



UNITED STATES – August 2021

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For Most Private Nonprofit Hospitals, Tax Breaks Exceed Community Investment

Johnson Regional Medical Center in Clarksville is the No. 1 hospital in the state for community benefit, based on its spending on charity care and community investment in 2018, according to the 2021 Lown Institute Hospitals

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Index. Notably, though, the report found that most private nonprofit hospitals across the U.S. reaped tax benefits that far outstripped their community investments.

The first-of-its-kind report assessed over 3,600 hospitals across the country. Each hospital's ranking was determined based on its charity-care spending, its spending on other community health initiatives, and the proportion of its patient revenue received from Medicaid (a measure of a hospital's commitment to caring for low-income patients).

The report found that nationally, 72% of private nonprofit hospitals spent less on charity care and community investment than what they received in tax breaks, with this difference totaling \$17 billion. Among the 10 hospitals that spent the least on charity care and community investment relative to their tax breaks, the difference totaled \$1.8 billion, which the report calls a "fair share deficit." Among those 10 hospitals are notable institutions such as the Cleveland Clinic, Vanderbilt University Medical Center, and Cedars-Sinai Medical Center.

Over half of hospitals in the U.S. are nonprofit hospitals. In addition to providing patient care, community benefit spending is a key aspect of nonprofit hospitals' engagement with their community and a requirement for designation by the Internal Revenue Service as a nonprofit hospital. Nonprofit status is an important asset for hospitals, resulting in tax exemptions worth tens of billions to nonprofit hospitals across the country. Under the Affordable Care Act, tax-exempt hospitals are required to conduct a community health needs assessment every three years and adopt an implementation strategy to meet the needs identified in the assessment.

Several states have a community benefit reporting requirement in addition to the federal requirement, as highlighted in the Hilltop Institute's Community Benefit State Law Profiles Comparison tool. For example, Utah requires community benefit reporting as a condition of the state's property tax exemption. In West Virginia, nonprofit hospitals must show that their property is used for charitable purposes to qualify for property tax exemptions. West Virginia also requires hospitals to report charity-case discharge data to the state's Health Care Authority.

In addition to the community benefit ranking, the 2021 Lown Institute Hospitals Index includes rankings for avoiding overuse and for racial inclusivity. Ozarks Community Hospital in Gravette was ranked No. 1 in Arkansas in avoiding unnecessary tests and procedures with little to no clinical benefit for its patients. Baptist Health Medical Center in Arkadelphia was determined to be the most racially inclusive hospital in the state, with the ranking based on how well the demographics of the hospital's Medicare patients matched the demographics of the surrounding communities.

ALASKA

Property owners chafe at new assessments

Business owners question assessment process.

A recent reassessment of commercial property in the City and Borough of Juneau has left some people crying foul.

After a decade of relatively flat assessments, commercial property owners received an unwelcome surprise this spring — news from the assessor that their property's assessed valuation has increased for tax purposes.

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This week, a group of local commercial property owners claimed that the city's reassessment is unfair, lacks transparency and that the city refuses to communicate with them.

In a statement emailed to the Empire local realtor, PeggyAnn McConnochie said that the city "undertook a mass assessment of commercial land values resulting in an increase of assessed values of 150%. Despite repeated requests from various taxpayers, the city has failed to provide the data and a concise explanation of how the assessments were determined."

Jeff Rogers, CBJ finance director, disagrees on all counts, though he said he understands why commercial property owners may find the process frustrating.

Finding the value

In a phone interview this week, Rogers said the city uses a mass appraisal model to determine the right assessment level. The model looks at available selling prices and compares them to assessed value.

"In the aggregate, we know that commercial properties sell for more than we have assessed them," he said. "I think everyone has recognized that commercial property is worth more now than it was 10 years ago."

Rogers acknowledges that the assessor works with "very limited data" because, until November of 2020, property sales information disclosure was voluntary. But, he said, the addition of experienced appraisers with expertise in statistical analysis gave the assessor the confidence to review commercial real estate values after about a decade of flat assessments.

"We see clearly that commercial properties are selling higher," he said. "Now, we have a new crop of appraisers who can apply that increase to other properties."

Rogers said that Michael Dahle, deputy assessor, is the primary city employee involved with the commercial property assessments and that he holds the highest level of credential available to government assessors.

"We finally had the confidence in the statistical analysis to correct a decade of no change in assessment," Rogers said.

Rogers said that the property assessment process is far from secret and has been explained in several public meetings, including a Greater Juneau Chamber of Commerce lunch meeting. Rogers said he attended a small group meeting at a local restaurant along with McConnochie earlier this year.

Wrestling with a taxing issue: Increased value of commercial properties could reduce property taxes

Not so fast

McConnochie said she rejects the validity of the mass assessment approach for several reasons, but chiefly because it does not consider the way different sections of town are valued.

"You need to do an assessment based on each location. When you compare equally something that's on the waterfront vs. something on the dump, it's not fair. They've got the smoke and mirrors thing going and it's just not right," she said. "Historically, the mass assessment process was not done on one community mass. It was done in different areas."

She described the areas of Juneau as "strings on a pearl" and said that each pearl requires independent valuation because conditions have changed over time. She noted this is an important step in residential property appraisal.

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“Some property is less valuable than it was five years ago,” she said. “Some of the buildings around there have to deal with a new negative. There are different things in different neighborhoods. You need to go pearl by pearl and say what’s happening in this neighborhood. Is it getting better or worse? How is traffic, etc.? You have to look at all those things.”

In addition, McConnochie said that the dearth of sales data stems from a lack of sales, not a lack of price disclosure from former and new property owners.

“I’m sorry but there aren’t any sales. There’s no proof that the market has increased,” she said.

McConnochie said that some of the sales that did take place, such as the waterfront purchase from Norweigan Cruise Line, were “anomalies” and should not be counted as sales for assessment purposes.

Increasing values

McConnochie said that commercial property owners are reeling from the magnitude of the assessment increase. She thinks properties were previously overassessed, rendering the decade without assessment increases irrelevant.

“I will admit that the assessed value of my building has not increased for several years. But when I started to look at this and ask questions of others for all types of properties, everyone was doing a headshake. We need transparency. We need to find out how they are increasing our value by 150%. It’s a question and a general point of protection,” she said, describing how she came to lead the charge to learn more about the assessment process.

“There’s one year from 2020 to 2021, they increased the value of my lot by 150%,” she added.

Rogers said that math is inaccurate.

He said that as part of this year’s assessment, the city increased the base land value throughout the borough by 50%, making the value of each property 150% of its previous assessment.

“If you had a million dollar piece of land, we increased the assessment by 50% to \$1.5 million. We moved the value by 50%,” he said.

In a presentation to the Chamber of Commerce earlier this year, Rogers explained that historically, the city generally assessed property values at 72.86% of the amount that the property might sell for given typical selling conditions. Based on the 2021 assessment, valuations have moved closer to 88.53% of expected value, closing in on the city’s goal of assessing property at 98% of its fair market value.

McConnochie acknowledged that Rogers’ explanation of a 50% change in value is another way to view the increase.

She said last year’s assessment likely captured the property’s worth because the value had finally caught up after years of overassessment. In light of that, in her view, the 2021 increase was too high.

“We were overassessed before that but I never fought it. I should have,” she said. “We aren’t sure that there is a need to catch up because it was overvalued before. They overshot it.”

It’s the economy, maybe

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McConnochie said the assessor should consider current economic conditions when assessing property.

“There are things going on in the economy that are kind of weird,” she said, citing COVID and declining oil prices as reasons the economy is sputtering. She noted that Juneau and Alaska have taken “massive economic hits,” which needs to be accounted for when assessing property values.

As an example, she said that fewer state and federal jobs mean less need for office space.

“Because Juneau is a capital city we are losing leases. Now, we have space in the building without state office workers. Who is going to take over rental space,” she said, adding that an empty office building is less valuable than one occupied by people.

Rogers sees the situation differently.

“I spend a lot of time thinking about the health of the economy. Almost none of our local economy is tied to oil. We do rely on state expenditure of funds. There are ways in which state troubles can influence Juneau’s economy,” he said.

But, overall, he sees a bright future for Juneau.

“Growth in mining and tourism has offset a lot of state job losses. We see that in the success of the mines, sales tax, and a fairly strong economy.”

Rogers acknowledged that for some business owners, it doesn’t feel like a great economy.

“We are not assessing businesses. We assess real property. The question is how much is that real property worth,” he said, adding that the city expects a robust return to tourism next year.

Rogers said property buyers are generally looking at a longer time horizon.

“You are not going to buy a piece of property for income today. You are buying it because it will have returns in 20 or 30 years. The fact that you aren’t producing the income today is not relevant,” he said.

Appeals

Rogers said that the city is currently processing 205 commercial appeals, which is more than usual. During the process, the city works with property owners to determine if an error has been made.

“When we find an error, we fix it,” Rogers said.

Those appeals that can’t be resolved are referred to the Board of Equalization, made of local residents. During the hearing, the property owner bears the burden of proof that the assessment is wrong.

Rogers acknowledged that he understands the frustration people feel with the assessment process and the ways in which commercial assessments differ from residential assessments.

“We get used to seeing a fee appraisal that’s customized. We think that’s what the assessor does. But they look at thousands of properties at once and look at sales activity. It’s very different than an individual property.”

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CALIFORNIA

Despite Pandemic, LA County Real Estate Prices Rise for 11th Consecutive Year

L.A.'s already pricey real estate market is getting pricier.

Los Angeles County's 2021 Assessment Roll, which looks at all taxable property in the county as of Jan. 1, grew by \$62.9 billion to \$1.76 trillion — that's the 11th consecutive annual increase.

"We were all a little bit pleasantly startled to find out that the Assessment Roll, despite the pandemic, would grow during a pandemic-induced recession," L.A. County Assessor Jeff Prang said.

Real property sales added \$44.9 billion to the roll, while a Prop. 13 mandated consumer price index adjustment added \$16.4 billion, and new construction added \$8.8 billion.

The total evaluation of the roll amounts to \$17 billion in property tax dollars. The money, Prang said, will be used for public education, first responders, public health and other services.

"It's a positive, forward movement, which means that local government and schools will have growth in property tax revenues which will ensure jobs and services and things people rely on during a pandemic," Prang said.

Some declines

Not all measures grew during the most recent period, though. There was a reduction of \$5.5 billion in business personal property, a category that includes machinery, boats and aircraft.

"That's largely because a lot of restaurants paying property taxes on their cooking equipment were exempt," Prang said. "Since it was not being used, they were being granted a reduction in assessed value."

Prang said some asset types, like hospitality, suffered, while "residential properties went through the roof."

He said the assessed value of single-family homes increased an average of 22%.

UCLA Ziman Center Director Stuart Gabriel said he has seen an increase in desire for homes, especially in suburban areas.

"With the pandemic and post-pandemic, there's been a remarkable evolution in what we call within metro area or intra metropolitan locational preferences," he said. "A rough way of characterizing this is that the suburbs were out of favor pre-pandemic and came in favor post-pandemic."

"We've seen very significant upward movement in demand," he added.

John Loper, an associate professor at USC's Price School of Public Policy, said that trend is also bearing out among renters.

"If you look at rents, the suburban areas are doing much better in the rental markets than the urban areas," he said.

Loper added that during the Covid-19 pandemic, more millennials decided to purchase homes as well.

Industrial gains

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Besides residential, Prang said, industrial assets also fared well.

“Another area which benefited was warehouse, industrial space with a lot of companies moving to telework and to a mail-based operation, they needed warehousing space in order to process the shipment of goods,” he said.

Meanwhile the value of refineries decreased as fewer people were driving.

Prang said that so far this year, things have remained “relatively stable” as far as home sales go, but there is some uncertainty still on the commercial side, especially with the new delta variant of the coronavirus.

“We’re going to need a little bit more time before we can forecast what will happen in the next year,” Prang said. “While things seem to be moving at a relatively optimistic direction at this point, there’s so much uncertainty, and the residential market is overheated.”

He does, however, expect to see an increase in commercial businesses filing decline-in-value applications.

Prang is also proactively looking at properties like hotels to see if they have declined in value and will consider offering some tax relief if they have.

Voluntary land tax paid to tribal organization in Alameda

Alameda may be the first city in the country to approve a voluntary land tax that will support a local, Native American non-profit.

The group will be using that money to continue an effort to reclaim their native land and regenerate their tribal culture.

The group is called ‘Sogorea Te’ Land Trust’ – The first women-led organization of its kind in the Bay Area.

They represent various local Native American tribes called Lisjan and Ohlone.

California is home to one of the most diverse indigenous populations with more than 200 tribes but unfortunately, a co-founder of Sogorea Te’ Land Trust says these smaller groups up here in the East Bay weren’t granted federal land.

Their non-profit has been working toward repatriating the land here.

They build community gardens and ceremonial spaces – There are three such sites they run in the East Bay now.

This recent voluntary land tax by Alameda is providing them with \$11,000 each fiscal year for two years to help with their efforts.

This partnership stemmed from a recent move to rename Andrew Jackson Park in Alameda last week.

It’s now called ‘Chochenyo Park.’ The name of the language of the Ohlone people.

The co-founder says they were pleasantly surprised to be given this gift, known as Shuumi in Chochenyo.

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The city of Alameda recognizes the importance of financial support through the Shuumi Land Tax saying Indigenous people have thrived here for thousands of years and to this day have no land to call their own.

Sogorea Te' Land Trust leaders encourage Alameda residents and businesses to get involved and contribute to the Shuumi Land Tax because they are a non-profit it is tax-deductible.

City leaders in Alameda hope to host a discussion with tribal members this fall to brainstorm what else may be possible in partnering up for this cause.

Millions Over Budget, Years Late and Glitchy: OC is Still Working on New Property Tax System

Orange County is millions over budget and years behind schedule in upgrading its crucial-yet-outdated system to track what people owe in property taxes. And, county officials say they've been finding glitches in the proposed software that they are working to fix before it goes live.

The system – known as ATS for the Assessment Tax System – handles over \$7 billion per year in property taxes in Orange County that fund everything from schools to law enforcement.

And the county's current system is ancient – created in 1987 on an obsolete programming language that few people know how to code today.

Years ago, county officials set out to create a new system to replace it, scheduled to finish in August 2019.

It's now more than two years late.

The original price tag has also nearly doubled – from \$7.5 million to about \$14 million.

And county officials say they're "finding a significant number of defects" as they test the system, contributing to the delays.

Asked about the delays, overruns, and glitches, Orange County's elected Treasurer-Tax Collector Shari Freidenrich said the project is now on track within the latest budget and schedule.

"I reviewed the report and recognized that both schedule and budget show as red, but we have revised the schedule and budget and we are within schedule and budget currently," Freidenrich, who is helping oversee the project, said in an email to Voice of OC.

She was referring to the newer plans after overruns that doubled the original price and added more than two years to the schedule.

Asked for more info about why the project's gone over-budget and behind schedule – and who's paying for the overruns – Freidenrich referred comment to the lead project manager: county Auditor-Controller Frank Davies.

In an interview, Davies said one of the biggest reasons the cost went up is the contractor's original price quote was based on using an automatic system from the contractor to save time, but it didn't end up working out.

"The county has to rely on those quotes, and based on the lowest responsible bid, that's generally the way the county has to go," Davies said.

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“In this case, the vendor had a more automated type of tool that would help translate the code from the [outdated] IDEAL language to more modern, or the Java language, and unfortunately that automated tool didn’t work as well as the developer thought,” he added.

“So there had to be [a] more manual type of coding programming involved. And that was one of the bigger aspects of why the increase in cost, as well as in the [extra] time involved with the project.”

Asked why taxpayers are footing the bill if a vendor doesn’t deliver as promised, Davies said that gets into “the legal aspects with regard to contracts, that I really can’t get into.”

“It’s understandable that I think with a lot of IT projects – and other projects as well – where a promise is made to come up with a product... under a certain time and monetary budget, and that doesn’t happen,” he said.

“It’s frustrating in this case... But in order to get to a good place with regards to the project, and completion of the project, unfortunately there has to be that additional work to be done, which calls for additional expense.”

The vendor on the project is Perspecta, which was acquired earlier this year by the government IT giant Peraton.

Peraton spokesman Brian Wagner deferred comment to the county when contacted for the company’s response.

County officials also attribute part of the delay to the coronavirus pandemic.

“There has been an impact to the project from COVID-19 and its remote working requirements. Though the project continues to move forward, a certain level of productivity and synergy have been lost due to the remote working model,” county officials wrote in their quarterly update.

“The team is not as effective or efficient as when combined as a single unit at one county managed location. Additionally, team members have contracted the coronavirus, which has had some impact,” the document states.

As for the system itself, Davies said it handles a complicated set of legal requirements to figure out how much property tax is owed for each of nearly a million pieces of real estate across the county.

“A property tax system is very complicated, mainly because property tax and the laws that have to be followed are very complicated,” Davies said.

“We do have roughly a million parcels, [and] the various laws that govern property tax create that complexity,” he added.

“Our project is really more of an upgrade from the old computer language to a more modern language that will provide for better maintenance,” including as property tax laws change.

The programmers who can actually code the existing outdated system are reaching retirement, Davies said, creating an urgency to replace it.

“We wouldn’t have the support going forward, with our developers’ age getting into retirement age and not being able to find people that knew that [programming] language,” he said.

“So it was important that we be able to have a good, functioning system that’s supported in case there are issues that come up. Or if there is new legislation that comes out that requires changes in the programming. Or

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just looking at making things easier on the taxpayer side, property-owner side” with payment systems, Davies said.

The doubled, \$14 million cost is close to what the runner-up company bid for the project years ago, he added in a follow-up email.

Problems with IT projects have long plagued the county government.

Unexpected cost overruns — also known as “change orders” — have been commonplace in Orange County’s approach to technology services.

Two of Orange County’s top IT managers were forced out years ago, and another high-level manager was charged with seeking bribes from a subcontractor, according to published reports.

Crazy Los Angeles Real Estate Market Leads To Record \$1.76 Trillion Assessed Values

According to the Los Angeles County Assessor, the annual property tax Assessment Roll has been completed leading to 3.7% growth during an unprecedented year in the Los Angeles real estate market. In plain English, the new Los Angeles property tax roll will be assessed on the new value of \$1.76 trillion. Without the help of Prop 13, Prop 19, and Prop 60, which help limit increases in assessed values and property taxes in California, this property tax roll number could be even higher.

Essentially, the Assessment Roll (Roll) is the inventory of all taxable properties in the county. It is the assessor’s job to compile this data each year. Current Los Angeles County Assessor Jeffrey Prang reported that the Roll was completed on June 30, and the results were released on July 15, 2021.

You might be wondering if you should care about this at all? For most years (ok, probably in all years), these numbers will be ignored by the typical homeowner. Most California homeowners are concerned with their own property values and assessed values for property taxes. These numbers are not always the same. The assessment roll is the foundation that our property taxes are based upon. The Roll also gives some insight into the health (and values) of the overall real estate market.

Much of the country is facing a housing shortage, and Los Angeles is no exception. Home values have been skyrocketing, which has led to an increase in the Assessment Roll as well.

