



OUR CITY OF MADISON

Background on Property Taxes

Prepared by:
Finance Department
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Agenda

What are property taxes and how calculated?

What do property taxes fund in City government?

History of property taxes

Property taxes and state aid

Background on Property Taxes

1. The largest source of revenue to local taxing jurisdictions in Wisconsin.
2. “Taxing jurisdictions” include the city, county, technical college, and school districts.
3. The property tax is also called a “levy”.
4. The “levy” is distributed to taxable property using a “rate”.
5. The “rate” is calculated by dividing the “levy” by the assessed value of property in a taxing jurisdiction.
6. The “rate” multiplied by the value of an individual property is the tax owed by that property.
7. Assessed value of taxable property in the City is established by the City Assessor using procedures defined in state law.

State Legislature and Property Taxes

State Legislature limits the growth in property taxes:

- **Levy Limits** -- Municipalities, counties and technical colleges are limited to levy increases based on the value of new construction.
- **Revenue Limits** -- School districts are limited based on number of students and limits on the increase in spending per student.

State Legislature decides the amount of state aid:

- **Shared Revenue** – 20% of state sales tax distributed to municipalities and local governments based on formula.
- **School Aid** – General school aid distributed based on relative property value per student of a school district compared to the rest of the state.

State Legislature places other restrictions:

- **Local Option Taxes**– Most municipalities are not authorized to levy other general taxes, such as sales, income, motor fuel, etc.
- **Other Requirements** – Limitations on spending; maintenance of effort for public safety spending; limitations on use of room taxes

Points to Consider about Property Taxes

- Assessments are used to **distribute** property taxes, not determine how much is collected in property taxes.
- The amount of property tax collected is determined by the **governing body** of each taxing jurisdiction during adoption of its annual budget.
- Generally, **new construction** sets the allowable amount of increase in property taxes each year (schools use a different approach).
- The allowable increase from new construction is meant to cover the **added cost of providing services** to those new buildings.
- Total property taxes on **existing property** do not decrease simply due to new construction, but changes in assessed value may redistribute those total taxes.

Hypothetical Example

- The tables below and on the next slide illustrate the property tax calculation process using a hypothetical “city” consisting of 3 properties in one year and a new property added in the next year.
- The total levy stays the same for the existing properties but is redistributed due to the varying rates of change in the assessed value of each existing property.
- The increase in the property tax is all due to new construction.

Property Assessments

Net New Construction	350,000
Total Property Value without Net New Construction	11,242,000
Net New Construction Factor	3.1%

	2024 Assessed Value	2025 Assessed Value	% Change in Assessed Value
Property A	400,000	430,000	7.5%
Property B	10,000,000	10,500,000	5.0%
Property C	300,000	312,000	4.0%
Existing Value	10,700,000	11,242,000	5.1%
Net New Construction		350,000	N/A
Total Value	10,700,000	11,592,000	8.3%

Property Taxes with No Net New Construction

2024 City Property Tax Levy	100,000
Net New Construction Factor	0.0%
2025 City Property Tax Levy	100,000

	2024 City Property Tax	2025 City Property Tax	% Change in Property Taxes
Property A	3,738	3,825	2.3%
Property B	93,458	93,400	-0.1%
Property C	2,804	2,775	-1.0%
Tax paid by Existing Property	100,000	100,000	0.0%
Net New Construction	-	-	N/A
Total Property Tax	100,000	100,000	0.0%

Property Taxes with Net New Construction

2024 City Property Tax Levy	100,000
Net New Construction Factor	3.1%
2025 City Property Tax Levy	103,113

	2024 City Property Tax	2025 City Property Tax	% Change in Property Taxes
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Property B	93,458	93,400	-0.1%
Property C	2,804	2,775	-1.0%
Tax paid by Existing Property	100,000	100,000	0.0%
Net New Construction	-	3,113	N/A
Total Property Tax	100,000	103,113	3.1%

How are my property taxes calculated?

