

Dark Store Theory and Walgreens Lease Loophole FAQs

How do these assessment manipulations affect homeowners and small businesses?

One of the most important reasons the Wisconsin Towns Association and other local government associations want to close the “dark store” and “Walgreen’s” loopholes is because they shift taxes to homeowners and small businesses. Statewide, residential owners pay about 70 percent of the property tax, which has risen from 50 percent in 1970. If these theories continue to spread, homeowners will pay even more in property taxes.

Remember, the overall tax levy does not change when a highly valued property lowers its assessment. There are still levy limits in place. Thus, when one property sees a substantially lower assessment, the total amount of money collected from all property owners does not change, only who pays does. When properties utilize these loopholes, they often see their assessment lowered by up to 50 percent. That has a significant impact on who pays the property tax, especially as more properties use the loopholes.

Not only do homeowners pay more but so do small business owners. Big corporations manipulate the assessment law and create loopholes to get tax breaks, while homeowners and small business owners end up carrying a bigger tax burden.

I don't have a Walgreens or big box store in my town. Why should I care?

Rural towns still get the shaft of the shift. Counties, school districts and technical colleges all have their own tax levies. When a property in another municipality sees a substantial decrease in assessed value, those other taxing jurisdictions shift the tax burden to homeowners. Even a town without a big-box store will still have its residents pay more in property taxes because of the county, school, or technical school tax levies.

We have a lot of commercial property in my town. How will it impact me?

There are several impacts to towns with multiple properties that use the loopholes. The first is the litigation costs. When these loopholes are exploited, property owners sue. The town could then be on the hook for paying an attorney to fight the case. The second financial impact comes if the town settles or loses the case. It must reimburse the property owner for the taxes collected from the owner. A portion will be charged back to other taxing jurisdictions, but the town will still be on the hook for its share of the taxes assessed. There is a short term, one time hit to the town government that negatively impacts the services residents receive, but more importantly, residents will also pay more because the big boxes pay less.

Town residents are also negatively impacted in these types of communities. As explained above, when one property lowers its assessed value, the other taxpayers must contribute more. In towns with many property owners abusing these loopholes the shift becomes more dramatic.

The impact is exacerbated in towns with one big box store or a large manufacturing property. When one property makes up a large portion of the equalized value, the shift is more dramatic than a town with multiple high value properties. So, if the town does have a highly valued property, the loopholes will have a disproportionate impact. With one property assessment challenge, the town's other taxpayers will see a large increase in property taxes. Some communities could see the tax burden on their homeowners rise by 30 percent!

Are there other impacts besides shafting homeowners & small business through the shift?

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."

Groups opposing a fix have said it will increase taxes and towns just want more money. Fake news. Towns won't get one more penny of revenue when this is fixed. Levy limits strictly limit what can be raised through the levy. Furthermore, just because an assessment changes, for any reason, doesn't equate into increased revenue. Assessment changes only causes who pays to change. When the loopholes are applied, homeowners and small business pay more. Big box stores pay less! So, the big business groups opposing this are partially right. Taxes will go up – on small businesses and homeowners.