"Property assessments are based on the value of the property as of the lien date of January 1, 2021," according to the report. "This year, the Roll grew 3.7% - the average increase of property values in Los Angeles County." This increase represents the 11th straight year of Roll growth across Los Angeles County since the great recession when many real estate values plummeted.

For the 2020-2021 property tax cycle, Los Angeles County’s total assessed value for real estate exceed \$1.7 trillion. This will generate more than \$17 billion in property tax revenue for our local government and schools.

Property sales are the most significant driver of this increase in the Assessment Roll. Los Angeles, real estate sales added \$44.9 billion to the rolls. Increases to assessed values for current property owners are limited by Prop 13. The Consumer Price Index adjustment mandated by Prop 13 resulted in a 1.036% increase in assessed values this year, increasing \$16.4 billion to the property tax rolls. This year specifically, the Prop 13 adjustment was well below the actual increase in real estate values across Los Angeles County. New construction added an additional \$8.8 billion to the property tax rolls.

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There are 2.58 million real estate parcels and business assessments that make up the 2021 Assessment Roll for Los Angeles County. This includes 1,885,879 single-family homes, 250,190 apartment complexes, 248,293 commercial and industrial properties, and more than 161,488 business property assessments.

In the report, Jeffrey Prang gave some insights into the increases in the overall Los Angeles real estate market. He stated, "Despite COVID-19 and the economic recession that continues to accompany it, the real estate market in LA County fared reasonably well. The LA County median sales price (MSP) for single-family residences (SFR), not including condos, rose 21.9% – year-over-year to an all-time high in June and our data currently shows MSP for an SFR in LA County is at \$816,888." The unusually high jump in prices has been driven by low inventory combined with historically low mortgage rates.

COLORADO

Ethics complaints from mountain counties spur probe of state Division of Property Taxation

Eagle, La Plata and San Miguel counties are asking for an audit or investigation into a cozy relationship between a state tax official and a lawyer representing hotels in litigation with the counties

The Department of Local Affairs will hire a law firm to investigate the Colorado Division of Property Taxation after Eagle, La Plata and San Miguel counties made ethics complaints against the state agency's top two directors.

The move averted a call for state auditors to probe the claim that a too-cozy relationship between the state department bosses and a hired gun was giving the owners of swank resort hotels an edge in their battle over tax bills.

"I think this is better," said Rep. Dylan Roberts, a member of the Legislative Audit Committee who planned to ask for a performance audit of the division following complaints by the counties. "A general audit of the whole department might not get Eagle County and the other counties the answers they are looking for. A performance audit might be too broad and would not offer the ability to look into specific instances."

Eagle, La Plata and San Miguel counties have spent most of 2021 battling with the Division of Property Taxation after they learned the division's deputy director met regularly with a property tax lawyer representing several resort-town luxury hotel owners in legal fights with the counties over assessed valuation of the properties.

The counties uncovered hundreds of emails between the state tax official, Curt Settle, and Bruce Cartwright, the hotel owners' attorney.

Commercial property owners hired Cartwright, the managing director of tax services for consulting firm Duff & Phelps, to represent high-end hotels in legal fights over assessed values. For example, Eagle County's auditor assessed the 150-room Lodge at Vail at around \$36.5 million in 2019, but property owner Vail Resorts argued that since many of the units are owned by individuals, the value should be

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closer to \$14 million. Cartwright helps properties like the Lodge fight for lower valuations. And he met often with Settle, who is now retired, to discuss the cases, court decisions and division policy positions.

The three counties called the meetings and discussions between Settle and Cartwright “a gross violation of public trust.” Longtime division chief JoAnn Groff said there was “absolutely nothing inappropriate” about the relationship.

The counties’ complaints to Groff were dismissed. The Colorado Independent Ethics Commission denied the counties’ request for an investigation. The State Board of Equalization also refused to take action, but in March, it did ask Groff to outline specific rules of conduct for employees.

On July 31, the division published its guidance for employees.

The new guidelines require employees to follow the code of conduct outlined by the Department of Local Affairs. They also encouraged division employees to meet with “external stakeholders” in both formal and informal settings. Division employees were told to notify supervisors of any off-site meetings and pay for their own meals and drinks when meeting outside the office.

“The division is a resource for all parties with an interest in property tax,” the guidelines read.

Eagle County Attorney Bryan Treu called the policies “lip service” and said the timing of the newly formalized policies was “clearly intended to avoid an audit.”

Treu said the new policies would not have prevented Groff’s employee from meeting regularly with a tax agent representing property owners involved with lawsuits with county auditors.

“This does nothing to avoid the undue influence of these tax agents in an area ripe for corruption,” Treu said in an emailed response to the division’s employee policies. “This does nothing to ensure equal, transparent access to stakeholders in rule making and other matters.”

A final effort to sway lawmakers to support a request for a performance audit of the division found traction with Roberts, who promised to request an audit at the Legislative Audit Committee hearing this month. Roberts said Eagle, La Plata and San Miguel counties would need to sign off on the outside investigation plan, which will take 30 to 60 days, versus a year-long performance audit.

“An investigation like this would be much more targeted on specific problems or perceived problems at the DPT,” he said. “And it will happen a lot faster.”

It’s time for Colorado to cut property taxes

We recently turned in over 190,000 signatures (124,632 valid signatures are required) to put Initiative 27 on this November’s ballot. This ballot measure would cut property taxes by 9%, while also allowing the state to keep an extra \$25 million per year to help fund the Homestead Tax Exemption for seniors and disabled veterans.

As you can imagine, Coloradans were eager to sign this petition given how much home values have been skyrocketing in recent years. Just a few months ago, property owners received their new property assessment – which will be used to calculate their property taxes for the next two years. For much of the state, there was sticker shock. Some values went up as much as 20%. The average increase was in the double-digits.

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The problem with this is just because the value of your home goes up doesn't mean you have more money in your pocket to pay the extra taxes. When this happens year after year, eventually, people start getting taxed out of their homes. Seniors and people on fixed incomes are especially vulnerable. But it also impacts people who rent. If property taxes go up, the increase get passed on to renters.

The increase in property values also means that even if Initiative 27 passes, government will still get more money next year than it has this year. School districts, fire departments, and other local services will still see their budgets grow.

We are also at a point in time when government is simply overflowing with money. Over \$12 billion of federal stimulus money has gone to Colorado's state and local governments. Our state budget is back over \$34 billion – and we are projected to get \$2.2 billion in TABOR refunds because the state budget is so flush with money. One state senator even said, “(The state) had too much money... We cannot be good stewards of money because there's too much of it.”

This means that now is the perfect time to give families and small businesses a property tax break. For decades, Colorado's businesses have paid property tax rates much higher than the surrounding states. Currently, our state has the 35th-worst unemployment rate. If we want our small businesses to build back stronger after COVID, we cannot continue to put them at a disadvantage.

As you can imagine, not everyone is supportive of Initiative 27. State Sen. Chris Hansen recently said, “It's very easy to offer people free money and offer them an unrealistic free ride. But there is no free ride here.” Senator Hansen must have accidentally said the quiet part out loud. He, along with many of his legislative colleagues, believe that even slowing the growth of government is a “free ride.” Someone ought to tell him that government works for the people, not the other way around.

Even if Initiative 27 passes, however, our property tax system will still need long-term reforms. We need a cap on how much property taxes can increase each year.

And we need regional assessment rates instead of the one-size-fits-all approach we have now. Hopefully, a bipartisan group of legislators will come together to get these done.

But in the meantime, Coloradans deserve this 9% property tax cut.

Michael Fields is the executive director of Colorado Rising State Action and a sponsor of Initiative 27.

FLORIDA

Got a trashy neighbor lowering your property values? Panama City has a remedy

Mayor Greg Brudnicki says he believes it is unfair for the value of someone's home to plummet just because a neighbor doesn't properly maintain his or her property.

To help hold residents accountable, he and Panama City commissioners Tuesday approved the city's nuisance abatement assessment for next fiscal year.

Slated to be collected in November with property taxes, the annual assessment was designed to reimburse the city for any work it does to clean up a property owned by a resident who failed to maintain the area within a reasonable amount of time.

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"It is a really, really good way to maintain values in a neighborhood," Brudnicki said. "The neighbors appreciate it and there is no downside. It's a win-win for the city."

According to the meeting's agenda, about \$1 million will be collected in November. It will be split between almost 100 properties that were tidied up during the past year by third-party companies contracted by Panama City.

Information from the city shows that 2020 was the first time the nuisance abatement assessment was collected in about two decades. It generated more than \$830,000.

Brudnicki noted that properties are dubbed nuisances based on "a combination of all kinds of things" that could range from overgrown weeds to piles of trash and abandoned homes with faulty infrastructure.

Property owners are first cited by code enforcement officers. The city steps in only if residents do not show an effort to tackle the problem.

Brudnicki, who said officials "exhaust all efforts to find" and work with owners, added that the tactic is a last resort.

"They're afforded plenty of time to be responsible," he said.

As Panama City continues to recover from Hurricane Michael, almost three years since the storm made landfall in October 2018, Brudnicki said maintaining property values is a topic at the top of the commission's priority list.

"We want to be able to maintain values because our goal is always to drive the millage rate down," he said. "Higher values (with) a better looking property gets you better money to come into the city. (The assessment) really does force (residents) to do what they need to do to be able to make sure that their neighbors' (properties) are protected."

Fort Myers will cut property tax rate, but city fire services and solid waste fees may jump

Fort Myers City Council members have approved a reduction in the city's tax rate, but the savings could be washed away by an increase in the fire rescue fee paid by property owners.

City Council members agreed to set a property tax cap of \$7.75 per \$1,000 of assessed property valuation. The cap means the tax rate will fall about 2.7% from the current rate of \$7.9643 per \$1,000 of assessed valuation.

The tax rate cap is set by the City Council before budgets are considered and approved. By state law, once set, the cap cannot be exceeded.

But the tax rate cut could be offset for many property owners if the council adopts a proposed fee increase for fire protection.

The current assessment, \$77.91 per unit would more than double, to \$185 per unit, under the proposal presented Monday night.

The fire rescue assessment can only be used for fire rescue services and facilities.

"That revenue has to be put toward our fire department," said Christine Tenney, the city's deputy finance director. "It's also not for the advanced life support services; this is simply so that we can respond to the calls."

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Fire Chief Terry McMillion said the fee is needed to help stabilize how the city pays for fire protection.

"It allows for us to have a sustainable way to pay for our fire service that is not based upon property values as we saw in 2010 when we had (an economic) downturn," he said. "This one will not actually fluctuate."

In residential communities or apartment buildings, assessments are paid by owners of each unit.

Commercial, warehouse and institutional properties would also be subject to increases in the fire fee, which unlike the flat fee paid by residential property owners, would be an assessment that varies by square footage of the property.

The rate for commercial property will increase from \$0.051 to \$0.173 per square foot. Industrial and warehouse rates will go from 1.36 cents per square foot to 6.35 cents.

"If you were to look at a house that's 2,000 square feet, that house is going to require 'X' amount of fire service to prevent an emergency and put out a fire," McMillion said. "It doesn't matter whether that house actually cost \$1 million or \$100,000, it's still 2,000 square feet."

The chief said the new fee would help balance the budget, increase reserves, hire firefighters and provide funds for purchase of needed new equipment.

Fire fees are not the only city charge that may be going up.

A 3% increase is proposed for the city's annual solid waste fee. The rate charged homeowners would increase from \$228.96 to \$235.83 per year.

Fort Myers requires owners of all structures with water and sewer service to also pay a solid waste fee for rubbish removal, recycling and yard waste.

The council will formally consider adopting the new fee structures for the fire department and solid waste pickup at a Sept. 7 public hearing.

Property owners will receive notices of the proposed fee increases along with notice of the public hearing.

While the fees are collected through property tax bills, neither the solid waste fee nor the fire fee are referenced in the TRIM — Truth In Millage — notice that informs homeowners and businesses of property values and possible tax assessments.

"We have an opportunity to create a stable way for a fire department to be able to mitigate and manage the rapid growth that we're seeing," McMillion said. "We would actually move forward as a city to ensure that each and every one of our residents always has optimum fire service that is not contingent on property values."

GEORGIA

Lee Co. revalues all taxable properties, first time since the 1990's

Lee County is conducting a complete revaluing of its taxable properties for the first time since the 90's. So, expect changes.

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This process will determine how much your property is worth now.

This gives the county a chance to assess how values have changed. They want to avoid situations where one property is valued much higher or lower than another property that it's similar to.

Dennis Lee is the Chief Appraiser at the Lee County Tax Assessor Office. He said a full assessment was long overdue.

"Now it's gotten to the point that property values have risen and we need to make sure we're in compliance with the state," said Lee.

State regulations say homes must be valued within a certain range.

"So in simple terms, we have to be within ten percent of what a property is selling for," he explained.

He also said the main goal is to keep property values fair.

"The major factor that comes out of an evaluation is creating equity between similar type properties. That way you are paying no more than what you owe, the burden of paying taxes is shared equally," he said.

Property owners have a Notice of Assessment that will include a tax estimate along with the value of the property, as soon as Monday. You have 45 days from July 30, to appeal.

"When the appeals are over we will have a tax digest and at which time the county commissioners will look at the budget, look at the tax digest and reassess the mileage rate, what we call a rollback and they'll reduce the mileage rate."

He said that rollback helps reduce spikes in taxes after a revaluation and going forward he wants properties to be appraised every three years to avoid falling behind.

No rollback: Augusta keeps property tax rate at 2020 level

The Augusta Commission voted to keep property tax rates at 2020 levels.

The move, which may or may not increase a homeowner's tax bill, requires Augusta to advertise the rate as a tax increase, city officials complained at the commission meeting.

Property tax bills are set to go out mid-September using the rate, commonly known as the millage or millage rate. The same bills will present additional taxes billed by Richmond County Board of Education, the annual charge for garbage collection and in many cases, fire taxes and streetlight fees.

Under state law, each county is required to calculate a "rollback" rate that would raise the same revenue as the year before. If the new rate differs in any way, the state considers it a tax increase which must be advertised, Finance Director Donna Williams said.

Williams said growth in the county tax digest, which is the value of all its taxable property, hadn't kept up enough to maintain existing revenue levels.

"This is the first year that I have seen in my entire career where by taking the rollback rate, you would actually collect less money than you did in the prior year," she said.

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The state requires counties to use a rigid formula and a fill-in-the-blank advertisement that doesn't accurately reflect revenues, early payment discounts, unpaid bills or other factors for Augusta, Williams said.

Adopting the rollback rate will not raise what Augusta budgeted for revenue last year, by approximately \$1 million, she said.

"We budgeted at staying even, assuming that the digest was going to grow enough to offset any rollback that was required," Williams said. "It did not."

Officials didn't go into reasons Augusta's digest did not grow, despite the influx of cyber and new residents.

Williams said it had to do with new "exemptions" claimed by property owners.

"Plus there was not enough real growth other than the reassessment side," she said. "If you get reassessments but one side of your digest goes down, you still effectively are penalized for the value of your reassessment."

According to the city's ad, the total value of all real and personal property increased by about \$17 million. Motor vehicle values continue to plummet, this time by about \$10 million, as the state's replacement of the "birthday tax" with a one-time sales tax continues. Mobile home and timber values rose, while unspecified "exemptions" increased by around \$34 million.

Augusta also remains in the uncommon position of having a tax cap based on a 1979 formula that was written into state law. It's the only one of its kind in Georgia, Tax Commissioner Steven Kendrick said.

Using the proposed tax rates, Augusta will be at 91% of the cap for general fund revenues and 39% of the cap on the additional millage applied inside the old city limits, Williams said. Fire taxes, used outside the old city limits, are at 65% of the cap.

City Administrator Odie Donald said despite the state requirements, Augusta not adopting the rollback rate was not a tax increase.

"Others have talked about this as raising taxes, and I wanted to highlight that that is actually not the case," Donald said. "Recently our partners in Columbia County had to take the same action."

After adopting the rollback rate for five of the last six years, in 2020 Columbia County voted to keep tax rates the same. The move increased the county tax portion of the bill for a \$225,000 property by \$12.60, officials told The Chronicle.

"Most counties, especially benchmark counties like us here in Augusta, have kept our millage rate (the same or) tried to roll it back for many years," Donald said. "It definitely is not a technical tax increase. It's just keeping your millage rate the same."

The only commissioner to take issue with the proposed rate Tuesday was Sean Frantom, who suggested using American Rescue Plan funds to cover any losses from Augusta adopting the rollback rate.

Frantom said Augusta's recurrent annual surpluses show it's likely to survive a slight reduction in the millage. Last year, CARES Act funds ensured the city did not end the year in the red.

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“Every year we’ve had a surplus, but yet we’re \$1 million short, but yet we’re not talking about supplementing it with ARP funds to do the rollback, to help people, because that’s ultimately what we need to be doing,” he said.

“We’re still in the end of a pandemic and keeping a flat tax rate is disingenuous. I do think we need to roll it back. I think that we have the money. We can fill the gaps with this other money that we have, if needed, but what we’ve seen each year is a surplus.”

In addition, many homeowners will see their first streetlight fee on the bill, while some will have higher bills due to their property values being raised, Frantom said.

“Some of them are going to have a tax increase, because that’s what it is,” he said.

The former mayor pro tem made a motion to adopt the rollback rate. It died for lack of a second.

Other commissioners spoke of long-term financial decisions and obligations.

“In doing what you suggest, it almost puts us in a place where we become stalemated, we remain where we are,” Commissioner Ben Hasan said. “I believe we’re in a city that is growing, that’s about to change in a very historic manner. The decisions we make today will impact what the future looks like. For good reason at this particular time we want to advance ourselves and begin to bite the bullet.”

Hasan motioned to adopt last year’s tax rate. It passed 9-1 with Frantom opposed.

Commissioner John Clarke said American Rescue Plan funds are being used to create long-term financial obligations that will remain after the relief money runs out.

“We’re using this rescue plan money to do things that we’re going to have to maintain once this thing is gone,” Clarke said.

For unspecified reasons, Mayor Hardie Davis and Donald said a Tuesday vote on implementing certain spending of Rescue Plan funds needed to be delayed. The funds were said at a prior meeting to increase the minimum city wage to \$15 an hour and give bonuses to frontline personnel.

Clarke said the language in the state law contributes to taxpayer confusion.

“They just hear taxes are rolled back. That sounds good; it’s politically correct but in reality it does not amount to anything,” he said, suggesting Augusta’s surplus be used to cover the city’s streetlight deficit.

The motion kept the tax rate at 9.045 mills. The rate is applied to 40% of a property’s assessed value, divided by 1,000.

The reason for the state requirements, former Gov. Roy Barnes’ 1999 Taxpayer Bill of Rights, had overwhelming bipartisan support. Its stated objectives included exposing “back-door” tax hikes that occur when politicians allow rising property values, set by county officials, to raise more money without their having to publicly raise tax rates.

Barnes was praised by the Libertarian and conservative-leaning Cato and Goldwater institutes as the “preeminent tax-cutting Democrat on the national scene” when the Taxpayer Bill of Rights passed.

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IDAHO

The less obvious property tax pain

Ralph Wheeler doesn't feel bitterness when the property tax bill for his home arrives in the mailbox.