1. Property is assessed based on sales and other factors

	\$ in billions		
Total Assessed Value	2025	2026	% Change
Madison Metropolitan School Dis	40.8	44.1	8.0%
City of Madison	45.8	49.4	7.9%
Dane County	45.8	49.4	7.9%
Madison College	45.8	49.4	7.9%

\$481,300

2026 Average Value Home

\$457,300

2025 Average Value Home

7.8%

Value increase from 2025 to 2026

2. Taxing jurisdictions set property tax levy based on state law limitations and other factors

	\$ in millions		
Property Taxes Levied, including TIF	2025	2026	% Change
Madison Metropolitan School District	377.3	458.6	21.5%
City of Madison	334.2	345.7	3.4%
Dane County	108.9	116.3	6.8%
Madison College	29.2	30.4	4.0%
	\$ 849.6	\$ 950.9	11.9%

\$1 billion

Total property tax levy

12%

Increase over prior year

Notes: MMSD boundary is not contiguous with City of Madison boundary; eight school districts overlap City of Madison boundary. Tax calculation includes school tax credit, lottery credit and first dollar credit

3. Property tax levy divided by total assessed value = tax rate

Tax Rates	2025	2026	% Change
Madison Metropolitan School District	0.93%	1.04%	12.5%
City of Madison	0.73%	0.70%	-4.1%
Dane County	0.24%	0.24%	-1.0%
Madison College	0.06%	0.06%	-3.6%
less State School Tax Credits	-0.19%	-0.17%	-7.7%
Net Tax Rate	1.77%	1.87%	5.4%

\$8,614

2026 Tax on Average Value Home, net of state tax credits

\$7,743

2025 Tax on Average Value Home, net of state tax credits

11.25%

Tax increase from 2025 to 2026

Assessed value of a property multiplied by tax rate = property taxes owed

Where do my property tax dollars go?

