IPTI Xtracts
Property Tax and Assessment News from Around the World

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International Property Tax Institute

States With the Highest Property Taxes

In some states, homes are cheap, property tax rates are less than half of 1% and the average property tax payment is just a few hundred bucks per year. In the most expensive states, however, rates soar over 2%, homes are pricey and average annual property tax bills routinely creep above $5,000 and beyond.
Using data from the Tax Foundation, GOBankingRates ranked the states with the highest property taxes in America, including the percentage rate, the average dollar amount paid and the average home value. The results are listed in ascending order from least expensive to most. For context, the national average effective property tax is 1.06%, the U.S. average home value is $263,351 and the average annual property tax bill is $2,787.

10. Rhode Island

- **Average effective property tax:** 1.53%
- **November 2020 average home value:** $337,470
- **Average annual property tax paid:** $5,163

Rhode Island's property taxes are high, but certainly not shockingly high by the standards of pricey New England. It's one of only four states on this list with annual property tax payments over $5,000, mostly because of its steep home prices.

9. Ohio

- **Average effective property tax:** 1.62%
- **November 2020 average home value:** $166,213
- **Average annual property tax paid:** $2,693

Ohio's property taxes are high enough to earn it a place in the top 10, but its residents pay the lowest average annual tax of any state on this list. That's because it's one of only two states in the top 10 with average home values under $200,000. Average prices in the other state, Nebraska, are more than $20,000 higher, making Ohio the cheapest by far.

8. Nebraska

- **Average effective property tax:** 1.65%
- **November 2020 average home value:** $189,314
- **Average annual property tax paid:** $3,124

Nebraska has the No. 2 cheapest average home value on the list behind only Ohio. Its property taxes are a bit higher, so it–like every other state on this list–can't join the Buckeye State in boasting sub-$3,000 average annual taxes paid.

7. Texas

- **Average effective property tax:** 1.69%
- **November 2020 average home value:** $220,942
- **Average annual property tax paid:** $3,734

Texas is a newcomer to the list and wasn't ranked among the 10 states with the highest property taxes last year. It's the last state on the list with a tax rate lower than 1.7%.

6. Connecticut

- **Average effective property tax:** 1.70%
- **November 2020 average home value:** $299,945
- **Average annual property tax paid:** $5,099

Back to the Northeast is Connecticut, which is just expensive enough to squeak out a spot among the four states with average annual taxes paid above $5,000. Connecticut's average home value isn't quite $300,000, but at just a hair below, it's still well above the national average.

5. Wisconsin

- **Average effective property tax:** 1.73%
- **November 2020 average home value:** $208,523
- **Average annual property tax paid:** $3,607

Kicking off the top five is Wisconsin, where the average home value is cheaper than all but two other states on this list. That dynamic gives it a spot among the four states with average annual property taxes paid less than $4,000.

4. Vermont

- **Average effective property tax:** 1.80%
- **November 2020 average home value:** $277,387
- **Average annual property tax paid:** $4,993

The first state to hit an average effective property tax rate of 1.8%, Vermont and the rest of New England is no stranger to the pricey side of any list having to do with the cost of living in the states. Vermont missed joining the small list of states with average annual taxes paid above $5,000–but only by $7.

3. New Hampshire

- **Average effective property tax:** 2.03%
- **November 2020 average home value:** $333,739
- **Average annual property tax paid:** $6,775

Right next door to Vermont is New Hampshire, where the average effective property tax rate soars above 2%–just two other states break that barrier. The average home value, too, is much higher than in neighboring Vermont, leaving New Hampshire as one of only two states with average annual taxes paid above $6,000.

2. Illinois

- **Average effective property tax:** 2.05%
- **November 2020 average home value:** $218,358
- **Average annual property tax paid:** $4,476

Illinois, too, suffers from steep average effective tax rates above 2%. Its forgiving average home prices, however, help reduce the average annual property tax paid to an unremarkable sum in the mid-$4,000s.