"It's disappointing," he said softly while sitting down for an interview with The Press.

Wheeler wasn't referring to his dues. What upsets the 89-year-old, he said, is that his money goes toward services and infrastructure that disrupt what Wheeler cherishes most — North Idaho's natural resources.

"It's almost devastating to see what is happening to us here," he said.

Like many property owners throughout the Panhandle, the assessed market value of Wheeler's Spirit Lake home has grown dramatically. Wheeler built the house himself and finished construction in 2000. At the time, his 3,000-square-foot, three-bed, three-bath home was appraised at about \$86,000.

According to his 2020 Kootenai County assessment, the home's valuation is up nearly 500% over those 20 years, to \$487,912.

Wheeler's back porch overlooks Old Mill Pond on the other side of Spirit Lake. The area gets its name from its former use as a sawmill, he explained. After the facility was closed, Wheeler said, the pond became a wildlife habitat for deer, elk, moose, and turkeys.

"They're not here anymore," Wheeler said, sipping a coffee while looking out the dining room window. "I don't think that the people coming here realize the effect they have on the habitat they like to see."

Trailing behind the assessment value is Wheeler's property tax bill, which has seen highs and lows. 2018 was the most notable increase, jumping 25.5% from \$4,904.68 to \$6,156.28, according to county documents.

After receiving the bill, Wheeler wrote the county treasurer to express why he was upset. Part of the letter, which Wheeler provided to The Press, spoke about his financial shock.

"I am now 86 and plan to retire one of these days," Wheeler's 2018 letter said. "If I want to keep my property, it looks like retirement will not be soon."

However, most of the letter highlighted Wheeler's beliefs that "those causing this increased need for more tax money should be the ones providing the funds."

"Those" people, he wrote, are the developers and new residents who require more "roads, traffic controls, schools and associated support for this growth."

"No one seems to realize that this rapid increase in all of this is destroying the various natural resources that cause people to live in North Idaho," Wheeler's 2018 letter said. "These people and the new people they cause to move here are the ones that should pay for all the support needed as a result of this invasion."

The county collects property taxes to provide services and support local taxing districts like cities, schools, emergency services and highway districts. After the taxed amount is defined and sent in the mail each November, property owners pay their bill through two installments — one in December, the other in June.

In 2020, the Wheelers paid \$4,625.32 in property taxes:

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City of Spirit Lake — \$1,585.14

Lakeland School District — \$1,056.99

Kootenai County — \$879.68

Spirit Lake Fire District — \$357.25

North Idaho College — \$289.61

Lakes Highway District — \$198.31

Community Library Network — \$114.24

Solid Waste — \$88

Kootenai Emergency Services — \$50.36

Aquifer Protection District — \$5.74

Despite being 89 years young, Wheeler continues to work as a forester for agencies and independent landowners. For decades, Wheeler's expertise has assisted the U.S. Forest Service, U.S. Department of Agriculture, Idaho Department of Lands, and private developers.

Spending the brunt of his life outdoors, 43 of those years in North Idaho, has been a blessing, Wheeler said. But, it also means he's seen firsthand how the landscape has changed.

"The very thing that draws people to North Idaho is rapidly being destroyed," Wheeler said. "Because the land that used to feed those animals is where all the people are living now."

Paying those numbers after the dollar sign isn't an issue, Wheeler said. Of course, the Spirit Lake resident admitted he doesn't like it when the bill pulls an additional \$1,000 from his account.

But what truly bothers Wheeler is the feeling that he's "paying for the destruction."

"If we were doing it right in this country and our politicians were doing their job properly, they would be putting the burden on those that are gaining from this growth," Wheeler said. "We have all these people coming in, investing and putting the burden on people like me."

"Maybe if we put the burden back on them, we'd reduce this down to a reasonable level. But I don't think that's going to happen because the practice has not been that way."

ILLINOIS

Property reassessments released for Jefferson Township

Residential and commercial properties in Jefferson show robust growth

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The Cook County Assessor's Office released initial assessments of residential and commercial properties in Jefferson Township. This is the third of eight townships in the City of Chicago to be reassessed in 2021 and the third Chicago township to be reassessed under the leadership of Assessor Fritz Kaegi, who took office after Chicago's last reassessment in 2018.

"We've seen similar, surprisingly robust real estate trends in Jefferson that we've seen in other areas of the city," said Assessor Kaegi. "In some areas, home values are rising significantly, though others have plateaued. Despite the pandemic, rents have increased since 2018, driving some commercial property values higher while others still see ongoing economic effects from the pandemic."

Increases in assessments reflect a strong market. Assessments, under Illinois law, should reflect overall market values. The first step to ensuring property owners pay only their fair share of property taxes—without needing to file appeals to correct inaccurate assessments—is to make sure assessments of all property types accurately reflect the real estate market.

Changes in assessed value in Jefferson Township

The following chart represents the increase in total assessed value in residential and commercial properties in Jefferson Township.

Property Group	2018 (Board of Review Final)	2021 (pre-appeals, Board of Review)	Increase in total AV
Residential (Class 2)	\$4,178,423,824	\$4,783,006,491	14%
All other classes	\$1,346,091,169	\$2,442,444,574	81%
Total	\$5,524,514,993	\$7,225,451,065	31%

Note: Percentage increases and total increases are for all properties in that category. Assessment increases or decreases to individual properties vary, depending on each property's location and characteristics.

How assessments relate to property taxes

An increase in a property's assessment does not lead to the same increase in an individual property's tax bill. A property's share of taxes depends on reassessments throughout all of Chicago, from homes in Chatham and Jefferson Park to commercial properties in Little Village and the Loop.

Jefferson TownshipProperty reassessments are ongoing for Chicago's remaining six townships. If the growth in assessed values throughout Chicago outpaces the growth of the assessed value of an individual property in Jefferson Township, that individual property's share of property taxes could shrink despite its increase in property value.

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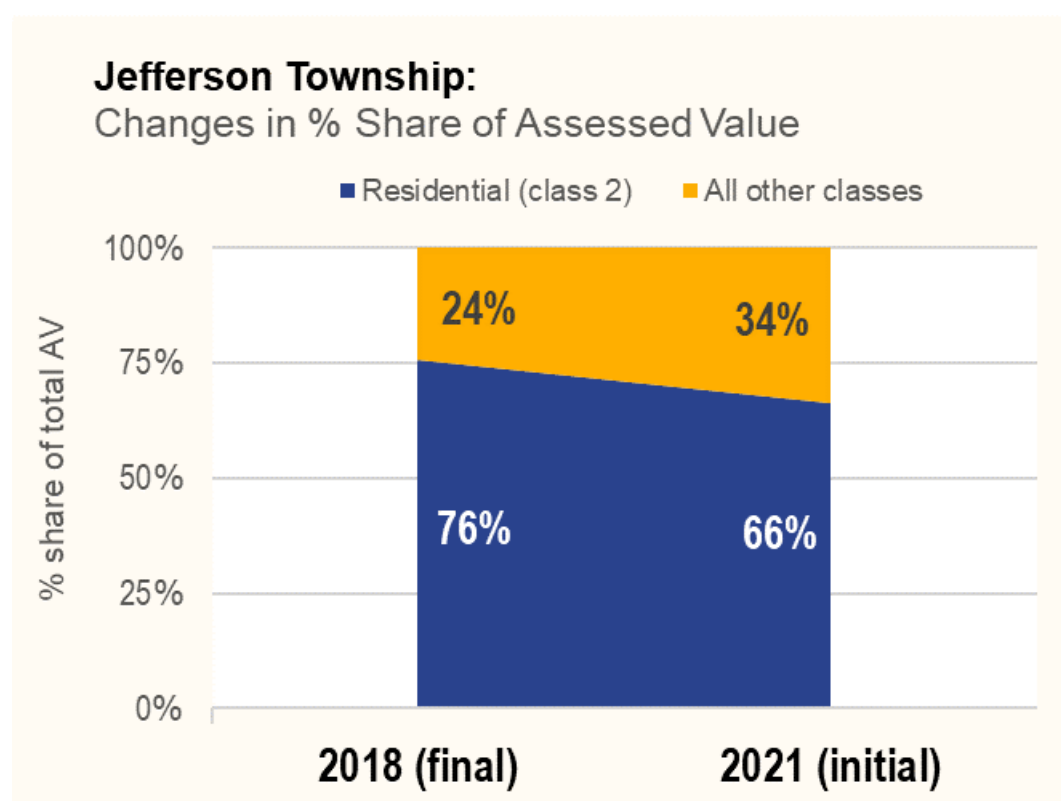
Property assessments in Chicago are used to apportion taxing district levies, which pay for services such as schools, parks, libraries, and pensions. The Assessor does not set levies or tax rates. Also, increases in assessments do not necessarily increase the revenue received by taxing districts.

At the end of the 2018 reassessment cycle, 76% of Jefferson Township's total assessed value was residential, with the other 24% comprised non-residential and commercial multi-family properties.

The 2021 initial reassessed values have shifted this to 66% residential, and 34% non-residential and commercial multi-family properties. These percentages may change at the final stage of assessment after appeals are processed by the Assessor's Office and by the Board of Review.

The 2021 assessments will affect the second installment property tax bill issued in late 2022.

Residential assessments



- In 2020, median sale prices of single-family homes in Jefferson Township were about \$320,000 for single-family homes and \$190,000 for condos.
- In its assessment models, the Assessor's Office estimated most single-family homes have a 2021 market value between \$300,000 and \$380,000 and most condo values were between \$140,000 and \$200,000.

Estimates depend on the individual property's location and characteristics.

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The assessments for single-family homes and multi-family apartments met all three International Association of Assessing Officer standards for high-quality assessments.

“Our assessments are tracking the market and we’ve improved uniformity of assessments for all,” said Assessor Kaegi. “This represents a significant leap forward for fairness within all parts of Chicago.”

Third-party reporting, including a 2017 report in the Chicago Tribune, showed that the previous reassessments of the City of Chicago resulted in overassessment of some lower-value homes while higher-value homes typically were underassessed.

Commercial assessments

Hotels and retail properties are among the sectors with the largest declines since the onset of COVID, whereas rents in multi-family apartments, grocery stores, industrial buildings, and data centers have been stable or experienced positive growth since the onset of COVID. In the Assessor’s Office 2021 models:

- Market values are estimated from \$14,740 to \$328,962 per unit.
 - Market rents for apartments in Jefferson range from \$638 to \$1,800 a month.
 - Market vacancy is between 3.8 and 7.90%.
 - Affordable housing figures are calculated separately and listed in the complete report.
- Office buildings in Jefferson have an estimated market values are \$51-\$233 per square foot.
 - These properties range in size from 1,731 to 802,000 in square footage and are assessed at \$5 - \$28 in rent per square foot with 3-14% market vacancy.

A report from the International Association of Assessing Officers stated that commercial properties in Chicago were underassessed in 2018, which may have shifted some of the property tax burden from commercial properties to residential properties. The 2021 reassessments reflect current market data and commercial property’s share of the market.

Access all residential and commercial reports—including multi-family assessments, detailed studies of residential assessment quality, and commercial data sources and methodology—at cookcountyassessor.com/valuation-reports.

Where is Jefferson Township?

Jefferson Township follows Western Avenue at its eastern border and North Avenue at its southern border. Its western border follows Harlem Avenue north to the Des Plaines River then north to Higgins. The northern border of Jefferson Township largely follows Higgins and Devon Avenues but extends as far as Touhy Avenue.

Appealing property assessments

If the property characteristics listed on an assessment notice are incorrect, or if the estimated market value of a property is significantly more than what it could sell for in the current real estate market, property owners should file an appeal.

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Property owners are encouraged to use the Assessor's Office's new, award-winning online system to file their appeals.

Appeals for Jefferson Township can be filed until September 17th, 2021. More information on filing appeals can be found at cookcountyassessor.com/appeals.

To learn more about property assessments and appeals, join the Assessor's Office at a virtual event listed here: cookcountyassessor.com/event-list.

Commercial owners hit hardest in latest Cook property tax bills

Nearly 80% of all commercial property owners in Cook County received higher property tax bills this year, while 50% of homeowners saw their taxes increase.

A representative of building owners said the gap isn't fair. But a spokesman said the Cook County assessor's office is correcting for widespread underassessment of commercial property in the past.

"It just doesn't make any sense," said Farzin Parang, executive director of the Building Owners and Managers Association of Chicago. "This shows to us how the assessor is putting his thumb on the scale and not on market data."

According to a new report released Tuesday by the property tax research unit of Cook County Treasurer Maria Pappas' office, property owners in Cook are paying \$534 million more in property taxes this year combined over last year, a 3.4% increase.

The report also shows that 50.5% of residential properties in the county received higher tax bills, while 78.5% of the county's commercial property owners were charged more this year.

Of the additional property tax revenue generated, \$410 million is coming from commercial owners, while \$114 million is due to increases on residential property owners. The remaining \$10 million is coming from other types of properties.

Scott Smith, a spokesman for Cook County Assessor Fritz Kaegi, said some of the increased burden is because bodies received more tax dollars through either inflation or voter-approved hikes, but he acknowledged the assessor's office is also re-evaluating many commercial properties' worth.

"In the past, a lot of areas were underassessed, particularly commercial properties," Smith said. "We are assessing property more accurately than in the past and getting closer to the market value, which largely hasn't happened in the past."

Pappas said the data is alarming because the total increase in property taxes, which largely goes to fund school districts in Chicago and the suburbs, is outpacing the rate of inflation. Her office is in charge of mailing property tax bills and processing payments.

"I hear the complaints from everybody," she said. "But it's certainly a hard time raising taxes on commercial property owners with everything that's going on."

Parang said because of the COVID-19 pandemic, many commercial tenants have already decreased their leased office space or plan to do so. Additionally, many tenants have told building owners they expect to maintain lower occupancy even after the pandemic is over.

International Property Tax Institute

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Kaegi's office issued across-the board-reductions on property assessments after the onset of the pandemic, but an expected drop in residential real estate never materialized.

"It was 180 degrees wrong and has been breaking highs all year long," Parang argued.

Kaegi's office reassessed properties in the South and Western suburbs ahead of this year's tax bills. Chicago properties are being reassessed this year. Next year, properties in the North and Northwest suburbs will be reassessed.

Smith said "COVID-inflated" home sales will have an affect on all residential property values when reassessments happen.

"We've certainly seen increases in assessments in Chicago, and honestly in a very surprising way in increased home values," he said.

The median tax bills for commercial properties in almost every Northwest suburb went up this year, according to the report from Pappas' office. Only Prospect Heights and Streamwood saw the median commercial tax bill drop this year.

That's not the case for suburban homeowners.

Homeowners in Wheeling and Elk Grove Village fared the best this year. Just 5.6% of homeowners in Wheeling received higher property tax bills, and the median bill dropped by \$100 there, according to figures from Pappas' report. In Elk Grove Village, just 14% of homeowners saw higher property tax bills, and the median bill was nearly \$60 lower than the previous year.

The median residential property tax bills in Arlington Heights, Bartlett, Buffalo Grove, Elgin, Hanover Park, Mount Prospect, Palatine, Rolling Meadows, Roselle and Streamwood all decreased this year, according to Pappas' report.

The figures in Pappas' report only cover properties in the Cook County portion of those towns. Many suburbs cross county lines.

In Barrington Hills, the median residential property tax bill for Cook County homeowners is nearly \$537 lower than last year, but almost 77% of the homeowners there are paying more in property taxes than they did last year.

Assessor hiked values for commercial properties but review board erased gains, data show

The Cook County assessor significantly hiked values of commercial properties in nine south and southwest suburban townships last year, a change that might have substantially lessened the property tax burden for homeowners.

However, the Cook County Board of Review wiped out nearly all of the increases, which resulted in huge tax reductions for many businesses, according to newly released data from the assessor's office.

The data support the view that Assessor Fritz Kaegi faces powerful real estate tax appeal attorneys and other political forces in his efforts to reform Cook County's grossly unfair and logic-defying method of calculating property values.

International Property Tax Institute

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“This office has been organized to deliver favors to a small handful of winners at the expense of the rest of us,” Kaegi said at his 2018 inauguration. “It’s an approach that is an out-of-date relic of urban machine patronage politics, completely idiosyncratic to Cook County. No other place is like this.”

The assessor’s office created a website that allows the public to compare 2020 values determined by the assessor’s office to revised values set by the Board of Review. The dashboard also shows the most valuable properties in each township. The site is cookcountyassessor.com/township-av-2020.

I reviewed data for nine south and southwest suburban townships and found astonishing differences in values set by the assessor and Board of Review. The board cut values by nearly 50% in many cases.

The data also show how homeowners in the south and southwest suburbs bear a much greater share of the property tax burden to fund schools and other services compared to northern and western suburbs due to a relative lack of commercial and industrial businesses in the region.

Countywide, homeowners bear 58% of the tax burden while owners of nonresidential properties pay 42%. However, the residential share of the property tax burden by township is 80% in Lemont, 75% in Palos, 73% in Orland, 71% in Bremen, 67% in Rich, 65% in Bloom, 63% in Worth, 57% in Thornton and 54% in Calumet.

Representatives of the assessor’s office said the goal of last year’s triennial reassessment of south and southwest suburban townships was to accurately reflect market values of commercial properties that had been subjectively determined for years.

In Orland Township, for instance, the assessor’s office set the total assessed value of nonresidential properties at \$466 million in 2020, a 36% jump from the \$341 million figure set by the Board of Review in 2019. When the Board of Review completed its handling of property tax appeals in 2020, however, the total plunged to \$340 million, or \$1 million less than in 2019.

In Rich Township, the assessor hiked nonresidential assessed values by 55%, to \$240 million in 2020 compared to \$154 million by the Board of Review in 2019. The Board of Review in 2020 wiped out most of the gains and set total values at \$177 million.

In Thornton Township, the assessor determined nonresidential assessed values were \$486 million in 2020, a 40% spike from the \$346 million figure the Board of Review set in 2019. The board set the total 2020 value at \$373 million.

Similarly, in Worth Township, the assessor determined nonresidential properties had an assessed value of \$684 million in 2020, up 41% from the \$483 million set by Board of Review in 2019. But the board erased most of the gains and set total values at \$525 million in 2020.

Other townships experienced similar reversals, though total values were less. In Palos Township, the assessor set 2020 assessed valuations at \$194 million, up 35% from the \$143 million set by the Board or Review in 2019. In 2020, the Board of Review reduced the assessor’s valuations to \$154 million.

In Bremen Township the assessor increased valuations of nonresidential properties by 37% to \$275 million in 2020, up from \$200 million set by the Board of Review for 2019. But the Board of Review in 2020 set assessed valuations at \$216 million.

Commercial values shot up a whopping 48% last year in Bloom Township, but only temporarily. The assessor determined the total value of nonresidential properties in Bloom was \$220 million in 2020, up from the Board of Review’s determination of \$148 million in 2019. The board set 2020 valuations at \$170 million.

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In Lemont Township, the assessor set total valuations of nonresidential properties at \$81 million in 2020, a 32% spike from the Board of Review's figure of \$61 million for 2019. The board arrived at a figure of \$69 million for 2020, a 13% increase from 2019.

