

Talking Points Walgreens Reversal Bill, LRB 0372

- The goal of this bill is to avoid a large tax shift from commercial properties to other classes of property, primarily residential.
- Town residential property taxpayers currently already pay 78 percent of the statewide property tax levy.
- If this bill is enacted local governments will not receive one dollar more in tax revenue due to levy limits. The bill will, however, prevent more of the tax burden from being shifted to homeowners.
- Walgreens, CVS, and other single tenant leased retail properties use a different, but highly successful strategy to dramatically reduce their assessed valuations for property tax purposes.
- Walgreens, CVS, and other single tenant retail properties rely on a 2008 Wisconsin Supreme Court decision, *Walgreens v. City of Madison*, to convince the courts that their assessed values should be less than half of the actual sale prices of the properties on the open market. As a result, more of the property tax burden is shifted to homeowners and other taxpayers.
- The *Walgreens v. City of Madison* decision continues to control how assessors must value Walgreens, CVS and other single tenant stores despite changes made to the Wisconsin Property Assessment Manual to counteract the effects of that decision.
- Even though drugstores have become the most popular single-tenant properties in the national real estate investment market, regularly selling for \$5 million or more in Wisconsin, attorneys for Walgreen and CVS successfully argue that the actual sale prices don't represent market value and the underlying leases are the wrong tool for determining the property's value for 'property tax purposes.'
- We have a situation now where courts, relying on the *Walgreens v. Madison* decision, are ignoring recent sale data of the property and instead setting the assessed value at 50%+ less than recent sale prices of the properties.
- That is not how assessment law is supposed to work. Usually, the best evidence of the fair market value of a property is a recent arms-length sale of the property.
- **Real World Example from Appleton:** The Court of Appeals recently relied on the *Walgreens v. City of Madison* decision to affirm that a CVS property in Appleton should be valued at \$1.8 million, much less than the City's \$4.4 million assessment, which was based on an actual sale of the property. Appleton is now looking at a \$350,000 refund.
- LRB-0372 reverses the *Walgreens* decision by clarifying that lease amounts are appropriately factored into the valuation of leased properties.
- LRB 0372 restores common sense and fairness to how Walgreens, CVS, and other single tenant retail stores should be assessed in Wisconsin.