

# Property Tax Issues for Homeowners

Property taxes are one of the responsibilities of property owners (unless you are a tax-exempt organization) in Wisconsin. As a homeowner, you must either pay the taxes yourself, or pay into an escrow account your mortgage lender set up.

Definition: An escrow account is a safe place to hold money for a large or complicated transactions.

## How Property Taxes are Calculated

Your tax bill is based on the property's "assessed value" multiplied by the "mill rate." The local assessor decides the assessed value, usually based on neighboring property sales, the last price paid for the property, and any improvements that you've gotten building permits for. The "mill rate" is based on budgets that local governments and school districts need to operate in the coming year.

Your local city, town, or village should notify you in the spring if the assessment has increased and give you a deadline for contesting it. You might disagree with the value based on an appraisal you've gotten. The assessor may also send someone to inspect the inside of your home to either confirm or lower their assessment of the value.

If you have not paid bills to the local government for utility service or trash pickup, those will be added to the property tax bill after November 15 of the tax year. "Special assessments" for sidewalks, curbs, water main replacement, etc. may also be added to the tax bill if your property benefited from the work.

Homeowners in Wisconsin should get a "lottery credit" towards the property taxes on their principal residence; it should show on the tax bill. You can apply through the [Department of Revenue website](#).

# Tax Payment Options and Deadlines

In Wisconsin, property tax bills are sent out in December, after the local government approves its budget and sets the levy rate.

Note: If you do not receive your tax bill by December 21, contact your municipality's treasurer to verify they have the right mailing address for you. You have to pay your property taxes, and any interest and penalty charges, even if you don't receive the bill on time.

The property tax bill is a primary lien on the property, meaning it takes priority over any mortgage. Because of this, mortgage lenders try to make sure property taxes are paid.

Most mortgage lenders require the borrower to pay into an escrow account for property taxes and insurance, as part of their monthly mortgage payment. When the tax bill is sent, the lender pays the bill or may send the homeowner a check from the escrow account with directions to pay the bill. If there isn't enough money in the escrow account to cover the tax bill, the lender will pay the taxes and the homeowner will have to repay the lender.

The first payment is always due by January 31 of the following year, and the taxpayer will be offered an option to pay the balance in one or more installments. If the first payment is made by January 31, no interest is charged, as long as the later installments are also paid on time (last installment is due by July 31 of the following year).

If the first installment is not paid by January 31, the entire bill is due, and interest and penalty of up to 1.5% per month are added to the bill. Payments before January 31 are usually paid to the local government (city, town, village) and amounts due after January 31 are paid to the county (except Milwaukee).

County treasurers will accept partial payments from the homeowner, and may enter repayment plans for delinquent taxes, but interest will continue to be charged on the unpaid balance.

# **Collection of Delinquent Property Taxes**

If the property tax bill is still unpaid by August 31, the county treasurer will issue a "tax certificate" which starts a two-year "redemption period." After this period, the county can take steps to get a tax deed or start a foreclosure for unpaid taxes. The county will mail a notice to the property owner, explaining that if the taxes are still unpaid after two years the county may take ownership of the property. Another notice should be published in the local newspaper about eight to ten months before the "redemption" period expires.

Any payment the homeowner makes on overdue taxes is applied to the oldest amounts due, starting with personal property taxes, past-due utilities and special charges, unless the homeowner specifies a year for the payment to go toward. If a mortgage company finds out that property taxes have not been paid, most mortgages allow the lender to pay the taxes. The lender can then add that amount to the mortgage loan, require the owner to repay them, and/or foreclose on the home if the mortgage includes not paying taxes as a "default."

The terms of most reverse mortgages state that failing to pay property taxes or homeowners insurance are defaults and allow the lender to start a foreclosure. However, the lender should allow the owner to enter into an installment agreement to repay any amounts advanced by the lender.

## **Tax Deeds and Foreclosures**

Two years after the tax certificate is issued, the county (or city of Milwaukee) can issue a tax deed, start a foreclosure in state court, or file a petition with the county clerk for an "in rem" tax foreclosure. "In rem" means the legal action is focused on the property itself, not the owner. The county where the property is located (or City of Milwaukee) can choose to use any of these procedures.

In all cases the owner of the property and any mortgage holder should be notified before the recording of the tax deed, sheriff's deed (court foreclosure), or judgment transferring title to the county (in rem foreclosure) at the County Register of Deeds.

1. For a tax deed, 90 days before the County plans to issue a tax deed, by personal service or certified mail;
2. For a court foreclosure; by personal service of the Summons and Complaint with a 20-day deadline to respond and contest the statements in the complaint;
3. For an in rem foreclosure, the county must send copies of the petition by registered or certified mail to the property owner, along with a list of tax liens the county plans to take, showing the owner's property. The “Notice of Commencement of Proceeding in Rem to Foreclose Tax Liens” must also be published in the local paper. The owner or lender has 30 days from the first date of publication to either pay the overdue taxes and costs or serve an answer on the County Treasurer. The answer can object to the tax lien by claiming that the property wasn’t subject to tax, the tax was paid, or the county waited too long (tax certificates are valid for 11 years).

Once a county gets the title to a property using one of these methods, the county (or City of Milwaukee) sells the property to the highest bidder for (at least) the amount of the unpaid taxes and any legal fees they paid. The new property owner can get a “writ of assistance” to remove the former owner and their property from the home.

The former owner may be allowed to “repurchase” a single-family home up until the sale is complete by paying all the delinquent taxes, costs, and expenses at the county’s option. The county should notify the former owner that they are entitled to the surplus proceeds if the property sells for more than the taxes, collection costs, and any costs of sale.

## **Taxpayer Assistance**

Some cities, counties, and the Wisconsin Housing and Economic Development Authority offer assistance to elderly homeowners for property tax payments. These programs are available to veterans of any age or homeowners 65 years old or older with limited financial resources and are loans that will be repaid when the house is sold, or the homeowner dies. The application must be submitted by June 30 in the year that the taxes are due. Contact WHEDA at [info@wheda.com](mailto:info@wheda.com) or call (800) 628-4833 (Milwaukee) or (800) 334-6873. The Wisconsin Foundation for Rural Housing also has some property tax assistance available. See

<https://www.wisconsinruralhousing.org/our-programs> or call (888) 400-5974.

The Veterans and Surviving Spouse Property Tax Credit program provides a credit for the entire amount of the property tax for veterans with service-related disability or their surviving spouses. Applications must be submitted by April 18 of the year the taxes were due. More information/applications can be found at:

[https://dva.wi.gov/Pages/benefitsClaims/Property\\_Tax\\_Credit.aspx](https://dva.wi.gov/Pages/benefitsClaims/Property_Tax_Credit.aspx) or by calling the Wisconsin Dept. of Veterans Affairs at (800) 947-8387 (800- WIS-VETS).

## Stopping a Tax Foreclosure

Some counties wait until more than three years of unpaid taxes are due before getting a tax deed or starting foreclosure. However, once the redemption period ends, the only ways to stop the county or city from foreclosing are by paying the overdue taxes, making a repayment plan, or filing for Chapter 13 bankruptcy (which allows the delinquent amount to be paid over three to five years).

## Escrow Accounts

The escrow account set up by the mortgage lender should collect enough from the homeowner to pay the taxes and homeowners insurance when their bills are due. Lenders must check the escrow account every year to make sure enough money was paid and will be paid to cover those bills. They should also send the homeowner a statement showing what was paid in, what was paid out, and whether there was a shortage or extra money in the escrow account for the year. Changes in the annual property tax or insurance bill will change the escrow and mortgage payment.

Last updated on March 21, 2025.

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