In Calumet Township, the assessor raised valuations of nonresidential properties 32% to \$49 million in 2020 from the Board of Review's \$37 million for 2019. The board set values at \$39 million for 2020, a 5% increase from the previous year.

The Board of Review has defended its work, assessor's office representatives said, by saying it conducts detailed examinations of tax appeal requests on an individual basis, whereas the assessor must determine valuations for more than 1.8 million parcels countywide.

"The board has always been an avenue for taxpayers to contest an assessment made by the county assessor that they believed incorrect or unjust," according to the Board of Review website.

Shopping malls, retirement communities and apartment complexes are among the most valuable commercial properties in each township, data showed.

The property with the Southland's highest market value in 2020 was Orland Square mall in Orland Park, data showed. The property had a market value of \$117 million, according to the Board of Review.

The board set the property's assessed value at \$29.2 million in 2020, a 48% reduction from the \$56.6 million valuation set by the assessor's office, data showed.

Chicago Ridge Mall had a market value of \$56.7 million, the Board of Review found. The board slashed the property's assessed valuation by 42% for Worth Township's most valuable property. The assessor set the assessed valuation at \$24.5 million but the board lowered it to \$14.1 million.

River Oaks Center in Calumet City was Thornton Township's most valuable property with a market value of \$26.4 million in 2020, according to the Board of Review. The assessor set the assessed valuation at \$11 million, but the Board of Review cut it by 40%, to \$6.6 million.

A retail shopping center at 200 Lincoln Mall Drive in Matteson was Rich Township's most valuable property, with a market value of \$30 million. There was no reduction in assessed valuation by the Board of Review.

Green Tree Condominiums at 8401 W. 99th St. in Palos Hills was the most valuable property in Palos Township, with a market value of \$19.7 million. The Board of Review slashed the assessed valuation by 32% from the assessor's determination.

Edenbridge Apartments at 18134 66th Court, Tinley Park, was the most valuable property in Bremen Township. The senior housing complex had a market value of \$18.8 million in 2020. The Board of Review cut the assessed value by 41% from the assessor's determination.

Timberline Knolls, 40 Timberline Drive, Lemont, had a market value of \$13 million in 2020 to claim title as Lemont Township's most valuable parcel. There was no reduction in assessed value by the Board of Review. The facility is marketed as a leading residential treatment center for women and girls with eating disorders.

Prairie Green at Fay's Point, 1546 Water St., Blue Island, advertised as "charming senior living and supportive care," was Calumet Township's most valuable property, with a market value of \$9 million. The Board of Review reduced the assessed valuation 50% from the assessor's determination.

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Bloom Township was the only one of nine townships in the south and southwest suburbs where the most valuable property is a place where things are actually made. Ford's stamping plant at 701 Lincoln Highway in Chicago Heights had a market value of \$8.6 million. The Board of Review cut the assessed valuation by 37% from the assessor's determination.

South suburban homeowners concerned about the reductions in valuations for commercial properties through appeals might want to ask their state lawmakers whether they support Kaegi's proposed data modernization legislation, which has failed to pass.

Kaegi wants a law that would require large commercial property owners to disclose income and expenses so he can use the information to calculate more accurate assessments, which are based to a large extent on the level of income the property produces.

A million reasons to ditch Property Tax Appeals Board

PTAB is a ticking time-bomb of financial liabilities, threatening to drain billions from school districts and towns.

Everyone in Cook County should be disgusted at the Illinois Property Tax Appeals Board's recent tax appeal giveaway to Trump Tower and Ald. Edward Burke (14th). Last month's decision to accept Trump Tower's and Burke's flimsy property tax valuation excuses will drain \$1 million from our schools, libraries, parks and transit agencies. More outrages like this are on the way. It's part of the design.

Opinion

If ever we needed more evidence that the experiment of extending PTAB's jurisdiction to Cook County was an enormous mistake, this valentine to Trump and Burke is it. The decision to create a fourth property tax appeals venue in Cook County, in addition to internal appeals at the assessor, the Board of Review, and the Circuit Court, was hastily made 26 years ago in the dead of the night, introduced five days before the Republican-led General Assembly's end of session, and passed 72 hours later, with little debate.

Experts predicted disaster. Cook County Assessor Thomas Hynes said PTAB was "doomed to fail" and would "bring upheaval to the entire property tax system." The Chicago Tribune said the change was "needless duplication," and risked "throwing into chaos [the] tax assessment system." The Civic Federation was "strongly opposed." On the other hand, property tax appeals lawyers celebrated, with one jubilant but anonymous practitioner quoted as saying the change would "create a revolution in this business."

Later, in 2003, when a financial shock wave began to hit schools and taxpayers, the Senate passed a bill to reverse the experiment. But the bill — supported by the City of Chicago — died in the House. Springfield has taken no action since.

Now, the predictions are coming to pass, with hundreds of millions in refunds already paid out and the toll growing year after year. In a 2019 study by the Civic Federation, PTAB-driven tax refunds in Cook County alone had risen at a roughly 20% annual compound growth rate from 2003 through 2017, by which time annual payouts were over \$100 million per year. The study cautioned that even this figure was incomplete, because PTAB was still just getting going on the case backlog from the early 2010s.

Extending PTAB's jurisdiction to Cook stands as a relic of the proposition, long demonstrated as incorrect, that more appeals makes for more fairness. Instead, it stands as perhaps the ultimate example of structural and systemic inequity. By this fourth appeal, PTAB is just whittling down the share of taxes owed by wealthy insiders and pushing more of the burden onto everyone else. This is why other states don't offer four ways to appeal.

International Property Tax Institute

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PTAB has a backlog several years long for Cook County, where appeals have mushroomed year after year. It is a ticking time-bomb of financial liabilities, threatening to drain billions from school districts and towns, who will then need to heap these additional obligations and yet more inequity onto suffering taxpayers.

Some, such as the lobby of property tax appeals lawyers who pushed through the expansion in the first place, have an NRA-style solution: adding even more funding to this body, to help them clear the backlog of inequity. No way should we be feeding this beast even more.

There is no need for PTAB to exist for the rest of the state either, given that taxpayers there already have three chances to appeal. Rural school districts have been so devastated by PTAB's assessment cuts on large properties that they sometimes have to go on multi-year tax refund repayment plans.

Illinois can end this experiment now by owning up to the mistake it made in 1995. The best time to do this was years ago. The second-best time is now.

Chicago almost hits bottom rank of 150 cities for high cost, poor services

Out of 150 cities, Chicago came in almost at the bottom when the quality of city services and the total budget per capita were ranked, confirming what most Chicagoans already knew.

Taxpayers have been asked to pay more for water and sewer use, 3 cents a gallon more for gasoline, rideshares, and other taxes, fines and fees. Chicago's 10.25% sales tax is the nation's highest combined rate for a major city. Even listening to Spotify or watching Netflix is hit with a 9% amusement tax.

Then there are property taxes. On average, from 2000 to 2019, residential property taxes in Chicago rose by 164%. They rose \$543 million just during former Mayor Rahm Emanuel's term and Mayor Lori Lightfoot in her current budget added \$94 million in property taxes, plus created automatic annual increases tied to inflation.

So when the cost of city government was compared to the quality, Chicago ranked 141 out of the nation's 150 largest cities, according to researchers at personal finance website WalletHub.

WalletHub based its rankings on a combination of the quality of city services and the city budget per capita. It measured city efficiency – whether city residents were getting a good return for their tax dollars. Low costs and great services ranked high, while high costs and poorer services ranked low.

In addition to an overall score, WalletHub provided individual scores for quality of services and for total budget per capita. Chicago did poorly on both measures, ranking 136th for cost per capita and 140th for service. By comparison, Washington, D.C., took the bottom spot because it had the highest costs, but city services were ranked high. Detroit offered the worst city services.

Chicago's heavy tax burden would be less of a problem were taxpayers getting value for their money. High costs in Seattle and New York City translated into high quality services, WalletHub found.

So where is the money going?

Chicago's pension debt is largely to blame for the city's high expenditures crowding out the public services taxpayers expect for their money and that can protect housing values.

A decade ago Chicago spent \$450.5 million on pensions, 5% of total city spending. In 2021 the city will spend \$1.82 billion on pensions, or 15% of total spending.

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The problem will get worse without meaningful pension reform.

For fiscal year 2022, the city projected its pension contributions will balloon to \$2.25 billion. That amount may underestimate the problem because Chicago recently adopted actuarially-based funding. This would represent, at minimum, a \$375 million increase. That amount exceeds the city's yearly expenditure on City Development, which includes the Department of Housing, Department of Cultural Affairs and Special Events, and Department of Planning and Development.

If the yearly increase in pension payments exceeds amounts spent on alleviating homelessness, promoting sustainable growth and providing affordable housing, the city and its residents have a problem. That problem is expected to grow.

Annual contributions to city pension funds were already projected to rise by \$1 billion during the course of Lightfoot's first term in office. Even after the \$375 million increase expected in 2022, the city's projections in the budget, which run through 2026, show ever-escalating annual pension contributions.

Despite Chicago's rapidly rising taxpayer-funded pension payments, it is unlikely they will be sufficient to meet Chicago's obligations. The city's eight pension funds – including the four funds to which the city contributes directly and four funds for related entities funded by the same taxpayers – have accumulated nearly \$47 billion in debt, more than 44 U.S. states. Those pensions are only 34% funded overall, meaning they have 34 cents saved for every \$1 in future promises. Pension experts consider plans below 40% funding to be past the point of no return and on the path to insolvency or major cuts.

The money to fund these pensions must come from somewhere, and keeping up with this growing financial burden is a core reason Chicago taxes have increased in recent years. For the most part, recent city tax hikes have not been implemented to provide better roads or sanitation or to reduce the violence plaguing the city. Rather, taxpayers have seen their burdens increase largely in order to fund pension systems.

Local politicians understand runaway pension debt is an issue, yet little has been done to address the problem. Lightfoot herself has sent mixed messages on pension reform, often acknowledging the depth of the problem and calling for change while failing to provide specifics. She has criticized 3% compounded post-retirement annual raises as “unsustainable,” but has not publicly endorsed a constitutional amendment, which is the only way to change them. In contrast, in his last months in office, Emanuel called upon Springfield to send a pension reform amendment to the ballot for voter approval.

In addition to being primarily responsible for Chicago's increasing tax burden, pensions have also begun crowding out core government services.

This trend has been particularly noticeable at the state level, but it has also begun manifesting itself at the local level. Since 2011, Chicago's inflation-adjusted pension payments have increased by 239%. At the same time, city spending on services has increased by just 18%.

It is this dynamic that largely prevents Chicago from providing services on par with its high-tax peers in New York and Seattle. Both cities levy high taxes, but in the absence of crushing unfunded pension debt they are able to direct those taxpayer dollars back toward services for their citizens.

City leaders know the rapid rise in pension costs has hurt Chicago's ability to invest in the core services valued by residents, yet meaningful reform has remained elusive. Rising taxes and declining services can be expected until the state amends the Illinois Constitution to allow for the control of future government pension growth.

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Trump Is Due \$1 Million Tax Refund for Chicago Skyscraper

An Illinois tax agency has ruled that former President Donald Trump is due a \$1 million refund on the 2011 tax bill for his downtown Chicago skyscraper, but local officials are trying to block the refund.

The Chicago Sun-Times reports that at issue is the Cook County Board of Review's estimation of the value of the Trump International Hotel & Tower's rooms and retail space. In June, the Illinois Property Tax Appeal Board voted 5-0 to reduce the assessment on the building's commercial property.

The vote means that Trump is owed \$1.03 million, money that would come out of the property taxes due the city of Chicago, the Chicago Public Schools and several other government agencies. The Cook County State's Attorney is disputing the refund and has filed a lawsuit with the Illinois Appellate Court in the hopes of blocking it.

The dispute is the latest chapter in a long-running legal battle over Trump's tax bills that started more than 12 years ago and has led to more than \$14 million in tax breaks for Trump. It also involves not only a former president who is at the middle of a host of legal battles but a Chicago alderman whose own legal troubles had been making headlines in Chicago for months.

Alderman Edward M. Burke, whose former law firm, Klafter & Burke, won the tax breaks for Trump, has been indicted on federal charges that he blocked businesses from getting city permits unless they hired the firm. He has pleaded not guilty and is awaiting trial.

The dispute over the tax bills on the high-rise building has its own long history. Originally, the state agency rejected Trump's argument that the vacant stores had no value because he could not find any tenants to lease them. A hearing officer for the state agency rejected Trump's argument that the vacant stores at the building had no value because he couldn't lease them. But a staff member later wrote a report that Trump was entitled to the refund.

The agency delayed acting on the case until Trump was out of office and in June voted to reduce the assessment on the building's commercial property.

INDIANA

Tax appeals involve \$200 million worth of real estate

Porter County Assessor Jon Snyder is hiring an expert help to deal with some major commercial property tax appeals. The total assessed value of the properties approaches \$200 million.

If the county loses the appeals, local governments will have to refund money paid by the property owners, Snyder said. That would impact other taxpayers in the county.

Nexus Group will be paid \$225 per hour for legal and appraiser services. "We're anticipating it to be under \$50,000," Snyder said.

The Board of Commissioners approved the contract last week.

Among the properties involved are the Walmart, Tractor Supply, Target, JC Penney, Meijer, Kohl's, Home Depot, Menards and Thornapple Plaza; Menards and Kohl's in Portage; and the Save-A-Lot and Dollar General building in Kouts.

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Some of the appeals are for a single year and some for multiple years, Snyder said.

“They’re looking for a price per square foot different than what we’re willing to settle at,” he said. “This year we’re having a tougher time settling.”

Retailers’ sales last year were affected by COVID-19. Under certain approaches to determining a retail property’s value, income has a direct correlation.

Porter County, however, goes by the book. “We use the Indiana cost model as required by state statute,” he said.

Assessing commercial property is different from assessing residential property. Finding comparable homes nearby is easier than finding comparable commercial property nearby, for example, so different rules apply.

The appeals have advanced to the Indiana Board of Tax Review, with hearings possibly held in November. No dates have been set. COVID-19 and hiring a consultant to represent the county have slowed the process, Snyder said.

Depending on the outcome of the appeals at that level, the cases could ultimately be appealed to the State Tax Court.

IOWA

Time to Solve Iowa’s Property Tax Problem

Property taxpayers in Iowa keep growing frustrated and they are tired of the blame game that is played by local governments to avoid answering why tax relief is next to impossible. Property taxes fund local governments and often blame is shifted from one tax authority to another to justify why tax bills are high. In addition, local governments also respond that if property taxes are reduced then it will result in cuts to essential services such as police, fire, and emergency response services.

Iowa property taxpayers deserve a solution and thankfully, a solution exists that will place greater transparency and accountability on local governments. Establishing a strong Truth-in-Taxation law will provide the solution that property taxpayers are looking for and it will force local governments to be more accountable to taxpayers.

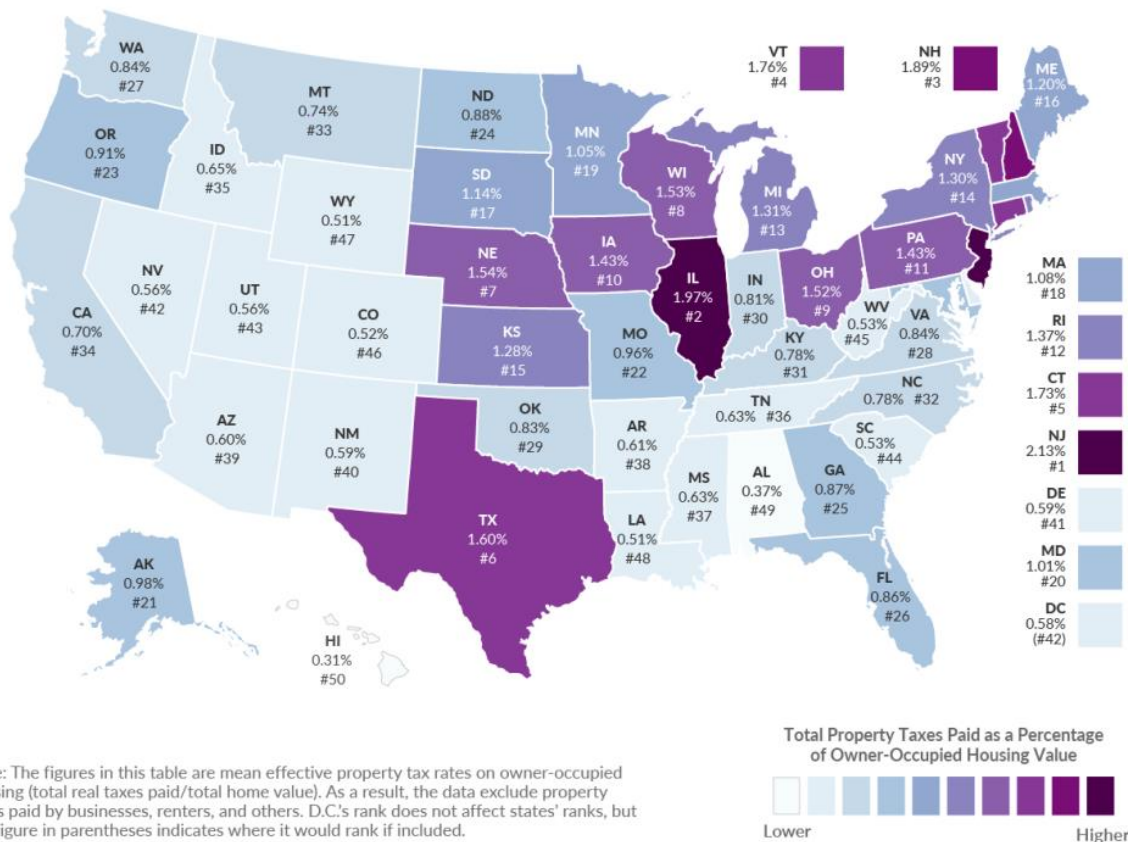
Since 2000, Iowa property taxes have increased 122 percent more in comparison to population, inflation, and the cost-of-living adjustment for Social Security. The Tax Foundation ranked Iowa with the 10th highest property tax burden in the nation.

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How High Are Property Taxes in Your State?

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value, 2019



TAX FOUNDATION

@TaxFoundation

Local government spending is at the heart of high property taxes. Too often blame is placed on the county Assessor, but taxpayers must focus their attention on spending. Whether it is property or income taxes, spending drives high taxation. In addition, many property taxpayers in Iowa are often left wondering why they are told taxes have decreased, but their property tax bills are higher.

Source: Tax Foundation (Note: Iowa is ranked 10th highest in the nation)

Utah's Truth-in-Taxation law is a revenue-based limitation, which means as valuations increase property tax rates decrease. The Truth-in-Taxation law guarantees that each taxing entity receives the same property tax revenues as the previous year including new growth. This prevents local governments from getting a windfall because valuations have increased. "Local governments should not receive an automatic 12 percent revenue increase simply because property valuations increased 12 percent," wrote Howard Stephenson, who recently retired as President of the Utah Taxpayers Association and is a former state Senator.

If a local government wants to exceed the certified tax rate, it then requires a Truth-in-Taxation hearing that is accompanied by an extensive public notification and hearing process. Truth-in-Taxation also forces local government officials to take recorded votes to approve an increase in tax collections.