1. Taxes levied on real property



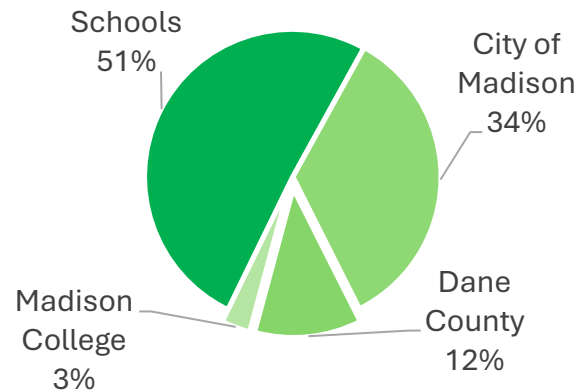
\$481,300

Average Value Home

\$9,800

Taxes on an average value home (TOAH), *excluding* state tax credits

2. Taxes distributed across four taxing jurisdictions



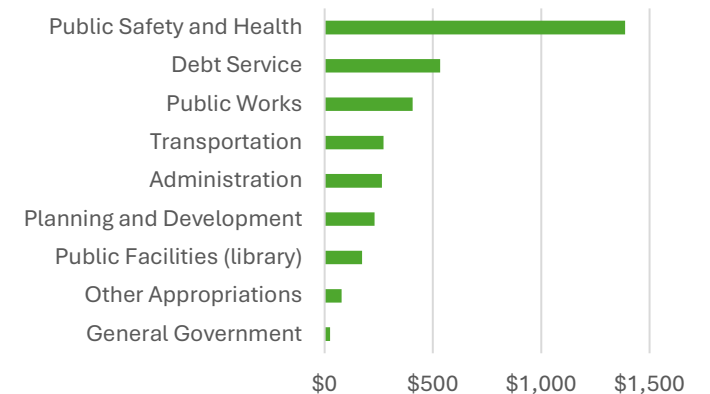
34%

City share of total property tax

\$3,371

TOAH for City services

3. Property taxes pay for core city services



\$1,387 (41%) Public Safety

