow impacts.** There will be a cash flow impact to the County because of the scenario outlined in the previous bullet point, which along with higher delinquencies due to the local economy will cause the tax balances transferred to the county to be higher. This higher balance would be paid by the County to the municipalities. However, this is partly mitigated as according to the settlement language in Act 185, the County does not need to pay the municipalities until September 20, rather than August 20. This results in a cash flow impact to the municipalities as well.
- **Interest earnings.** Large changes in cash flow can affect interest earnings – both at the County and the municipal levels.
- **County staff resources.** A greater volume of tax balances transferred to the County would result in a greater cost to staff resources needed to service accounts and process payments. However, this could be mitigated. Municipalities could volunteer to extend their tax collection period from July 31 to September 30 to alleviate staffing challenges for the County Treasurer.
- **Tax software cost.** The software company, LandNav (formerly GCS), would prefer to make programming changes in their newer, cloud platform software to account for deferring interest and the timing and cost of upgrading the software is not ideal. However, it is not news to any of their clients that they are looking to move all of their clients eventually to the cloud platform. It is probably a step the County would take in the near future regardless. The current software does have some flexibility, unfortunately it does not appear that any tax collection process changes or workarounds with the current software have been explored.

Being aware of these factors, the suburban municipal treasurers are mindful of the fiscal and other impacts on the county and those interested in a waiver would be willing to work

with the County to mitigate as much of this as possible. Municipalities could volunteer to extend their collection period to reduce cost of staffing at the county level. Municipalities may be willing to delay settlement to October 20 so that the County would not experience cash flow issues. For those municipalities who desire a waiver, these are concessions we are willing to make for the benefit of our citizens who are experiencing hardship. A 14.7% unemployment rate hits every zip code in this country. There is impact at both levels of government, but more importantly there is impact on the individual taxpayer.

Wauwatosa has already passed a waiver resolution that become effective if the County enacts a waiver resolution. Wauwatosa City Council would then confirm the resolution the next council meeting after the county meeting. Wauwatosa's plan would be to not do a general waiver, unless required to by the county, but rather would have a taxpayer sign a form attesting to financial hardship caused by COVID-19 impact. In this way, our opinion is that more tax would be collected by normal due dates and keep the cash flow impact as minimal as possible. The county resolution, given the fact that the City of Milwaukee desires a general waiver, might be constructed so to give municipalities the option to do general or hardship. A resolution might also include a requirement of municipalities to collect taxes until September 30 and work with the county on a settlement plan.

As the May 31 installment due date approaches, communication is now the complication. There is a statutory five day grace period that technically extends the due date to June 5, but even still there is little time to get information out to the property owners in order to give them time to attest to financial hardship. There was hope that a May 14 action would have afforded more time. If a waiver resolution is not passed at the May 28 County Board meeting, then the opportunity to help our property owners will likely be missed.

Thank you for your consideration,

*Derik Summerfield*

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