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Through the Truth-in-Taxation process, local governments must justify why they want to increase taxes for additional spending, forcing them to be more transparent as to why they need additional tax revenue. A crucial aspect of Utah's law is a direct notification requirement, where notices are sent to taxpayers, providing information on the proposed tax increase and how it will impact their tax bill. It also includes the date, time, location of the Truth-in-Taxation budget hearing. This extensive public notification and hearing process has been successful, and taxpayers in Utah actively participate in Truth-in-Taxation hearings.

Rusty Cannon, President of the Utah Taxpayers Association, argues that Utah's law provides "sunlight" on the local government budgeting process. Cannon noted that while "decisions can be made to raise taxes, the law simply requires that it's done in the sunlight—that you essentially need to make your case to voters, to taxpayers, as to why the increase in revenue is needed."

Truth-in-Taxation forces accountability and it makes taxing authorities think twice about raising taxes. "You do it in a public setting, you notify them of what their liability increase will be on a parcel-by-parcel basis, so everybody has that full disclosure. So, there's no automatic inflation that creeps in. There's no automatic step-up. There's no automatic windfall if property values increase. It keeps a lid on those property taxes. However, if they do want to raise them, they simply have to do it in that public process," stated Cannon.

In describing the success of Utah's Truth-in-Taxation law, Jonathan Williams, Chief Economist at the American Legislative Exchange Council, wrote:

"Utah's Truth in Taxation law has effectively controlled the growth of its property tax assessments and overall burdens. The law requires that citizens be notified of the intent to raise taxes and invited to a public hearing to voice concerns. This also allows local units of government to make their case if they feel additional revenue may be needed. If a local government decides they want to increase spending, the Truth in Taxation process requires local elected officials take recorded votes to authorize the new rates or assessments."

Recently Kansas and Nebraska passed property tax reform laws based on Utah's Truth-in-Taxation. The Kansas law serves as the closest example to Utah's law because of its strength. Dave Trabert, President of the Kansas Policy Institute, argues that the new Kansas law "closes the property tax honesty gap." "Local officials can no longer pretend to 'hold the line' on property taxes while taking in large increases from valuation changes. Now, they have to be honest about the entire tax increase they impose," stated Trabert.

Specifically, the Kansas law repeals the property tax lid, which was largely ineffective because of the numerous exemptions and starting in 2021 mill rates will be reduced so that new valuations will bring in the same amount of property tax. If a taxing authority wants to increase property taxes, they will be required to hold a public hearing and vote on the potential increase. This also includes a direct notification process, which must include:

- The revenue-neutral rate for each relevant taxing subdivision;
 - The proposed tax rate and amount of tax revenue to be levied by each taxing subdivision seeking to exceed its revenue-neutral rate;
 - The tax rate and amount of tax from each taxing subdivision for the property from the previous year's tax statement;
 - The appraised value and assessed value for the taxpayer's property for the current year;
 - The estimated amount of tax for the current year for each subdivision based on the revenue-neutral rate and any tax rate in excess of the revenue-neutral rate and the difference between such amounts for any taxing subdivision seeking to exceed its revenue-neutral rate;
 - The date, time, and location of the public hearing for each taxing subdivision seeking to exceed its revenue-neutral rate; and information concerning statutory mill levies imposed by the State of Kansas.
- Kansas's Truth-in-Taxation law is already working for taxpayers. Several cities and counties are not going to increase their property taxes next year, while others are looking at small increases.

International Property Tax Institute

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Policymakers in Iowa should seriously consider following the example of Utah and Kansas and pass a Truth-in-Taxation measure that requires a strong direct notification requirement. Taxpayers deserve to know how much their property tax bill will increase and Utah and Kansas are demonstrating that Truth-in-Taxation laws force more “sunlight” and accountability on the local government budget process.

Public officials should not be afraid of Truth-in-Taxation. Providing more accountability and transparency will only improve local government. “Just as someone who doesn’t want to be seen in a swimsuit should avoid the beach, those that don’t want to make decisions in public should not run for public office,” stated Cannon in referring to transparency in government.

“And that is the idea behind Truth in Taxation, is that you can make the decision, you just have to do it in the open,” noted Cannon. In addition, elected officials should explain to taxpayers why they need additional spending. Too often governments, at all levels, forget that it is the money belongs to the hard work of the taxpayer.

In the last few years, Governor Kim Reynolds and the legislature have made significant progress in starting to lower Iowa’s high tax rates. Much work remains in lowering individual and corporate income taxes to make Iowa’s economy more competitive. The same is true for property taxes. High property taxes deter economic growth and provide incentive for people to either leave or decide not to locate to Iowa.

It’s time to implement a proven solution to bring property tax relief to Iowa taxpayers. Other reforms such as property tax freezes for certain taxpayers or assessment limitations may sound promising, but these “solutions” will not solve the problem. The goal should be property tax relief for all Iowans and Truth-in-Taxation will benefit all taxpayers.

KENTUCKY

Kentucky Property Taxes on Commercial Real Estate

Property taxes, especially real property taxes, matter to businesses or non-profits with locations in Kentucky, because such taxes often present a material cost that may be either managed so that only the appropriate amount of tax is levied or avoided when an exemption applies.

With real property taxes, it is best to think about procedure first. This is because applicable administrative procedures for real property taxes must be exhausted to obtain relief. *Cromwell Louisville Assocs. v. Jefferson Cnty. Prop. Valuation Adm’r*, 323 S.W.3d 1 (Ky. 2010). And, real property tax administrative procedures differ from those other taxes, are complicated and involve tight time frames.

Substantive tax issues are constitutional in nature. The Kentucky Constitution requires that real property be valued at its fair cash value. Ky. Const. § 172. Constitutional protections of uniformity and equal protection inure to taxpayers. Ky. Const. §§ 2 & 171-74; U.S. Const. amend. XIV. And, the Kentucky Constitution provides for property tax exemptions for institutions of religion, institutions of purely public charity, and for institutions of education as well as for public property used for public purposes. Ky. Const. § 172.

Procedure

Procedural rules are very important in property tax. Although, in Kentucky, the County Sheriff sends out property tax bills for real property in the fall, the time to contest a real property tax assessment value is the spring which is when the county property valuation administrator (PVA) is required to give taxpayers notice of changes in their assessment values. KRS 132.450. Even if the PVA does not change the assessment value from the prior year’s value, a taxpayer may dispute the current year’s value. This may happen, for example, when

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the value of a property decreases or when the taxpayer, for whatever reason, did not dispute the value in the prior year.

A taxpayer initiates the process of contesting a real property tax assessment value by requesting a conference with the PVA for the county in which the property is located before end of the “open inspection” period, the thirteen day period beginning on the first Monday in May. KRS 133.120; KRS 133.045. The process applies throughout Kentucky, whether your real estate is located in Jefferson County, Fayette County, Boone County or any other Kentucky County.

The PVAs’ position is that the request required by statute for a PVA conference must be filed with the PVA before the end of the open inspection period; otherwise, the right to appeal is lost. PVAs typically send the notice via first class mail, which can be quite unreliable. So, what happens if the taxpayer does not receive the PVA’s notice of change in value? What happens if the notice is delayed, lost, or misdelivered? A taxpayer has a constitutional right to due process.

Oftentimes, the PVA conference will result in a resolution but not always. A taxpayer that is still aggrieved by an assessment may appeal to the Board of Assessment Appeals (BAA) in the county in which the property is located. KRS 133.120. A taxpayer or the PVA aggrieved by the BAA’s decision, may appeal to the Kentucky Board of Tax Appeals (KBTA). KRS 133.120. As this point, a real property tax appeal is handled similarly to any other tax appeal and may then be appealed to a Circuit Court, then to the Kentucky Court of Appeals, the Kentucky Supreme Court, or to the United States Supreme Court, assuming that the matter is not resolved by agreement, which can occur at any time during the process.

A CPA or an attorney as well as certain other representatives may represent a taxpayer before the PVA and the BAA. But, beginning with the KBTA, a party that is not an individual, must be represented by an attorney authorized to practice law in Kentucky; otherwise, the KBTA has been known to dismiss appeals filed by a non-attorney. 802 KAR 1:010.

Fair Cash Value

Opinions can differ about what the fair cash value of a property is. However, real property taxation in Kentucky is governed by constitutional law, as noted above, and the Kentucky General Assembly has recognized this:

The General Assembly recognizes that Section 172 of the Constitution of Kentucky requires all property, not exempted from taxation by the Constitution, to be assessed at one hundred percent (100%) of the fair cash value, estimated at the price the property would bring at a fair voluntary sale, and that it is the responsibility of the property valuation administrator to value property in accordance with the Constitution.

KRS 132.191(1). Significantly, PVAs are directed to assess property as its fair cash value in accordance with the Constitution at the price the property would bring in a fair voluntary sale.

Evidence of fair cash value may take the form of three statutorily recognized valid valuation methods: the cost approach, the sales comparison approach and the income approach. KRS 131.191. The “cost approach” is “a method of appraisal in which the estimated value of the land is combined with the current depreciated reproduction or replacement cost of improvements on the land...” Id. The “sales comparison approach” is “a method of appraisal based on a comparison of the property with similar properties sold in the recent past...” Id. The “income approach” is “a method of appraisal based on estimating the present value of future benefits arising from the ownership of the property.” Id. Kentucky property tax cases use these three approaches to value in determining the fair cash value of a property.

When a property is sold, the PVA will often assess the property for the value disclosed on the deed; however, the deed value is not always the same as the fair cash value. Because of this, disputes can arise regarding the

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value. For example, in *Haier US Appliance Solutions, Inc. v. Jefferson Co. PVA, et al.*, No. K17-S-105, Order No. K25929, reversed, No. 19-CI-4516, (Jefferson Cir. Ct.), appealed, 2020-CA-1234 & 1262 (Ky. App.), the Jefferson County PVA assessed a property at the value reflected on the deed, and the taxpayer contested the value. While the KBTA's hearing officer issued a Recommended Order setting the fair cash value at an amount different than the deed value, the KBTA declined to adopt it and instead issued its Final Order setting the fair cash value at the deed value; the Jefferson Circuit Court reversed the KBTA, and both parties appealed. Clearly, reasonable minds may differ.

Somewhat recently, PVAs in several counties have been assessing leased properties at an assessment value determined using a formula that takes the contract rent of the long-term lease and divides it by a capitalization rate determined by reference to the remaining term of the lease and the creditworthiness of the tenant; when leases are at above market rates, this formula results in an assessment value that is substantially higher than nearby similar properties. Kentucky's highest court has soundly rejected this, holding that the fair cash value is the value of the property itself. *Fayette Cty. Bd. of Sup'rs v. O'Rear*, 275 S.W.2d 577 (Ky. 1954). It would seem that the O'Rear case should halt the PVA's practice.

Uniformity and Equal Protection

When it seems like your property is being over-assessed or someone else's property is being under-assessed, there is somewhere to turn. The Kentucky Constitution and the United States Constitution provide protection to taxpayers with regard to their property taxes in relation to other properties. The Kentucky Constitution mandates that "[t]axes... shall be uniform upon all property of the same class subject to taxation within the territorial limits of the authority levying the tax." Ky. Const. § 171. Similarly, the United States Constitution (Equal Protection Clause of the Fourteenth Amendment) and the Kentucky Constitution (Section 2) guarantee equal protection under the laws, including Sections 171 to 174 of the Kentucky Constitution. "The Equal Protection Clause 'applies only to taxation which in fact bears unequally on persons or property of the same class.'" *Allegheny Pittsburgh Coal Co. v. Cty. Comm'n of Webster Cty., W. Va.*, 488 U.S. 336, 343 (1989).

What happens when a real property taxpayer believes that other properties are being under-assessed in violation of uniformity or equal protection? There is a procedure for such a taxpayer to request the county BAA to review assessments of such underassessed properties, though such procedure is not limited to constitutional violations. KRS 133.120(2) (g). There is similar procedure in KRS 133.120(2)(f) for local governmental entities, though this latter circumstance does not implicate uniformity or equal protection concerns as does the former circumstance. Interestingly, in *Grant County Board of Education v. Ark Encounter, LLC*, No. 19-CI-00204 (Grant Cir. Ct. July 29, 2020), affirming, File No. K18-S-15, Final Order No. K-25927 (KCC May 31, 2019), the Grant County Board of Education attempted to appeal a BAA decision to the KBTA regarding the PVA's property tax assessment of property owned by Ark Encounter, LLC. The KBTA dismissed the appeal because the Board of Education was not the PVA or a taxpayer, who has a right of appeal under KRS 133.120.

What about the opposite situation? A taxpayer's property may be over-assessed in relation to other properties; i.e., while other properties are assessed at their fair cash value, the subject property is assessed at more than its fair cash value. In such an instance, a taxpayer would raise the issue of the violation of uniformity or equal protection in disputing the value of their property, first with the PVA, then the BAA, then the KBTA, etc.

Constitutional Exemptions

Exemptions from property tax are provided by the Kentucky Constitution. Section 170 provides for multiple real property tax exemptions, including: public property used for public purposes; real property owned and occupied by institutions of religion; institutions of purely public charity; and, institutions of education not used or employed for gain by any person or corporation, and the income of which is devoted solely to the cause of education. Also, while not technically an exemption, Section 172A provides "for the assessment for ad valorem tax purposes of agricultural and horticultural land according to the land's value for agricultural or horticultural

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use” which is provided for in KRS 132.450; the practical effect of this is that agricultural land is generally valued at a lower value. With these constitutionally-provided exemptions, disagreements between PVAs and taxpayers arise periodically regarding the scope of the exemption.

Exemption issues can arise in the context of commercial property. For example, in *Freeman v. St. Andrew Orthodox Church, Inc.*, 294 S.W.3d 425 (Ky. 2009), a question arose regarding the application of the exemption for real property owned and occupied by institutions of religion to houses being rented to individuals on property owned by a church. In holding that the rental houses did not meet the “occupied” requirement, the Kentucky Supreme Court noted that to hold otherwise “would extend the exemption to property owned by the church and rented as commercial real estate, including shopping centers and other commercial enterprises.” *Id.* Real property, however, that is owned and occupied by institutions of religion would come within the clear text of the exemption.

With certain notable exceptions, “When any real ... property which is exempt from taxation is leased ... in connection with a business conducted for profit, the leasehold ... [is] subject to state and local taxation...” KRS 132.195(a). This can arise, for example, when property owned by a purely public charity is leased to a business. The question then becomes, what is the value of the leasehold? The law is well-settled that a leasehold’s fair market value for taxation purposes is obtained by subtracting the fair market value of the real property with the leasehold from the fair market value of the real property without the leasehold. *Grand Lodge of Kentucky Free and Accepted Masons, et al. v. City of Taylor Mill et al.*, 2015-CA-001617-MR (Ky. App. 2017).

Examples illustrate this concept. Suppose that the fair cash value of the property without the leasehold was \$1,000,000. If the lease is a below market lease, say for annual rent of \$1, then the fair cash value of the property with the leasehold would be \$0, and the fair cash value of the leasehold would be \$1,000,000, which would be subject to tax. This makes sense because all of the value is in the lessee’s hands. Conversely, if the lease is an above market lease, say for annual contract rent of \$200,000 with a capitalization rate of 10%, the value of the property with the lease would be \$2,000,000 ($\$200,000/10\%$); so, the value of the leasehold would be \$0 (the value of the property without the lease of \$1,000,000 less the value of the property with the lease of \$2,000,000), and none of the value of the fair cash property would be subject to tax. This makes sense because all of the value is in the lessor’s hands.

Note that the maximum fair cash value of the property is the value without the leasehold, which is consistent with *O’Rear*, *supra*.

Property tax is simple on the surface. It is all about value. However, it is really very complicated, especially since it is rooted in constitutional law.

McCracken County reaches settlement with Walgreens over property taxes

McCracken County has reached a settlement with Walgreens.

We’ve previously reported that both Walgreens locations in the county were attempting to cut their tax burdens. The company was appealing the county PVA’s assessment of the Lone Oak Road and Irvin Cobb Drive locations.

Property records show Walgreens sold its lease of the Lone Oak Store to a real estate group in 2016 for about \$5 million.

That’s the number the McCracken County PVA office used for the property’s assessed value. But in 2020, Walgreens said the property was not worth \$5 million, but \$2.5 million — half of what they sold it for.

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In a settlement, the county and the company have agreed on \$4.3 million.

For the Irvin Cobb store, the 2015 purchase price was \$5.8 million. Walgreens claimed the property is worth \$2.65 million. Now, the county and company have settled on almost \$4.7 million.

In a statement sent to Local 6, McCracken County Judge Executive Craig Clymer said: "Walgreens fought us for 1.5 years, attempting to not pay their fair share of property tax to support our local government, schools, fire departments and other agencies. In the end, they failed, and our county prevailed."

The Lowes on Irvin Cobb Drive is also appealing its assessment.

The PVA said that property was valued at \$8.7 million in 2019. Lowes claims it was worth \$4.7 million in 2020 and will be worth \$3.8 million in 2021.

LOUISIANA

One Bourbon, One Scotch and One Appraisal. . . It's Time to Inspect the Property Tax Rolls!

Not that Louisiana property tax issues will make one want to imbibe, but it is that time of the year when the assessment rolls are open for review in Louisiana. The open book dates are currently published on the website of the Louisiana Tax Commission. Most of the rolls will be open the last two weeks in August for review and inspection. Check with the individual assessor to determine if the in-person visits are permitted. The open roll period offers a great opportunity for taxpayers to meet with the Assessor and their staffs to discuss the assessed value of any property located within that parish. Importantly, the open roll period offers taxpayers the opportunity to provide data to the Assessor regarding the fair market value of property and the taxpayer's opinion of value. Importantly, best practices dictate that any data or evidence that a taxpayer has regarding obsolescence related to its property be provided to the Assessor during the open roll period. This will become even more important starting in 2022 when Act 343 of the 2021 Regular Session becomes effective (more on that in an upcoming post).

If after meeting with the Assessor, and providing additional data regarding fair market value and obsolescence the taxpayer still is not satisfied with the assessed value, there is no reason to cry in your beer, as the Assessor's value can be appealed to the local Board of Review. The appropriate appeal form is on the Louisiana Tax Commission's website, Form 3101, and must be submitted to the Board of Review no later than seven (7) prior to the public hearing set by the Board of Review. See La. R.S. 47:1992. Luckily, the hearing dates are also mostly available on the Tax Commission's website. It is important to note that usually the Parish Policy Jury or other parish wide body acts the Board of Review in reviewing appeals of property tax assessments. As such, ensure that your appeal documents are submitted to the Police Jury's office and not just to the Assessor or Sheriff. The Board of Review can increase or decrease an assessment.

If the taxpayer disputes the Board of Review's decision, an appeal maybe filed with the Louisiana Tax Commission by submitting Appeal Form 3103A within ten (10) business days after receipt of the certified mailing of the Board of Review's written determination. Although beyond the scope of this post, it is important to keep in mind that the Tax Commission is where a taxpayer will put on additional evidence and testimony (including appraisers and other experts) in support of its opinion of fair market value for the property at issue.