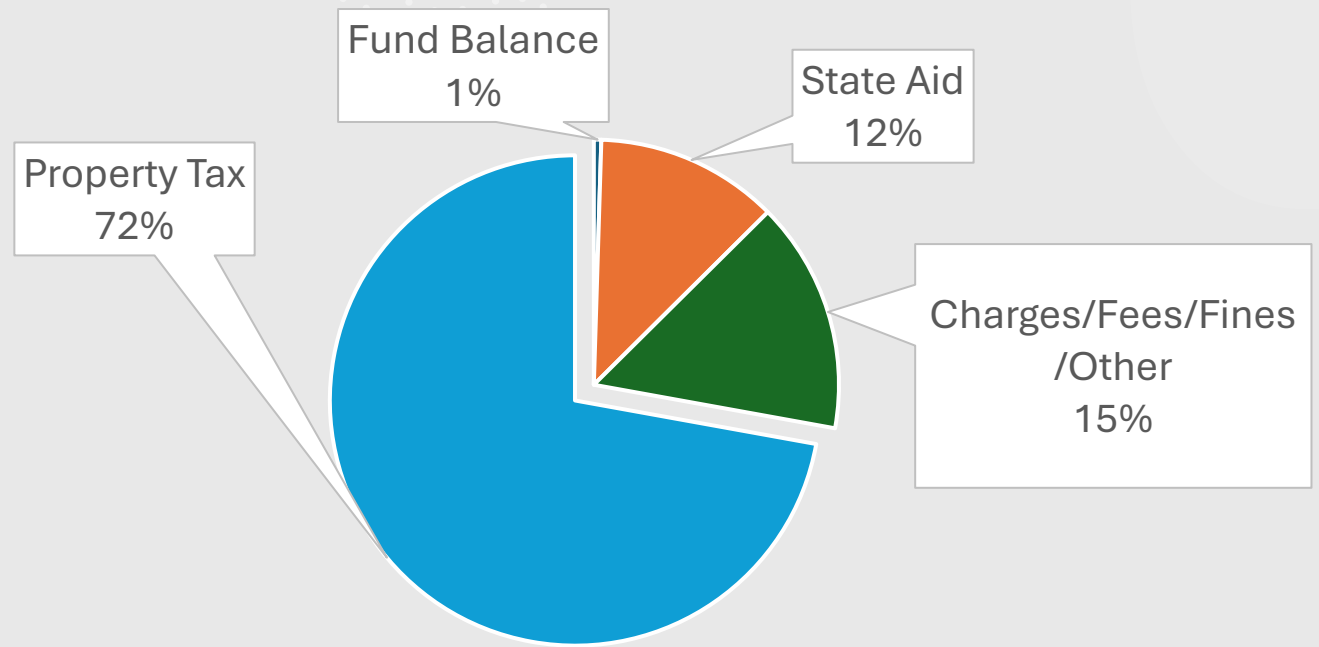
Police, Fire & EMS, Public Health

\$406 (12%) Public Works

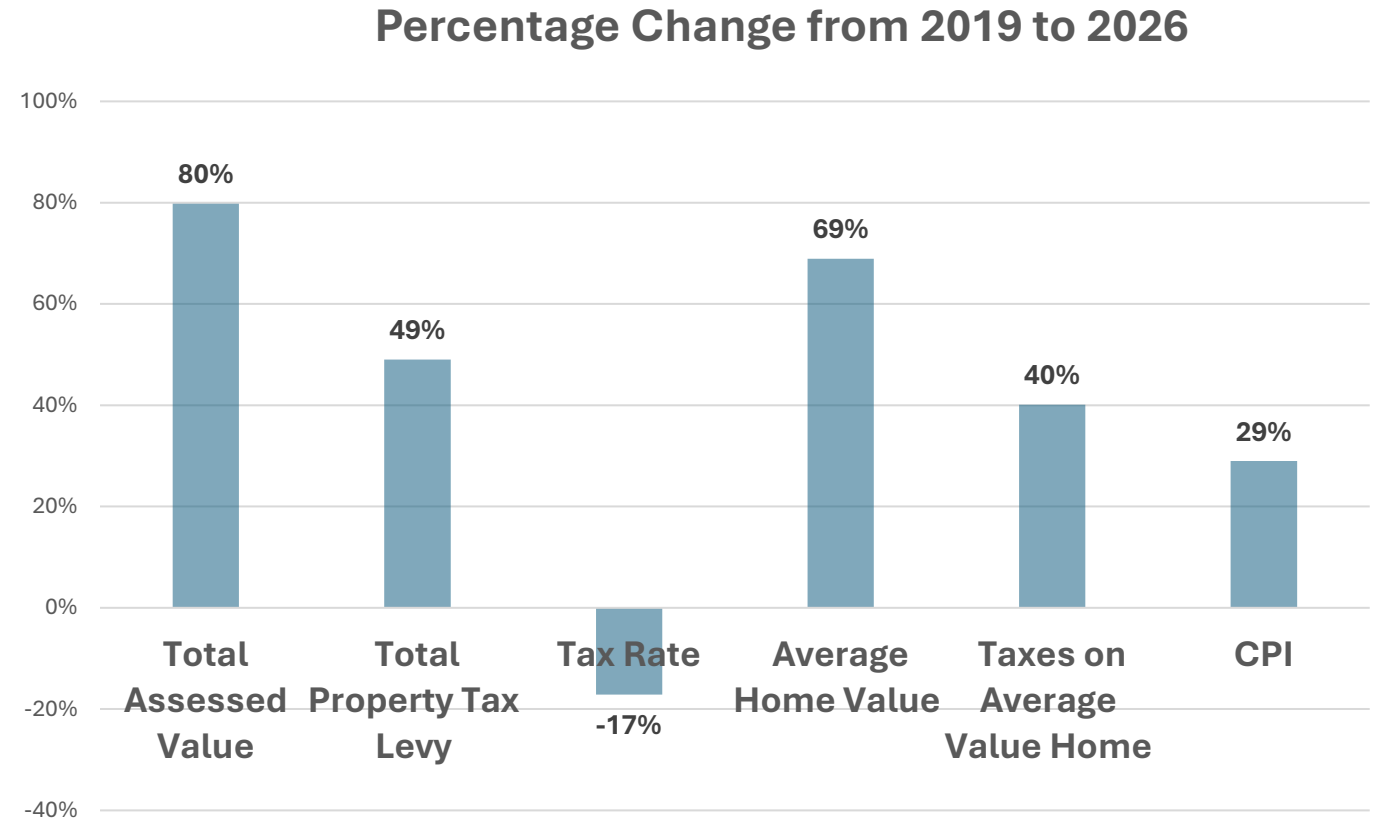
Streets (pick up garbage, clear snow, etc.); Parks (programs, maintenance); Engineering

**School district amount reflects total levy for all 8 districts within City boundaries

City Budget
very reliant
on property
taxes



Comparing Assessments and Taxes



Notes:

