



Dark Stores Legislation (SB 292 / AB 386)

Priority Statement:

The Wisconsin Economic Development Association (WEDA) SUPPORTS legislative efforts to close the dark store loophole in Wisconsin and prevent a major property tax shift to homeowners and small businesses statewide. Senate Bill 292 / Assembly Bill 386 will maintain the equitable assessment of property taxes and ensure Tax Incremental Financing (TIF) remains an effective economic development tool for local communities.

Background:

Tax policy can have a major impact on economic growth. To that point, a competitive and equitable tax environment is necessary to foster business development and drive economic activity. Unfortunately, use of the dark store tax loophole by national and regional retailers is neither competitive nor equitable, and will have an adverse effect on local business growth.

Under the dark store theory, retail chains argue their stores should be valued as if they were empty or “dark,” rather than a thriving, active business. This selective application of the property assessment methodology benefits one property taxpayer over another. While a handful of large retailers would benefit from lower property taxes, homeowners and local businesses, who comprise a majority of the tax base, would be forced to shoulder a much larger tax burden.

In addition, regular use of the dark store loophole will also jeopardize Wisconsin’s primary economic development tool: TIF. Many TIF districts contain large retailers, and municipalities rely on the property taxes generated by those retailers to fulfill their TIF obligations. The dark store strategy would financially harm TIF districts; thereby, negatively impacting property taxpayers and local economic development programs.

Bill Summary:

SB 292 / AB 386 will close the dark store property tax loophole in Wisconsin by requiring assessors to consider certain factors when comparing properties to determine the value of a property for tax purposes. More specifically, the legislation provides that a property is not comparable to the property being assessed if the property is vacant or “dark” or if restrictions have been placed on the highest and best use of the property. SB 292 was passed on a unanimous vote by the Senate Revenue, Financial Institutions and Rural Issues Committee.

Action Requested:

Please support SB 292 / AB 386 to close the dark store loophole in Wisconsin. The legislation will prevent a significant property tax shift to homeowners and small businesses and eliminate a growing barrier to economic development efforts.

Key Discussion Points

- SB 292 / AB 386 will close the dark store loophole in Wisconsin.
- Under the dark store theory, retailers argue their stores should be valued as if they were vacant, rather than a thriving, active business.
- The dark store loophole creates an unjust property tax shift, increasing taxes for homeowners and main street businesses.
- The dark store theory will financially undermine TIF districts in communities across the state.
- Large retailers bring great value to Wisconsin communities. However, they should pay their fair share.
- The bill will NOT raise property taxes. However, it will ensure one property taxpayer does NOT benefit over another.

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