If you follow best practices, and provide your Assessor with the data to support your opinion of fair market value, you will hopefully get the assessed value you seek and be "bad to the bone"!

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MAINE

Walmart files second appeal on city property tax

With one denied abatement waiting for a State Board of Property Tax Review decision, Wal-Mart Real Estate Business Trust has filed a second request to pay lower property tax on the Ellsworth Walmart for fiscal year 2021. The earlier abatement request was filed with the city in 2019 for the superstore's 2017 taxes, and when the city Board of Appeals denied the request, Walmart turned to the State Tax Appeals Board, where its appeal waits to be addressed.

Walmart seeks to cut the assessed value of the Ellsworth store from \$20.1 million to \$10 million. At stake is as much as \$180,000 in property tax for 2017 and each year forward, if the state appeal is successful, as the new assessment would be retroactive to fiscal year 2017.

The tax abatement appeal filed by the mega superstore chain has become standard operating procedure by Wal-Mart Real Estate Business Trust, which filed appeals for 2017 in at least eight Maine communities where it operates, using the "dark store" theory of assessment. That theory argues big-box retail superstores should be assessed as if they were vacant because of their specialty design, which leaves the properties at a low worth for subsequent buyers.

City Assessor Larry Gardner told The American that the new request is not a surprise given Walmart's and other local big-box retailers regularly filing tax appeals.

All Mainers face unfairly inflating property tax burdens

In light of unforeseen and ongoing change, it is long overdue for Augusta to seek to reform this system.

Letters informing residents of anticipated property tax change brought shock to many longtime Portland property owners. This is especially true among residents of the traditionally working-class neighborhood of Munjoy Hill, once considered a less desirable area to live. Here the anticipated property tax increases felt staggering to many.

The overall taxable value of the city of Portland grew by a whopping 77 percent. This would appear positive and no surprise, with the city currently listed among "America's best places to live." But skyrocketing (some use the word "insane") real estate values all across Portland, and especially on "the Hill," are being driven by outside factors.

Climate change coupled with recent pandemic-driven advances in remote work technology are attracting people from afar to Portland's livable, easily accessible location with increasingly milder winters. In a trend that we began to see before the pandemic, Portland has also become the affordable Cape Cod, attracting a burgeoning wealthy snowbird population to buy second homes. Developers, preying on such opportunity, spurred increased demolitions and rapid condo construction, in turn inspiring concerned Munjoy Hill citizens to squeak through a recent protective historic district.

Perhaps the significant factor in Portland's rising residential real estate values has been city planning favoring big commercial development along Portland's most desirable waterfront peninsula. Residential construction of

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a walkable waterfront community would have helped to reduce the city's fast-rising housing pressure. Pre-pandemic "For Lease" signs of commercial space have only multiplied and more office space is scheduled for construction. In response, the city has favored tax relief for commercial property owners, driving down their property values and consequent tax burden and forcing residential taxes to make up the difference. This housing scarcity on the peninsula has driven up peninsula residential real estate prices beyond the means of Portland's working population, defying Portland's Plan 2030, the 2017 city comprehensive plan promising equitable, sustainable and fair choices in the best interests of its citizens.

Pandemic-fueled real estate boom threatens property tax hikes as much as 30% for Maine homeowners. While the rest of Maine may shrug at their largest city's tax and housing dilemma, Portland is grappling with a disturbing trend occurring throughout the state. Property values are rapidly soaring upward, in part because of wealthy buyers bringing in remote incomes seeking livable communities that were once deemed rural "vacationland" destinations. Maine's working-class population, a demographic who once chose way-of-life over higher-paying jobs, now finds itself with real estate whose value has been artificially inflated by those with far greater economic means seeking homes in a more habitable climate. This saddles our state's longtime citizens of modest income with property tax burdens beyond their means, if they are fortunate enough to afford real estate at all.

Maine law deems "100 percent of fair market value" as the guideline for assessing a homeowner's fiscal responsibility to their municipality. Should Maine now consider an initiative to slow residential property taxation increases, similar to California's Proposition 13 or Massachusetts' Proposition 2½? It is long overdue for Augusta to seek to ease longtime Mainers' property tax burden in light of unforeseen and ongoing change. Portland needs it now. And all of Maine, not just Portland, needs a revamped, equitable and fair property tax system.

Bangor's largest commercial properties lose millions of dollars in value

Some of Bangor's largest commercial properties have lost millions of dollars in taxable property value following a year in which the retail and hospitality industries were hard hit during the COVID-19 pandemic.

The city's most valuable commercial property, Hollywood Casino, has dropped in value by \$6 million from a year ago. Bangor now pegs the casino's value at \$69 million, according to the city's recently finalized tax assessment records for the fiscal year that started July 1.

Another of the city's large commercial properties, the Bangor Mall, saw its property value decline by about \$5 million in the past year, to \$15.5 million from \$20.5 million, marking the latest year in which the long-struggling mall has seen its property value decline.

Those drops in assessed value will translate into lower tax bills for some of the city's largest property taxpayers. The owners of the Bangor Mall will pay about \$345,000 in property taxes, a drop of more than \$125,000 since last year. Hollywood Casino will pay about \$1.5 million, or \$200,000 less than it did last year.

Several of Bangor's largest retailers, especially those in the Stillwater Avenue area, saw noteworthy declines in their property values as well. Walmart on Stillwater declined by about \$925,000 to \$16.1 million, the value of Lowe's on Springer Drive fell by \$400,000 to \$11.5 million, Target on Longview Drive saw its property value decline by \$275,000 to \$9.4 million, and the assessed value of Home Depot on Stillwater fell by \$100,000 to \$5.9 million.

The lower property values for the casino, mall and large retailers show how the pandemic's effects on businesses in the Bangor area are catching up with municipal tax bills. The city's retailers and hospitality businesses saw major declines in revenue last year as COVID-19 restrictions forced some to close temporarily.

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and others to reduce their capacity, and the virus curtailed travel among tourists and business people. Altogether, those drops in business translated into a \$30 million reduction in commercial property value across the city, Bangor Assessor Phil Drew said in June.

At the same time, a booming housing market resulted in residential properties adding \$70 million in aggregate value, leading homeowners to assume a greater share of the city's property tax burden.

But there are signs the pandemic's economic downturn among Bangor retailers was only temporary. Sales tax collections in the Bangor area were higher in May 2021 than they were for the same, pre-pandemic period in 2019, according to Maine Revenue Services. However, lodging and restaurant sales still hadn't recovered to pre-pandemic levels.

May — the month Gov. Janet Mills lifted businesses' capacity limits and indoor mask requirements for vaccinated customers — is the latest month for which state sales tax data are available.

At Hollywood Casino, the facility still hasn't returned to running the same number of slot machines and table games as it did before the pandemic, but revenues this spring eclipsed 2019 levels, according to data from Maine's Gambling Control Unit.

Between April and July of this year, the casino recorded \$1 million more in revenue than it did in the same period in 2019.

The city assessor's office valued all of the property in Bangor at \$2.55 billion for the new fiscal year, up from \$2.48 billion a year ago. Property owners will owe a total of about \$57 million based on the new tax rate of \$22.30 per \$1,000 of property value, which is a drop from last year's tax rate of \$23.20.

MASSACHUSETTES

Pioneer Institute calls for reforms to 'Payment in Lieu of Taxes' programs for nonprofits

"Payment in Lieu of Taxes," or PILOT programs, aimed at shoring up city funds from nonprofits, have long been unevenly applied across both nonprofits and cities, the Pioneer Institute argued in a white paper released Tuesday.

"Local officials should know that PILOT programs are not a substantial solution to long-standing fiscal troubles in municipal governments," Pioneer Institute Executive Director Jim Stergios said in a statement. "But finding a fair middle ground for large nonprofits to subsidize at least a portion of the cost of local services could help relieve the tax burden on residents and small businesses."

All 50 states exempt nonprofits from paying property taxes, which are a critical source of revenue for municipalities, the report said, because they provide services to the community. However, in the case of universities like Boston College, it serves an increasing number of students from outside the community, including both out-of-state and international students. The report noted that BC's in-state rate dropped from 58% in the class of 1973 to just 22% in the class of 2023.

Boston, home to several targets of PILOT programs including universities and hospitals, was found in 2012 to be the city that received the most PILOT revenue in the country, with \$27,925,183 made from 36 nonprofits, according to a Lincoln Institute study, blowing the next-highest recipient, New Haven, Conn., out of the water with only \$11 million.

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Many cities also don't have a systematic approach to calculating the PILOT payments, the report argued, meaning that in Worcester, Clark University paid the city \$300,000 in fiscal year 2019, while Holy Cross, also in Worcester, only paid \$80,000. Holy Cross's endowment, at \$760 million, is almost double Clark's \$420 million.

In practice, the paper's authors argued, this opens up the informal process to the sway of local politics. "The danger with PILOT programs is that the politics can get in the way of meaningful efforts to serve the public," said Andrew Mikula, who co-authored the paper with Nina Weiss, in a statement. "A more systematic approach to PILOT agreements at the local level can help tie payment amounts more explicitly to services provided, adding legitimacy to the process."

The paper called for an approach closer to Boston's which, in 2012 under mayor Thomas Menino, began standardizing payments. By fiscal year 2020, the previous payment gap between universities (\$5.1 million from Boston University versus \$30,571 from Northeastern in 2011) had shrunk to only a \$1.9 million to \$6.3 million gap by 2020.

The paper also recommended matching the PILOT payments from nonprofits to the cost of services they use, including fire department use and street maintenance, giving nonprofits opportunities to reduce PILOT costs by providing the community with services, and enacting a specific policy to exempt smaller nonprofits from the payments.

MICHIGAN

Some Ideas to Fix Michigan's Property Tax System

The Citizens Research Council's new report, *Michigan's Overlapping Property Tax Limitations Create an Unsustainable Municipal Finance System*, argues that the property tax system can be fixed without diminishing taxpayer protections.

Michigan has some of the strictest property tax limits among the states. Its status as the primary revenue source for local governments has contributed to building pressure on taxpayers. Taxpayers reacted to that pressure with limitations to lessen the overall burden and to improve year-to-year predictability in tax bills.

The first of these, the 1978 Headlee Amendment to the state constitution limits property tax revenue growth. It requires local governments to reduce – rollback – the maximum authorized tax rate if their tax bases increase faster than inflation.

While this limitation helped, it had faults. Its unit-wide application meant that some tax bills could grow faster than the rate of inflation if they were offset by decreases for other taxpayers.

That dissatisfaction led to the inclusion of a new assessment limit as part of the 1994 Proposal A school finance reform. A new tax base was created, called taxable value, and the measure capped the annual growth of taxable value to the lesser of five percent or inflation, excluding the value of new construction. Taxable value is reset, or "uncapped", when ownership of properties changes.

Our analysis finds that these limitations achieved the same thing in different ways for the first couple of years with them both in place. Each works toward the same ends in different ways.

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The Great Recession from 2007 to 2009 was a game changer that brought forth the strictest elements of each limitation. The housing bubble of the late 1990s caused rapid appreciation of property values that led to tax rate rollbacks to keep growth of the overall tax burden in line with inflation. And then the loss of property values during and after the Great Recession caused reductions of tax bases for many local governments, especially in Southeast Michigan. As a result, local governments were left with lower tax rates and slow growth of their tax bases.

Since then, we see a growing disconnect between property values and tax bases. Taxable values are growing at slower rates now than they were before the Great Recession.

As a mechanism to fund local government services, the Michigan property tax system is not sustainable. Like the increases in the cost of living many are experiencing currently, the cost of providing services increases over time. But their tax bases cannot grow at a pace to reflect that cost inflation without attracting new development.

Growth in tax bases in Michigan comes from 1) appreciation, 2) the uncapping of TV when a property is sold to a new owner, and 3) new development. Under our current system, appreciation is capped and uncappings when properties are sold lead to tax rate rollbacks. Hot real estate markets for existing property, like many communities are currently experiencing, does nothing to help the local governments fund services.

It is only by attracting new development that tax bases can grow at or above the rate of inflation. Our analysis finds that the local governments that have attracted new development have fared the best under the overlapping tax limitations. That is not sustainable because land is finite and urban sprawl strains precious resources.

In the face of these limitations on their tax bases, we found that many local governments have responded to constraints on their tax bases by increasing tax rates. For instance, over 80 percent of the local governments in Oakland County have increased their tax rates since 2007. This too is not sustainable as state law limits tax rates.

What can be done?

Some have advocated for re-instating Headlee tax rate rollups – they were ended in 1993. Our analysis finds that this would provide very little relief.

On the other hand, ending the tax rate rollbacks created by the Headlee Amendment would improve sustainability. Taxpayers would still enjoy the protections of taxable value system, but local governments would benefit from uncappings when property is sold.

Local governments also would benefit from changing the method of measuring taxpayers' ability to support government. Drafters of these limitations recognized that the tax and revenue limitations should not be static. They allowed state and local government revenues to grow on par with economic growth. Adjustments to the state government revenue limit are based on state personal income growth. They pegged growth of local property tax revenues to inflation as measured by the Consumer Price Index (CPI).

Inflation has grown relatively slowly. Using the growth of personal income would put the state and local governments on equal footing. The implicit price deflator for state and local governments would recognize that the cost of operating a local government is different than running a household.

Local governments are overly dependent on property taxes and no changes to the tax limitations are going to fix that. Diversification of the revenue sources would provide the stability of property taxes and the responsiveness of sales or income taxes to the economic activity that characterize your counties.

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MISSISSIPPI

Lowndes County will split tax assessor and collector jobs

A northeast Mississippi county will split the offices of tax collector and tax assessor, starting with the next round of elections in 2023.

Lowndes County supervisors voted unanimously Monday to make the change, the Commercial Dispatch reported.

Greg Andrews is in his seventh term as the county's assessor and collector. He recommended the split because of the county's growing property tax base. And he said he intends to run for assessor in 2023.

State law says a county qualifies to have a separate assessor and collector if its total assessed value is at least \$65 million and it collects at least \$20 million in property taxes annually. Andrews said 22 other counties have met the criteria and split those offices.

He said the assessed value of taxable property in Lowndes County is about \$990 million, and collections should come in at about \$82 million.

The assessor determines the taxable value of privately owned real and personal property, including homes and industrial and commercial land, building and equipment. The collector receives payments of car tags, city and county building permits and all other property taxes.

MONTANA

Proposed 2022 initiative would cap MT property taxes, assessment values

A constitutional initiative would limit property-tax increases brought on Montana's booming real-estate markets.

In the wake of escalating real-estate values in much of Montana, a former state lawmaker is proposing a constitutional initiative to create an "acquisition-value" property tax system – which would prevent big property-tax increases as long as one maintains ownership of the home or business.

The measure also would cap property taxes at 1 percent of a property's 2019 assessed value or current market value once it's sold.

Property taxes could increase because of higher property values only when the property is sold, under the initiative proposed by attorney Matthew Monforton of Bozeman.

"There's been an unprecedented surge of out-of-state money driving up property values, and therefore driving up property taxes for Montana residents," Monforton told MTN News Monday.

Monforton also said Republican state Auditor Troy Downing will be co-sponsoring the effort to get the measure on the 2022 ballot and pass it.

They submitted a revised initiative proposal on Monday to state officials for review.

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Downing has been committed to the idea of revising the state property-tax system for some time, said his spokesman, Sam Loveridge.

Once wording of the petition is approved, Monforton and supporters will have until next spring to get enough signatures to place the issue before voters in November 2022. They would need the signatures of at least 60,357 registered voters and at least 10 percent of the voters in at least 40 state House districts.

Under current law, the state Revenue Department reappraises all residential and commercial real property every two years, adjusting it to market value. The next reappraisal is scheduled for 2023.

If the value of one's property greatly increases under the current system, property taxes on that property can increase as well – although state law does limit local governments on how much of that windfall they can collect, through mill levies.

Monforton said the current state constitution doesn't allow an acquisition-value system because it requires that all property-value assessments and valuations be "equalized."

Installing an acquisition-value system means people who have lived in the same house for many years would not be subjected to dramatically increasing property taxes, just because the market value of their property increase, he said.

"This is an issue that cuts across party lines," Monforton said. "Both Democratic and Republican homeowners in Montana are equally and understandably outraged by the kind of property-tax spikes we're seeing. This is an idea that will sell itself."

The system also could help moderate rent increases in fast-growing areas, because higher property taxes on rental property are passed on to renters, he added.

And, Monforton said the proposal would encourage "neighborhood stability," because people who've lived there for years would be rewarded for staying, through lower property taxes.

"Out-of-state investors should not be entitled to the same tax breaks that Montana residents who have built up those neighborhoods are entitled to," he said.

NEW YORK

Binghamton doesn't assess properties at 100% for its tax rolls: Why it matters

When Broome County released its 2021 property assessments earlier this summer, Binghamton residents confirmed the latest calculation — an equalization rate that increased by 3% from the year before.

While the rate balances fluctuating home values, some officials are worried the scales are tipped unfairly.

The city last completed a full reassessment in 1993, said attorney Paul Sheppard, chair of Hinman, Howard & Kattell's real property tax assessment and condemnation practice group, and he said the effects of revaluation gaps on the community are significant.

"The biggest problem with that is that as property values rise and fall in different sectors, the assessments basically don't change," said Sheppard, who added that New York is one of just five states that do not require periodic assessment revaluations, and the issue isn't unique to Binghamton.

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“The Town of Union didn’t even do it in 1993,” Sheppard said. “They haven’t done it ever.”

In Binghamton and other municipalities with equalization rates, over- and under-assessments result in a greater tax burden for owners of lower-value homes.

However, there are no plans or discussion in the mayor’s office or among city officials to pursue a full property reassessment.

“If we look at the overall changes that have occurred in the city, and in particular the downtown area, we know that major shifts have occurred,” Councilwoman Angela Riley said. “Reassessment will allow us to fairly tax and assess based upon where we are today.”

Who wins, who loses with Binghamton’s assessment

Since people with lower incomes purchase properties at lower market values, they are hit the hardest by the annual equalization rates.

“Those tend to be more stable in terms of their value,” said Larry Clark, director of strategic initiatives at the International Association of Assessing Officers. “They don’t increase as dramatically as the homes in the upper market levels, the upper price levels, and then the tax burden tends to shift from those upper market levels down to the lower.”

Owners whose property values have increased exponentially since earlier reassessments see the greatest benefits of the system.

“As the relationship between the assessed value and the actual market value decreases, their share of the property tax burden also decreases in proportion,” Clark said.

The everyday business owner, the everyday homeowner, their taxes possibly could go down. I would think that a third of the people’s taxes would go down if we reassessed.

Councilman Joe Burns said this is why some Binghamton residents are afraid of a full reassessment.

“They think that if you reassess, that their taxes are going to go up, and it’s not necessarily true,” Burns said. “The everyday business owner, the everyday homeowner, their taxes possibly could go down. I would think that a third of the people’s taxes would go down if we reassessed.”

Riley said many, especially longtime residents, may not understand that even though the value of their homes may have increased, the tax rate may go down.

How Binghamton’s equalization rate works

Although residents can appeal assessments, whether they think they are over-assessed or under-assessed, they are more likely to do so if it’s the former.