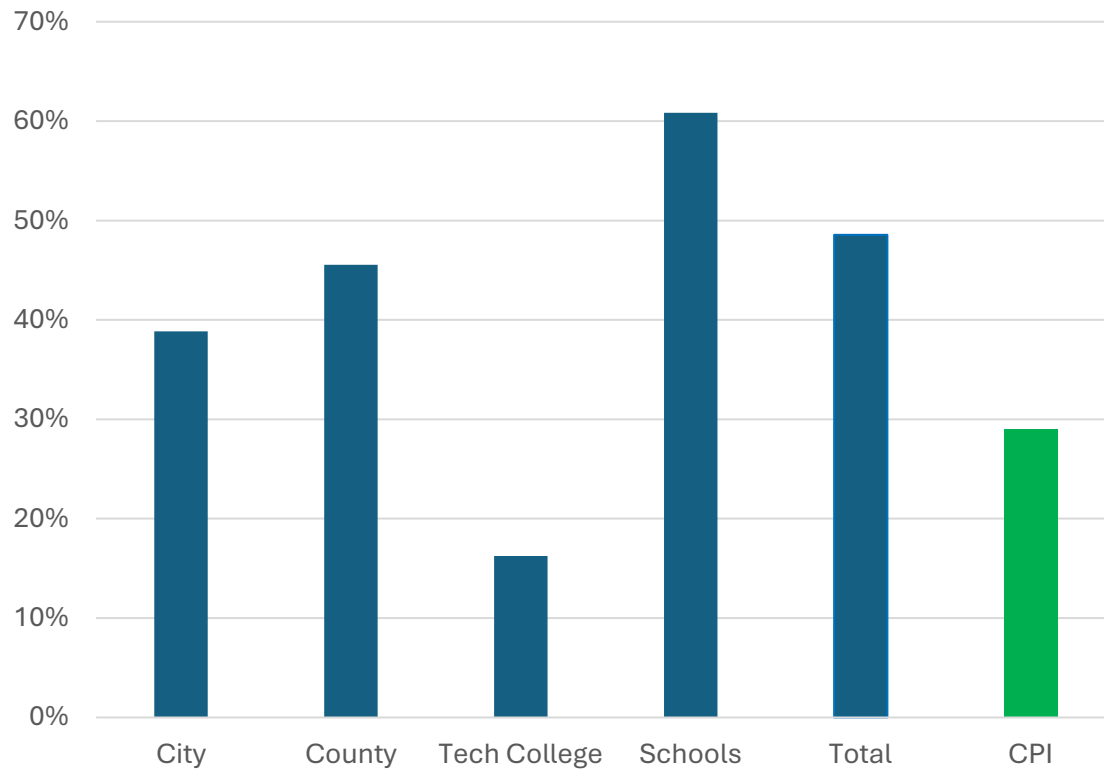
Total property tax levy includes TIF levies

Tax rate is net of school levy tax credit and reflects the Madison Metro School District

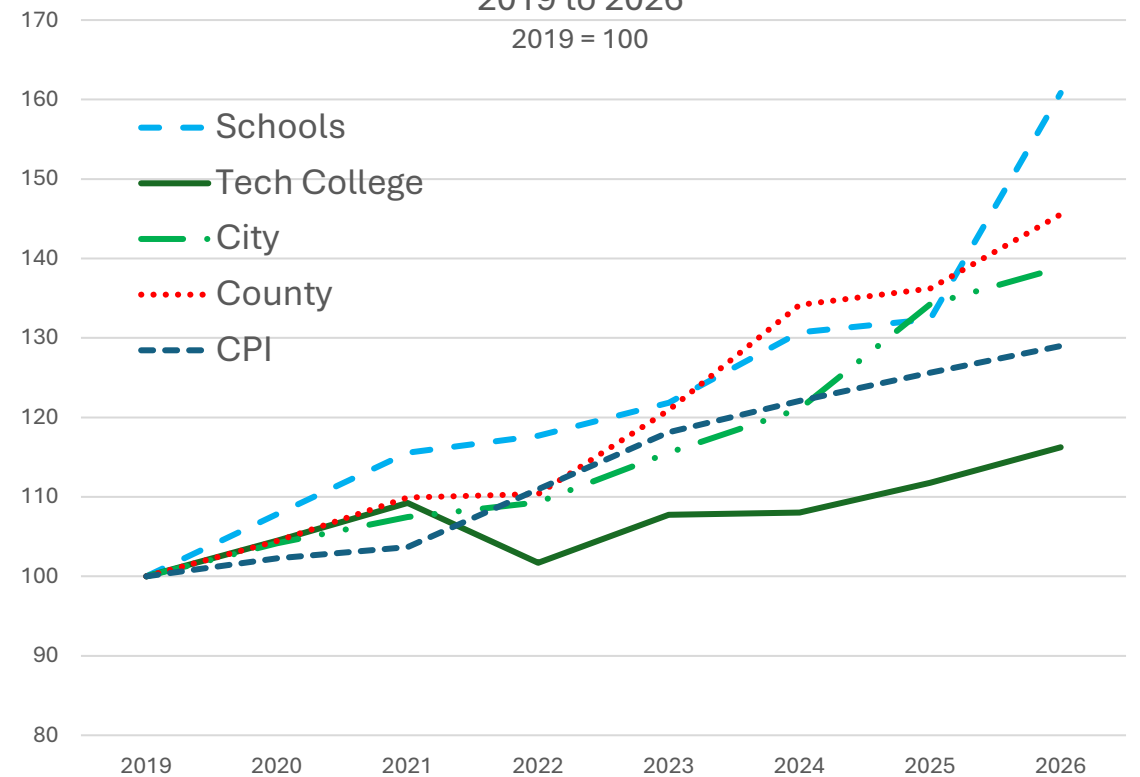
Taxes on average value home include state school levy, first dollar and lottery credits

Change in Levies

Percent Change in Levy for Each Taxing Jurisdiction
2019 to 2026

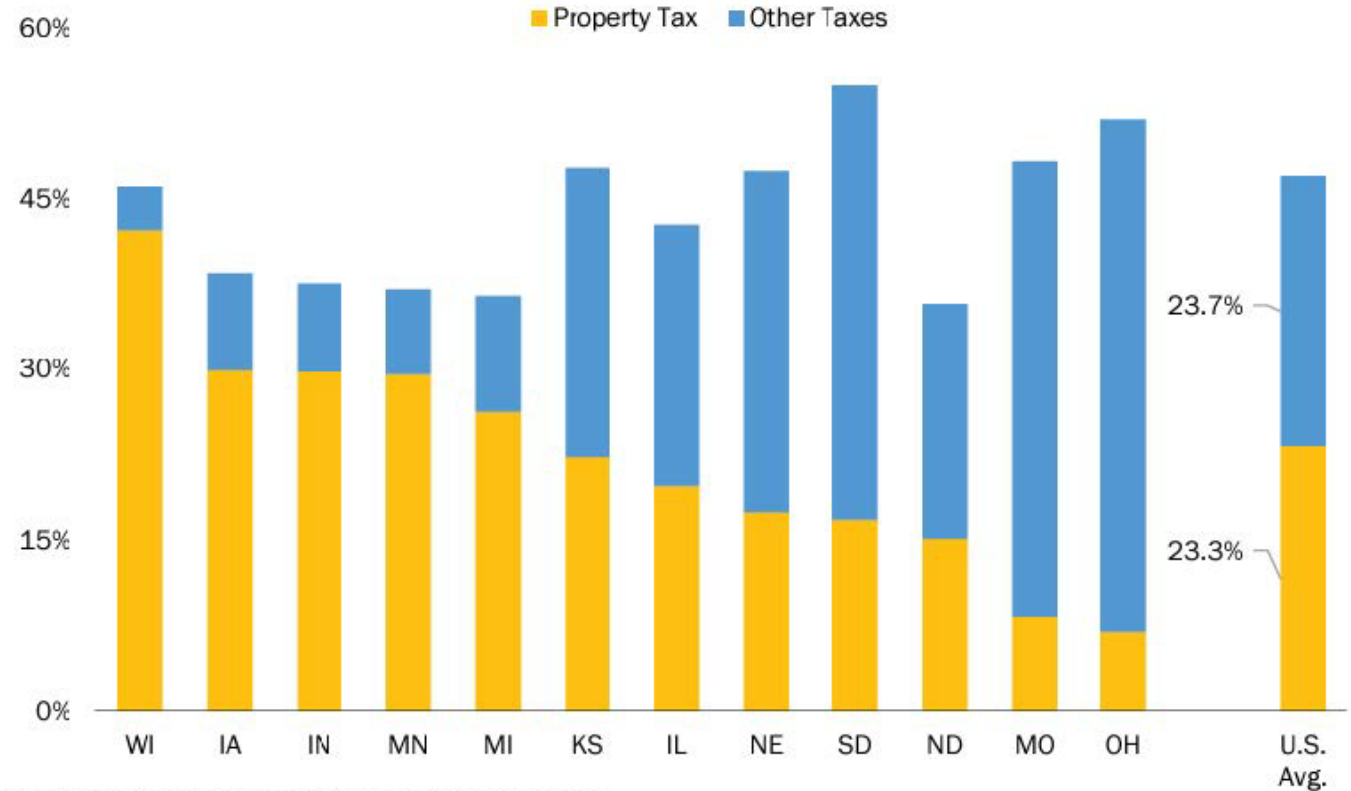