“There’s lots of folks flying under the radar,” Sheppard said. “And at the same time, there’s still lots of people who are paying more than their fair share.”

Sheppard explained:

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If a property was assessed in 2006 at \$100,000 at a 100% equalization rate, then 15 years later, the property is still assessed at \$100,000. However, with a 79% equalization rate in 2021, the city says the property is worth \$100,000 divided by .79, elevating the property's worth to \$126,582.

"In reality, that property might be worth \$150,000," he said. "The city has not gotten back in annually to look at the different properties. They've just kept that same number that they've had on the books since 1993 and left them there."

Sheppard said a solution is to add more value to properties when there are significant changes, including additions of swimming pools or garages, and compare how the properties were assessed to what they are worth. But Binghamton's failure to do that results in inconsistencies.

Equalization rates, Sheppard said, don't truly balance tax rolls because only consistent reassessments would accurately set a baseline each year.

The coefficient of dispersion, a statewide statistic determined by the New York State Department of Taxation and Finance, which evaluates the consistency of assessments, shows a disparity of 25% in Binghamton, Sheppard said.

"That's a bad number," he said. "A 25% coefficient of dispersion means that any particular property could be 25% above or 25% below its market value on average."

How Binghamton business tax rates are determined

For commercial properties in the city, the Homestead Rule imposes different tax rates on residential and commercial properties.

"The commercial properties are losing big time," Sheppard said. "They are paying taxes at a much higher rate than the rest of the city is. In fact, the city's tax rate on commercial properties is, if not the highest in the state, one of the highest in the state."

Sheppard said the two-tiered tax system pushes commercial properties away from the city and is driving market values down even lower.

"It's a cycle that keeps repeating itself as those values go down, but the taxes stay the same," he said. "You get fewer and fewer people who are willing to make that investment in the city."

I think this is actually the worst time to do a reassessment because of the current condition of the housing market. By the time you're complete, I'm sure that those values would have dropped.

Richard David, Binghamton mayor

Ron Sall, owner of Sall-Stearns, a men's clothing store on Court Street, said the higher taxes on commercial properties is the city's way of saying businesses can help more.

"You ask a business if they're supposed to help out or not, and the answer is yes, of course we want to help out the community. Do I want to pay this much taxes? No," Sall said. "It's a double-edged sword as a retailer and a business owner."

Sall also said the system is not bad right now.

"I don't know if anybody's losing their building or going out of business," he said. "We expect to pay our fair share. We have to be the leaders in the community if it helps the community."

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Why won't Binghamton complete a full reassessment?

"(Reassessment) is an expensive process," Sheppard said. "They would have to go out and hire a company that does evaluations. Probably would take a year or two to complete that and probably cost hundreds of thousands of dollars, if not more than that."

Cost, according to Binghamton Mayor Richard David, is one of several reasons.

"I think this is actually the worst time to do a reassessment because of the current condition of the housing market," David said. "By the time you're complete, I'm sure that those values would have dropped."

Both Burns and Riley believe a reassessment would benefit the whole city.

And with rapid and increasing changes throughout Binghamton, Riley said reassessing more often would allow for further improvements to the city.

"I'm hoping if we are able to recoup some of the losses, balance out the taxation, so people aren't overly taxed, then we can use some of the money to continue to assist in maintaining, creating and supporting low-income housing and neighborhoods that have been impacted by bad landlords."

OHIO

Lucas County Auditor calls for resident feedback on property value increases

The Lucas County auditor on Friday announced she is recommending property assessments increase an aggregate of 17.2 percent across the county after completing her triennial reappraisal — but she said that number was submitted to the Ohio Department of Taxation under protest and could change.

The state requires a full, in-depth reassessment of property values every six years, with a less-intensive reappraisal every three years that reviews arms-length sales and updates values accordingly. The recommendations released Friday are based on the three-year update, which took into consideration sales from 2018, 2019, and 2020.

As it stands now, the property-value increases range from 2.8 percent in a sliver of Monclova Township to 21 percent in the southwest portion of the county, the Washington Local Schools district, and in Jerusalem Township. The majority of Monclova Township shows a 15.9 percent assessment increase, most of Springfield Township shows a jump of 16.9 percent, and Oregon has an increase of 19.5 percent.

Auditor Anita Lopez recommended assessments in the city of Toledo increase by 14.1 percent, except for the portions in the Washington and Maumee school districts, which each show an increase of 21 percent.

Sylvania Township and the City of Sylvania have recommended increases of 18 percent and 19.5 percent, respectively. Ms. Lopez suggests Ottawa Hills assessments rise by 14.8 percent.

Here's a look at the proposed aggregate property value increases for five key Lucas County municipalities.

- Toledo: 14.1 percent
- Maumee: 21 percent

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- Sylvania: 18 percent
- Ottawa Hills: 14.8 percent
- Oregon: 19.5 percent

Source: Lucas County Auditor's Office

The auditor emphasized the proposals are aggregate numbers, which means not every parcel's assessment will increase by the same percentage. She also emphasized the numbers could change, depending on property-owner feedback.

Ms. Lopez said she believes the coronavirus pandemic has created an inflated housing market and unstable property values, so she is wary of increasing the official values too much. She said pandemic-time sale amounts should be excluded in the assessment, which would bring the county's overall aggregate increase closer to 13.9 percent.

Residents have until Oct. 1 to provide feedback, which they can do online at lucascountytri.as.me, by emailing tri@co.lucas.oh.us, or by calling the auditor's office at 419-213-4406.

Ms. Lopez will then take resident concerns into consideration and submit updated numbers to the state by Oct. 31 for approval.

"This is the open book process where we want all citizens to give their feedback," she said.

She's concerned state officials may not be happy if she submits a final proposal with assessment increases lower than the numbers she announced on Friday, but she said she intends to stand her ground based on what she hears from local residents.

In 2018, Ms. Lopez and state taxation officials engaged in a months-long dispute about property-value increases before reaching a resolution, which only came after the state threatened to withhold funding to local entities, such as school districts, that benefit from tax levies. They agreed to collectively increase property assessments by 9 percent countywide, though some municipalities' values went up by 12 percent and others only increased 2 or 3 percent.

Three years later, she's working with much larger jumps in valuation.

Ms. Lopez on Friday added that she'd like to see Ohio's governor and gubernatorial candidates call for a freeze on property-value increases until the housing market stabilizes.

"You can't operate government with blinders on and not factor in what's happening in the world and the economy," she said.

Regardless of where the revaluations land at the end of the year, property owners will be able to challenge their new valuations locally in the spring.

Peter Shawaker, a commercial realtor in Lucas County, said the value increases released Friday are large, and some residents and commercial building owners likely will notice it in their pocketbooks.

"For some properties this is an accurate increase. Unfortunately for some other properties, they might not truly have got up in value as much," he said.

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Mr. Shawaker added he believes auditors are “doing the best they can” with the way the state structures its property valuation requirements. Local auditors are “usually open to realistic appeals,” he said, and he expects there will be many in Lucas County next year.

PENNSYLVANIA

Philadelphia Suffers Big Uniformity Loss in Commonwealth Court Tax Ruling

The Pennsylvania Commonwealth Court (in *Duffield House, L.P. v. City of Philadelphia*) unanimously held that the City’s reassessment of only commercial real estate (not residential real estate) in 2018 violated the Uniformity Clause of the Pennsylvania Constitution and that the City must refund real estate taxes to the commercial property owners who appealed their assessments.

Background and Trial Court Decision

The City is required to assess all properties in the City each year at the fair market value of each property. Effective for 2014, the City completed its first countywide reassessments in a very long time. In 2017, the City announced that it had better information to establish the value of commercial properties than it had in 2013 and began reassessing commercial and industrial properties in the City for 2018. The City did not reassess residential properties for 2018.

In *Duffield House*, a group of commercial property owners challenged their 2018 assessments, arguing that the City violated the Uniformity Clause of the Pennsylvania constitution by reassessing only commercial properties.¹ The trial court found that the City deliberately targeted only commercial properties for the 2018 reassessment while not reviewing the value of other properties. The court agreed with the plaintiffs that this selective reassessment of commercial properties was unconstitutional, effectively ruling that the City could not ignore the law in order to maximize tax revenue.

The trial court also found that paying refunds to the affected property owners—estimated by the City to be approximately \$48 million before taking into account interest and any use and occupancy tax refunds—was the appropriate remedy, notwithstanding the burden such refunds would impose on the City. Because of this anticipated burden, the trial court allowed the City two years to pay the refund claims to allow time to adjust its finances.

Commonwealth Court Decision

The Commonwealth Court first rejected the City’s assertion that the evidence showed commercial properties in the City to be disproportionally underassessed prior to 2018. The court stated that, in fact, the City’s own evidence indicated that residential properties were more likely to be underassessed.

Notwithstanding that evidence, the City announced publicly that it was targeting only commercial properties in the 2018 reassessment. The Commonwealth Court agreed with the trial court that this decision was unconstitutional, finding that “[t]here is no lawful basis on which the City may choose to selectively reassess a certain sub-class of properties at current market value, while not similarly reassessing other sub-classes of properties in a given tax year. By singling out Taxpayers’ properties for reassessment based solely on their commercial nature, the City engaged in disparate treatment of sub-classes of properties within a taxing district.” Thus, the City’s decision to reassess commercial properties was unconstitutional.

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Turning to the remedy, the Commonwealth Court noted that the appropriateness of refunds depends on whether the case involves a “facial” or an “as-applied” constitutional challenge. A facial challenge is a challenge to a statute or ordinance in which the plaintiff alleges that the law is *de jure* unconstitutional and therefore void. In an as-applied challenge, the plaintiff alleges that a particular application of a law or a particular practice is unconstitutional.

In the case of a facial challenge to a practice, Pennsylvania courts frequently have determined that refunds are not appropriate because the court’s decision is the first clear statement that the law itself is unconstitutional and the taxing authorities could presume the constitutionality of a law. Though, importantly, many of these decisions also imply that it would be unfair to force a taxing authority to repay funds it may already have budgeted or spent relying on a law or practice it believed constitutional.

But, in the case of an as-applied challenge, courts are more likely to order refunds, presumably because the taxing authority could have or should have known that its actions were unconstitutional. The Commonwealth Court in *Duffield House* held that the challenge by the commercial property owners to the 2018 reassessment was an as-applied challenge and that refunding the taxes to those owners who appealed their 2018 reassessments is the only suitable remedy, even if such refunds will place a financial burden on the City. The Commonwealth Court noted that the trial court’s decision to allow the City two years to pay the refunds allowed sufficient time for the City to plan for payment of the refunds to mitigate the harm to its budget.

The Commonwealth Court did overturn a procedural decision of the trial court in which the trial court dismissed the plaintiff’s administrative appeals as moot in light of its order to pay the refunds. The Commonwealth Court held that the trial court lacked jurisdiction with respect to the administrative appeals and that only the City Board of Revision of Taxes can dismiss the appeals, whether upon request by the property owners or *sua sponte*.

Summary

The City likely will appeal the Commonwealth Court’s order, both on the Uniformity Clause issue and as to whether refunds are the appropriate remedy. So, the fight is not necessarily over. But the Commonwealth Court’s decision shows that courts are willing to force the City to follow the law as written, even when the City argues that its practices are designed to raise revenue for the City’s budget. We will continue to monitor this case and related developments.

1: The Uniformity Clause requires that “[a]ll taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws” – i.e., all taxes must be imposed uniformly and without discrimination.

TEXAS

2021 Texas Legislative Update - Legislature Strengthens Property Taxpayer’s Rights

The Regular Session of the 87th Texas Legislature made various changes to Texas property tax law benefitting taxpayers and tax professionals.

HB 1090 (Effective date September 1, 2021) – Appraisal Districts Have Less Time to Pick Up Real Property Not Assessed for Taxation

Currently, when taxable real property is erroneously omitted from an appraisal roll, a chief appraiser has five years to discover and correct the omission. When this occurs, back taxes, penalties, and interest are assessed

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against the taxpayer. The legislature has shortened the period for back assessment from five years to three years. The legislature did not change the back-assessment window for personal property which remains at two years.

SB 1449 (Effective date January 1, 2022) – Tax Exemption for Business Personal Property Broadened to Help Small Business

For many years, the legislature provided an exemption for business personal property having a value of \$500 or less. Inflation has eroded the benefit of this exemption for small businesses and caused unnecessary compliance expenses for taxpayers. In recognition of this, the legislature increased the exemption from \$500 to \$2,500 for income-producing tangible personal property, thereby freeing many businesses from having to file renditions in the future.

HB 1197 (Effective date January 1, 2022) – Religious Organizations Can Now Warehouse Adjoining Property for Development for a Much Longer Period of Time

H.B. 1197 amends the Tax Code to extend from six years to ten years the maximum property tax exemption period for a tract of land that is owned by a religious organization for purposes of expanding or constructing a new place of regular religious worship provided that the land is contiguous to the tract of land on which the organization's place of regular religious worship is located.

SB 1421 (Effective date September 1, 2021) – Taxpayers Who Made Mistakes in Rendering Their Property Now Have Two Years to Correct Their Renditions and Obtain Refunds

Taxpayers are currently required to report their business personal property to appraisal districts by April 15 unless they obtain an extension to May 15. Since rendition statements are due during the busiest time of year, mistakes are common. Court decisions have been inconsistent as to whether taxpayers have a right under current law to correct mistakes they have made in rendering their property. Given the confusion and opportunity for error, the legislature thought it appropriate to allow a period for corrections of errors, similar to that which taxpayers have for their federal tax returns. However, they have done so under limited circumstances.

S.B. 1421 allows an appraisal review board to change an appraisal roll or related appraisal records for the current tax year and for the two preceding tax years to correct an inaccuracy in the appraised value of a property owner's tangible personal property that was the result of an error or omission in a rendition or property report.

The roll may not be changed for any tax year in which one of the following occurred:

- the property owner failed to timely file the rendition statement or property report and was assessed a penalty;
- the property was the subject of a taxpayer protest brought by the property owner, a hearing on the protest was conducted in which the owner offered evidence or argument, and the Appraisal Review Board (“ARB”) made a determination of the protest on the merits;
- the property was the subject of a previous motion filed by the property owner to correct the roll and either:
 - the chief appraiser and the owner agreed to the correction;
 - the ARB determined the motion;
 - the ARB determined that the owner forfeited the right to a final determination of the motion for failing to comply with applicable prepayment requirements; or

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- the property's appraised value was established as a result of a written agreement between the property owner or the owner's agent and the appraisal district.

City mulls reducing property taxes in San Angelo, but residents could still see higher bills

The City of San Angelo is mulling the idea of lowering property tax rates, but property owners still could see an increase in their bills.

During a recent budget workshop, officials with the City of San Angelo directed staff Thursday, Aug. 12, 2021, to examine reducing property taxes from last year's rate of \$0.776 to a new rate of \$0.770 per every \$100 San Angelo homes are valued.

"We believe that the citizens of San Angelo have consistently felt like they're being taxed out of their homes, even though we have not changed the property tax rate in 12 years," said San Angelo Mayor Brenda Gunter.

"The appraisal district keeps increasing the appraised value of people's homes, which means citizens are paying more every year for property taxes," Gunter said, noting while it might be unfeasible to lower taxes, the discussion needed to happen.

"Let's talk about (lowering property taxes). Let's have a conversation and not just say, 'It is what it is.' We need to talk about it," Gunter said.

City officials will have that conversation both Thursday, Sept. 9, and Tuesday, Sept. 21, in which residents can make their voices heard during public comments.

If the City of San Angelo decides to lower its property tax rate, that doesn't mean residents will necessarily catch a break on their taxes.

If the appraised value of a resident's property goes up more than officials lowered their tax rates, those residents will pay more money than last year.

How to know if your taxes are going up

Texas law requires taxing entities to calculate a tax rate that would generate the previous year's revenue using the current year's valuations. It's called the effective tax rate, and its purpose is to help taxpayers evaluate whether their actual tax rate will be an increase, decrease or remain neutral — effectively.

The effective tax rate is based on all of the property in the taxing entity's boundaries that existed the previous year and represents the average for many thousands of individual properties, each with appraised values that can fluctuate significantly.

What residents should know is that if elected officials approve a rate lower than or the same as last year's rate, but higher than the effective tax rate, their taxes could increase based on the value of their property.

How to figure out what your home has been appraised for in Tom Green County

Residents who want to know the taxable value of their property can do so by visiting the Tom Green County Appraisal District online, or in person at 2302 Pulliam St.

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The chief appraiser sends out a detailed notice of appraised value to property owners annually, which are typically mailed out mid-April. The notice of appraised value contains a description of a resident's property, its value, the exemptions and an estimate of taxes that might be owed.

As of Friday, Aug. 13, the Tom Green County Appraisal office is open to the public, but masks are encouraged due to COVID-19. A drive thru window is open at the west side of the building. For more information, call 325-658-5575.

How to figure out what you'll owe in taxes to the City of San Angelo

The formula to figure out what residents living in the City of San Angelo will owe in taxes is as follows: residents can multiply their tax rate by the taxable value of their property, then divide by 100.

$(\text{Tax Rate}) \times (\text{Taxable Value of Property}) / 100$

If the proposed tax rate for the City of San Angelo remains at \$0.776, then residents with homes appraised at \$150,000 will pay \$1,164 in taxes to the city for the year.

If the rate drops to \$0.770, then residents with homes appraised at \$150,000 will pay \$1,155 in taxes to the city, a savings of \$9 from the previous year.

How to figure out what you'll owe to the school district

During a recent school board meeting Monday, Aug. 9, board members with the San Angelo Independent School District discussed lowering property taxes from last year's rate of \$1.12038 to a proposed property tax rate of \$1.09961.

The formula to figure out what residents living in the San Angelo school district will owe in taxes is as follows: residents can multiply their tax rate by the taxable value of their property, then divide by 100.

$(\text{Tax Rate}) \times (\text{Taxable Value of Property}) / 100$

If the proposed tax rate for San Angelo ISD is \$1.09961, then residents with homes appraised at \$150,000 will pay \$1,649.52 in taxes to the district.

How to figure out what you'll owe in county property taxes

During Tuesday's meeting of the Tom Green County Commissioners Court, officials were unanimously in favor of keeping the same property tax rate as last year, a proposed rate of \$0.54980.

The formula to figure out what Tom Green County residents will owe in property taxes is as follows: multiply your tax rate by the taxable value of your property, then divide by 100.

$(\text{Tax Rate}) \times (\text{Taxable Value of your Property}) / 100$

If the proposed tax rate for Tom Green County is \$0.54980, residents with homes appraised at \$150,000 will pay \$825 in taxes to Tom Green County.

How to get involved and be heard

San Angelo ISD will hold a public meeting to vote on a budget and proposed tax rate Monday, Aug. 30, at 5:45 p.m. in the SAISD Administration building, 1621 University Ave.

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The City of San Angelo will hold a public hearing and first reading of the proposed tax rate on Thursday, Sept. 9, and then an adoption of the tax rate on Tuesday, Sept. 21.

The Tom Green County Commissioners Court will hold a public meeting about the proposed tax rate on Thursday, Aug. 26, at 6:30 p.m. at the Commissioners Court, 113 W. Beauregard Ave.