Annual Growth Rate in Levy for Each Taxing Jurisdiction
2019 to 2026
2019 = 100



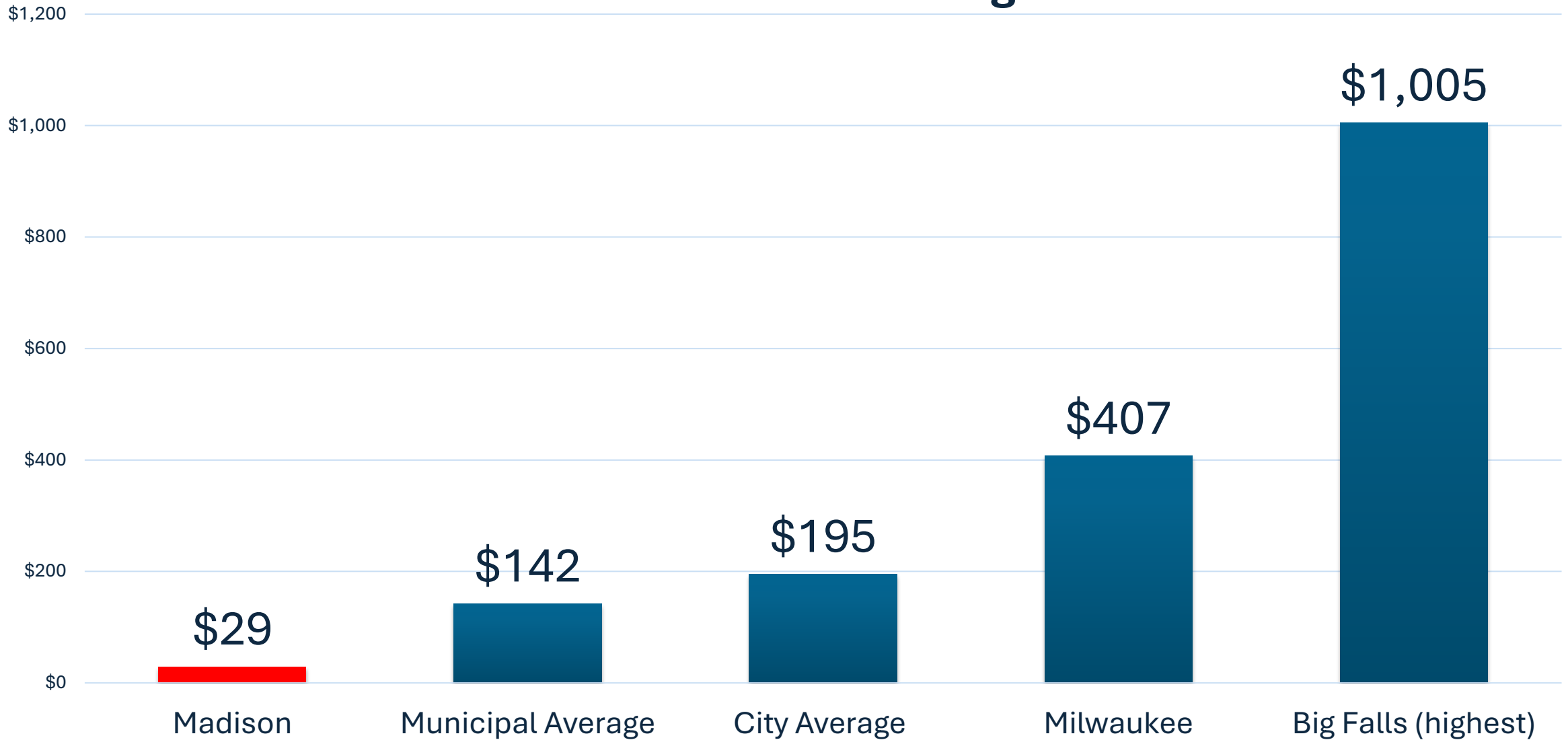
Wisconsin Makes Cities Rely on Property Taxes

Figure 1: Wisconsin Relies Most on Property Tax in Midwest
Property Tax & Other Taxes as Share of Municipal Revenue, 2015



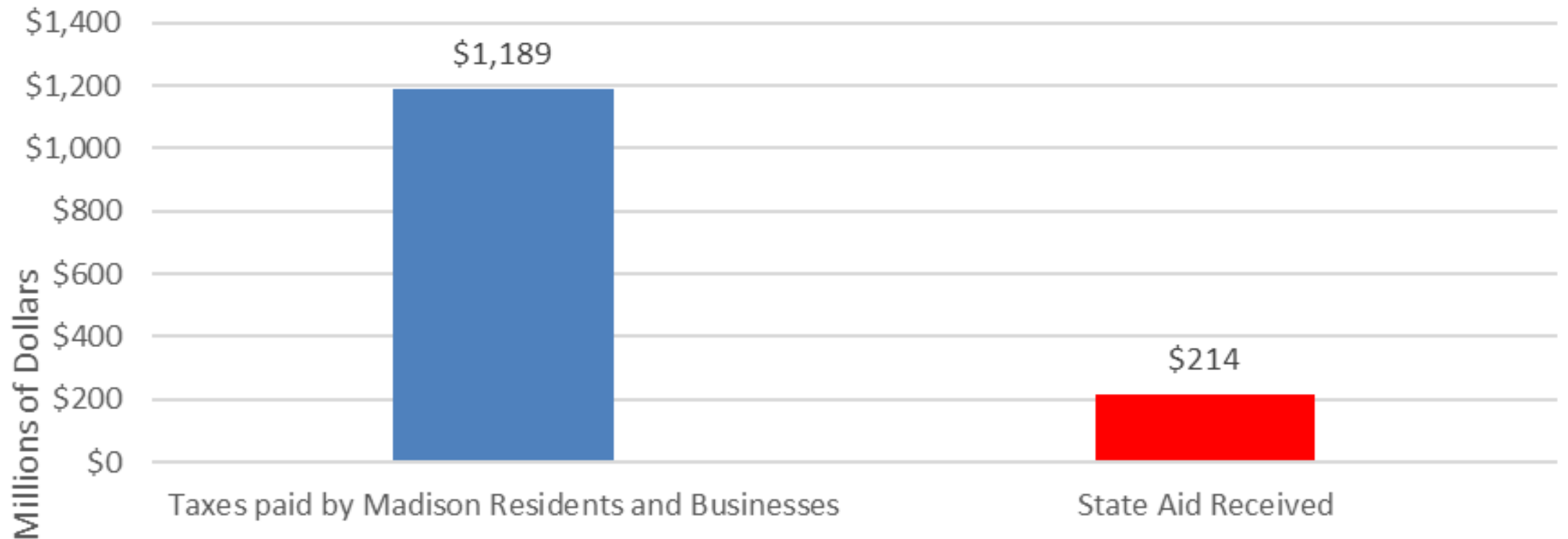
Sources: Willamette University, U.S. Census Bureau

Madison Receives Lowest Amount Of Shared Revenue Per Resident From State Legislature



Source: Wisconsin Policy Forum

State Legislature Shortchanges Madison: We get back only 18 cents for every \$1 of State Taxes Paid



Note: Includes state aid for City of Madison, Madison Metropolitan School District, and City portion of Dane County

Source: Wisconsin Department of Revenue; City Finance Department analysis

Takeaways

Wisconsin local governments are very reliant on property taxes

State Legislature decides limits on property taxes, amount of state aid, and other revenue options

Property taxes are distributed to taxable property based on assessed value.

City budget is very reliant on property taxes

Property taxes have increased to keep pace with costs and due to relatively low level of state aid.



OUR CITY OF MADISON

Thank You!

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