Special note: A proposed tax rate for Tom Green County of \$0.54980 is not greater than what voters approved earlier — a tax rate of \$0.54993. As a result, Tom Green County is not required to hold an election at which voters may accept or reject the proposed tax rate. Residents can still express their support or opposition to the proposed tax rate by attending the Aug. 26 meeting.

VERMONT

The Burlington property reappraisal is in shambles

Burlington's property taxes are an inequitable shambles. Reappraisal is intended to tweak valuations to make them more equitable because the market evolves and some properties appreciate at a higher rate than others.

This should rarely result in extreme changes, but this reappraisal has made property taxes less equitable, not more. The changes in assessed values and taxes due have been radical.

My Burlington property taxes have increased by more than 40%, and this is after one successful appeal that reduced the increase in reappraised value from 113% to a mere 100%.

Redistributing the tax burden to residential properties and on to renters and homeowners is especially outrageous. So much for the lip service City Hall pays to affordable housing. The pandemic-induced distortion of property values should have been accounted for, not enshrined for the next decade or two.

More than twice as many of the commercial property appeals resulted in a change (74% vs. 33%) and only half as many resulted in an increase (3% vs. 6%). The largest commercial property appraised value reduction on appeal was 58% or \$8.1 million. The largest residential property reduction on appeal was 16% or \$476,000.

And beyond a hefty discount for commercial property owners is the more fundamental problem: a reappraisal that was done shoddily via driveby and flyover. Many of the values assigned are arbitrary and absurd — just obviously wrong.

For instance, in the previous appraisal, the average value of duplexes on Isham Street and the section of North Willard that parallels it varied by just 9%. Many of these properties share a property line and they are almost all rental units competing in the same market for tenants. They are also quite similar in average building size, lot size, and number of bedrooms.

Nevertheless, in the current reappraisal, the average appraised value difference between Isham and Willard duplexes has widened to 38%. That is, it has more than quadrupled.

It defies logic for properties so much the same to appreciate at such wildly different rates. The average increase on Isham is 60%, what I've been told is the city average. The average increase on Willard is 103%. And even the discrepancies are wildly different.

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Living space in duplexes on Willard Street, according to the reappraisal, is 31% more valuable than living space on the west side of the same block, and the land on which these duplexes are sited is an astounding 64% more valuable. Given that Willard is a major transportation corridor and a state highway with high traffic volume and Isham is a one-block, lightly traveled city street, it would be plausible to imagine that lots and housing would be more valuable on Isham. Not according to the reappraisal.

These extreme differences suggest that the inequity reappraisal is intended to reduce has been exacerbated instead.

The inequity in values ascribed to residential lots is especially glaring. One 4,272-square-foot lot on Elm Terrace is appraised at \$231,900. A contiguous lot on Adams Street is appraised at \$143,200. This would suggest a smaller lot on Adams, but the Adams lot is 26,608 square feet — six times larger, yet valued at 62% less. The mayor's Summit Street house in a prime low-density residential zone is sited on a lot valued at \$15,500 less than this same Elm Terrace lot, even though the mayor's yard is almost three times the size.

How can this be? It can't possibly be, but the reappraisal says it's so.

Such outlandish and insupportable differences in appraised value do not inspire confidence or represent equitable taxation. They represent a failed reappraisal that cannot be salvaged through the appeal process and should be thoroughly reviewed and corrected.

Every underappraised property results in excess taxes billed even to accurately appraised properties and foists truly exorbitant taxes on overappraised properties. The appeal process may improve accuracy for some overappraised properties, but it offers no mechanism for correcting underappraisals to achieve the level of accuracy equity requires.

I am pro-tax. I support taxes to fund the schools, parks, streets and services our community needs, enjoys and believes in. But there is no excuse for unfair taxation or for radical decreases for some property owners at the expense of radical increases for others.

Because reappraisal is required by law to be revenue-neutral, for every exorbitant increase, there is an equal and opposite savings being quietly stashed elsewhere in the system.

Transparency and clear explanations are in order. Taxpayers are required to present evidence in support of an appeal. The appraisers often just say no to property owner appeals without any explanation whatsoever.

Fair dealing requires something far different than Burlington taxpayers have been handed here.

WASHINGTON

How rising property taxes are disproportionately impacting low-income, gentrified neighborhoods

Despite stagnant or lowering incomes, many residents in poorer neighborhoods are paying a higher share of property taxes relative to high-income residents.

When D.C. native Andrea Morgan first purchased her home in Ivy City in 2015, the mother of two said she was excited it would provide a fresh start for her family.

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“I have two disabled children that rely on government programs, and I needed a house that was accessible,” Morgan said. “I needed adequate space after living in our apartment for the bulk of 16 years.”

Morgan said she decided on purchasing the property to invest in the future of her family by building a stable cycle of generational wealth. Through the Ivy City Special Demonstration Project – a late-2000s initiative to build more housing for low-income families – Morgan was exempt from paying the market rate for her new home. She also qualified for a five-year tax abatement program from the D.C. government.

But despite community initiatives to limit development to affordable housing and keep overall real estate prices low in Ivy City, the city simultaneously granted contracts to private developers who flooded the streets of Ivy City to build property with price tags at around 80% of citywide median household income for a neighborhood making just 43% of median income, according to community activists from the low-income neighborhood advocacy group Empower D.C.

The results successfully increased property value in the neighborhood but left low-income homeowners like Morgan shocked when she was finally tasked with paying a higher property tax that she had envisioned.

“I wasn’t expecting for it to be so high,” she said. “It’s gotten to the point where sometimes I think if I should have just stayed a renter.”

Over the last two decades, property value in Ivy City has increased by more than 150% while property taxes in the neighborhood have increased by more than 303%, as calculated in a statistical analysis by WUSA9. Property taxes rose from a median of about \$560 in 2000 to well over \$2,200 in 2019, accounting for inflation, according to U.S. Census data.

The spike is not limited to Ivy City: WUSA's analysis found that property taxes in predominantly non-white neighborhoods with residents among the lowest-tax brackets have increased by an average of 3% relative to income since 2000. Meanwhile, residents in the city’s wealthiest neighborhoods have only seen their property taxes increase by around 1% relative to income, and in some cases lowering despite household incomes increasing.

And according to activists at Empower D.C., this discrepancy is part of a larger systematic issue that "unfairly targets" lower income families of color.

How Gentrification Raises Property Taxes in Low-Income Neighborhoods

The story of Ivy City is one all too familiar among historical Black neighborhoods in the nation’s capital, according to Parisa Norouzi, the founder of Empower D.C.

“Just like with other Black neighborhoods, this area faced generations of divestment and environmental injustice followed by, more recently, decades of extreme gentrification that have forced families from their homes,” Norouzi said.

Much of what shaped these Black neighborhoods was the result of racially restrictive covenants throughout the mid-20th century that banned Black people from buying property in White neighborhoods forcing thousands to move into underdeveloped, industrial segments of the city, according to a report by the D.C. Policy Center. With limited access to proper job markets or quality education, residents of these neighborhoods were essentially forced into a perpetual cycle of poverty, according to a report from the Brookings Institute.

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These neighborhoods began to change drastically starting in the late 1990s as the city began emerging from a decade-long financial crisis that had seen the city lose more than 60,000 jobs, according to the Policy Center. To jumpstart the economy, the administration of Mayor Anthony Williams sought to attract 100,000 new residents and move them into neighborhoods designated for new housing development, including Ivy City.

Ivy City faced rapid gentrification in the last two decades that has raised property value and property taxes. Norouzi said these developments did not attempt to solve an already inaccessible housing market in Ivy City.

“There’s a myth going around that we need to change the zoning laws in order to build more housing and somehow that, that will address the issue,” she said. “But the reality is if the families cannot afford the housing, then building more housing doesn’t benefit them and it doesn’t benefit D.C.”

Between 2000 and 2020, the median household income in Ivy City increased by more than 55%, which Nourouzi said was the result of wealthier, predominantly White residents moving into more expensive housing units. In that same timeframe, property value in the neighborhood soared more than 150%.

The resulting tax increase was inevitable, according to Carl Davis, a researcher at the Institute of Taxation and Economic Policy. Tax assessors do not necessarily consider property owner’s income when evaluating real estate conditions, and the addition of higher-end buildings and increased amenities in the area can sway assessors to increase tax rates throughout gentrified neighborhoods.

“In gentrifying areas, the change we see is a very rapid increase in home values,” Davis said. “That can create serious problems for homeowners and renters when you see property values rise faster than income does.”

Residents in Ivy City had to sacrifice a larger proportion of their income to property taxes: In 2000, it was just 2% of income, according to U.S. Census data. That increased to 4% in 2010 and ultimately to 5% in 2019.

Andrea Morgan’s case was no different from many of her neighbors. Although she was under a tax abatement program, Morgan said she decided to pay her mortgage in full as though she was paying property taxes, instead allocating the difference to pay off her principal. She said that monthly payment totaled \$1,015.

When her five-year abatement ended, Morgan said she was assuming she would continue paying that normal mortgage rate under the impression that she would be paying property tax instead of her monthly principal payments. Instead, she said her mortgage rose to \$1,250 because of a corresponding tax increase relative to her rising property value.

While the \$235 monthly difference was already difficult to pay off pre-pandemic, Morgan said that the financial burden has only been exacerbated in the last year. With her children at home instead of school, she said she has had to budget electricity use and cut her own meals just so that she can pay that tax increase reflected in her mortgage.

“Now instead of just dinner, I’m also having to buy groceries for lunch,” she said. “I don’t have the resources to pay for more groceries, but I don’t want them to miss a meal. So instead I just don’t sit down with them for dinner anymore.”

But this tax phenomenon is not exclusive to Ivy City or areas experiencing rapid development. Low-income neighborhoods face a nationwide problem of assessment regressivity – or tax assessors overvaluing low-income housing by inaccurately valuing amenity attributes-- according to Carl Davis of ITEP.

Census data reveals that this trend is prominent in D.C.: In Fort Stanton in Southeast, property taxes increased by 161% in the last two decades, accounting for inflation. In that same timeframe, household income decreased

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by around 101%, according to U.S census data. While property tax only accounted for 2% of income in 2000, by 2019, it accounted for 11% of income.

Meanwhile, in Northwest's Sheridan-Kalorama neighborhood where median household income was more than \$166,000 per year in 2019, property taxes decreased by 28% over the last two decades, accounting for inflation. In 2000, property tax accounted for 7% of income, and this figure decreased to 4% by 2019.

In an email response, D.C.'s Office of Tax and Revenue confirmed that income is not a factor in assessing property value but added that a rising demand for property in the city is a key reason why property values have risen so quickly in the last two decades.

"We are seeing notable increases in demand by individuals and/or small/midsize developers for properties in areas where home values are more affordable," wrote a spokesperson in the response. "These sales and market activities are fueling increases in property values in neighborhoods viewed as more affordable."

How Governments Could Close this Discrepancy

Tax analysts like Davis have said that as income plateaus and property value rises, the one solution that more governments need to instate are tax circuit breakers: essentially offering tax credits to certain households if their property tax accounts for more than a certain percentage of total income.

The city has already implemented certain tax schemes to provide relief for low-income residents like Andrea Morgan, such as a tax credit that caps the city from taxing more than a 10% increase in property's assessed value each year, and the five-year tax abatement program that Morgan qualified for.

Still, Davis said these policies are not enough to combat a rising trend that will continue to perpetuate socioeconomic inequality among White Americans and Americans of color.

"I think you could lower the affordability threshold is something like 2% for more families, you could expand the pool of families that's eligible for the program, and you could expand the maximum amount of relief that's available," Davis said.

As someone who has been directly impacted by gentrification and rising property value, Andrea Morgan said that she would appreciate programs that are tailored to helping families like hers whose financial burdens have been made worse by the pandemic, such as temporarily freezing taxes during economic emergencies like those caused by COVID.

"Just as much as [politicians] are out there freezing rent and eviction for those who are delayed or behind in their rent, what happens with us who are not necessarily delayed or behind in the mortgage but still struggling to survive?" she said. "Freeze our tax for now! Or, if we haven't fallen behind on our payments, at least give us some sort of stipend so that we can stay afloat and provide some sort of financial commitment to our economy."

Green roof legislation promises a multitude of community benefits

Did you ever have a school assignment that involved growing a seedling, nurturing its progress and watching it bloom? Did you ever do that on the roof of your school building?

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Currently, a bill in Congress could make this a reality for our country's learners. Not only that, it would help mitigate climate change, create jobs and grow our economy for generations to come.

The Public School Green Rooftop Program (HR 1863), sponsored by U.S. Rep. Nydia M. Velázquez, D-NY, would establish a grant program for installing and maintaining green roof systems on public elementary and secondary school buildings. Though still underused, green roofs are catching on across the nation as their benefits — and societal necessity — become more and more clear.

A green roof is a layer of vegetation planted in engineered growing media over a drainage layer and root-repellent and waterproofing system on a roof. They not only improve a building's aesthetics and energy performance, they support plant growth while providing a multitude of community benefits.

Green roofs are job creators. HR 1863 would create 29,000 total direct, indirect, and induced job-years over a 50-year period. About 5,570 of those direct jobs would be in construction and maintenance, and more than 23,000 indirect and induced job-years would be created as a result.

Beyond their economic value, green roofs offer educational value, creating invaluable opportunities for students in STEM, as well as access to physical activity outdoors. The data behind the educational, emotional and physiological benefits for young people is clear. Children who grow a vegetable themselves are more likely to eat it, and time outdoors boosts physical and mental health.

An anonymous survey of 160 first- through fifth-grade students completed in June 2021 indicates the emotional, social and educational benefits that kids and communities experience from green roofs. When asked how they feel on the green roof, students and teachers alike used words like “happy,” “calm,” “peaceful” and “relaxed,” and noted the profound value of access to green space.

Buildings benefit as well. A green roof increases the life span of a roof (from 17 years to 40-plus years) while reducing energy costs and increasing the life span of heating, ventilation and air conditioning systems. They also lead to reduced long-term building operational costs, which reduces the cost to the taxpayers.

Green roofs improve communities. They improve air quality, storm water management and water quality, and reduce heat “islands.” They improve property value and stabilize neighborhoods while reducing greenhouse gas emissions and carbon sequestration.

They provide habitat for birds, bees and other pollinators. Schools can even harvest produce grown on green roofs and use it in cafeterias or send fresh food home with students — uniting families in the community through nourishing fruits and vegetables.

On top of all that (no pun intended), these roofs are considered effective in the reduction of atmospheric CO₂ because of their ability to reduce energy consumption by buildings and sequestering carbon in plants and substrates. This is no small benefit — the heat dome that hit the Pacific Northwest in late June made it clear that we need as much help as possible. Green roofs would be a tool in that effort.

This kind of legislation should be a no-brainer. Be on the lookout for my bill to bring more green roofs to Washington state. In the meantime, it's time for the rest of the country to catch up. Our congressional delegation should be leading the fight with HR 1863, so we can improve every community across the country.

Seattle Waterfront LID Assessment Tax

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The long debated local improvement district (LID) assessment tax on downtown area condos finally become a reality when the Seattle City Council passed the ordinance authorizing the LID tax and payment plan on June 14, 2021.

What is the Seattle Waterfront LID?

The LID came about as a means to facilitate the financing of the redevelopment of Seattle's waterfront, an ambitious \$737 million project to connect downtown to the waterfront following the removal of the Alaskan Way Viaduct. The project has several major components:

- The Promenade – an open space along Alaskan Way from Pine Street to King Street
- The Overlook Walk – an elevated walkway connecting the Pike Place Market to the waterfront
- Pioneer Square Street Improvements – street improvements and creating a pedestrian friendly link between Pioneer Square and the waterfront
- Union Street Pedestrian Connection – walkway and elevator connecting Union Street to Western Ave to the waterfront
- Pike/Pine Streetscape Improvement – pedestrian improvements along Pike Street and Pine Street from Capitol Hill to the waterfront
- Waterfront Park – rebuilding the pier park on the waterfront next to the Seattle Aquarium

Funding for the waterfront redevelopment and improvement comes from several sources including the city, state, private donors and through businesses, commercial properties and condo owners in downtown area.

The Seattle Waterfront LID is a special property tax assessment upon the businesses and property owners who receive a “special benefit” as a result of the improvements by virtue of their location surrounding the waterfront. Yet, the boundary of the LID extends quite a bit from the waterfront.

How much is the LID assessment for condo owners?

The final total amount of Seattle Waterfront LID is \$174 million that is being assessed upon condo owners and commercial & business entities who'll pay the majority of the tax assessment.

Although condo owners as a group make up a smaller portion of the \$174 million, the amount owed by individual unit owners can vary widely. The assessment amount is combination of condo unit's assessed property value and the zone the building is located in. Properties located closest to the waterfront are in a higher rate zone compared to those located on the edge of downtown.

For example, unit owners at the ultra luxurious Four Seasons Private Residences situated just above the waterfront can expect assessments ranging from \$50,000 to over \$350,000. Though at a more mid-tier condo located on Alaskan Way such as the Waterfront Landings the assessments are predominately in the \$12,000 to \$30,000 range. Still a pretty good chunk of change.

On the other hand, units at the 2200 Westlake complex, located the furthest away from the waterfront has assessments in the \$500 to \$1,500 range. I also note a number of units in the Belltown area with assessments under \$100.

The amount of the LID assessment tax is publicly available on the city's website.

What are the payment options for the LID assessment?

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City and state statutes allow for several payment options for LID assessments in Washington State. In a letter sent to condo owners by the city last month, owners may choose to pay in full by August 10, 2021 with an 8% discount, enroll into a 20-year annual repayment plan, or may seek to defer the assessment under an economically disadvantaged plan. The assessment can be paid off at any time during the 20-year assessment period with no pre-payment penalties.

For the 20-year repayment plan, the first 10 years (years 1 to 10) are interest-only annual payments. Then for the remaining 10 years (years 11 to 20) the annual payments will include principal and interest, so the payments will be higher.

What if I sell my condo / What do I need to know if I'm buying a downtown condo?

The LID is a lien on the property and stays with the property until paid. As with other condo assessments, if there is an outstanding balance, it can be negotiated between the seller and buyer. There are a few circumstances to consider.

- First, market conditions. Seattle is currently experiencing a seller's market and inventory is low, which is creating a supply deficit. As such, buyers may be willing to assume any outstanding balance on the LID. Should the market shift to a buyer's market, seller's may need to consider paying off the LID prior to, or at, closing in order to entice buyers.
- Second, is the buyer financing the purchase with a mortgage loan? The LID is unlikely to be financed through the purchase mortgage loan and the LID lien would be in first position and few lenders, if any, will agree to that. Therefore, lenders may require the LID be paid off prior to, or at, closing. Who pays it off, again, can be negotiated between the seller and buyer depending on the circumstances. If it's the buyer, they may need to bring additional cash to closing.
- Third, is the buyer paying cash? This is more straight forward. Either the seller or buyer will pay the assessment as negotiated through the purchase contract. The LID repayment plan may be assumable by the buyer.

If there is an outstanding LID assessment, it will be shown under the "Special Assessment" heading in the property detail section of the MLS listing, so agents and their buyers will be made aware of any outstanding LID balance.

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