1. New Jersey

- **Average effective property tax:** 2.21%
- **November 2020 average home value:** $376,199
- **Average annual property tax paid:** $8,314

New Jersey holds the unenviable distinction of having the highest property taxes in America yet again–it's a title that the Garden State has gotten used to defending. The tax rate there is an astronomical 2.21%, the highest in the country, and its average home value is painfully high, as well. The result is America's highest average annual property tax paid–no other state even breaks the $7,000 mark, much less $8,000.
Methodology: For this piece, GOBankingRates looked at the Tax Foundation's "How High Are Property Taxes in Your State?" data to find (1) effective average property tax for each state. Once this was gathered GOBankingRates also found each state's (2) November 2020 average home value from Zillow and (3) average annual property tax paid. Only factor (1) was considered in the final rankings. All data were collected on and up to date as of Dec. 17, 2020.

Reduce High Retail Occupancy Costs by Ensuring Property Valuation Isn't Excessive

E-commerce was here to stay even before the pandemic devastated small businesses and placed an even greater premium on technology. In the changed landscape, lowering occupancy costs by reducing property taxes is one of the most important steps businesses can take to remain competitive.

Stay-at-home orders still prevent many shoppers from visiting their favorite brick-and-mortar stores, while fear of contagion exacerbates consumers' reluctance to shop in person. Regardless of customer traffic, however, retailers still incur fixed costs including insurance, enterprise software, property taxes and, arguably, rent.

Online-only retailers' occupancy costs are much lower, making it difficult for small brick-and-mortar businesses to compete. Put differently, sales taxes decline with reduced sales but property taxes do not. Landlords and tenants in triple net leases often fail to examine property taxes, but the survival of both may depend on reducing this cost.

Other costs such as insurance and the enterprise software needed to run the business generally lie beyond a small business' control and do not diminish with reduced business volume. The active 2020 hurricane season certainly has not reduced insurance costs. During the pandemic, some landlords have deferred or forgiven rent, but this forbearance provides no long-term solution to the challenges e-commerce poses.

Mounting pressures

The threat that high ad valorem taxes pose to pandemic-battered small businesses is compounded by, and interrelated with, the e-commerce threat. Small businesses face enormous challenges in competing online with major brands such as Amazon and Walmart, which command a far greater web presence than small mom-and-pop retailers.

E-commerce's challenge to traditional retail will not end with the pandemic. The bulk of retail sales still occur in stores, with online purchases peaking in the second quarter of 2019 at just 16 percent of total U.S. retail sales, according to the Commerce Department. That percentage slowed to 14 percent in the third quarter.

COVID-19 has accelerated the trend to "Buy Online, Pick Up In Store" (BOPIS). Pre-pandemic, BOPIS offerings were already growing as shoppers used it to avoid in-store browsing time and shipping charges. A 2018 study reported 90 percent of surveyed online shoppers stated high shipping fees and home delivery longer than two days would likely deter them from completing an online purchase. Even before the pandemic, Amazon's rapid delivery model was pressuring conventional retailers to compete by accelerating shipping times.

BOPIS allows retailers to blend online and in-store customer engagement while offering a more convenient way to shop. COVID-19 accelerated this trend as shoppers sought to minimize interpersonal contact during store visits. Retailers, however, need to be certain that applicable restrictive covenants permit BOPIS, since shopping centers often limit tenants' right to use common space. Further, traditional methods of valuing properties for tax purposes struggle to recognize and separate the intangible and untaxable value of web presence from the value of a physical location that serves as a pick-up point.

Black Friday and Cyber Monday 2020 illustrate the evolving relationship between brick-and-mortar stores and e-commerce. RetailNext reported foot traffic to physical stores on Thanksgiving through the following Sunday decreased by 48 percent from 2019, while spending per customer increased more than 36 percent.

Mall traffic tracker Sensormatic Solutions concluded that online ordering and social-distancing restrictions made shoppers more "purposeful" on their Black Friday trips. Adobe Analytics reported that Black Friday saw $9 billion in U.S. online sales, a nearly 22 percent increase year-over-year that made it the second-largest online spending day. Cyber Monday brought the largest shopping day in American history with $10.8 billion in volume, a 15.2 percent increase over 2019, Adobe reported. Adobe also noted that Black Friday curbside pickup increased 52 percent year-over-year.

Shared interests

Landlords and tenants must recognize the mutual harm of high occupancy costs and guard against unwarranted property taxes as local governments seek to shore up their finances. Every nickel counts when retailers are under economic pressure just to keep their doors open. Years of remaining lease term is of cold comfort to a landlord whose tenant is forced to close by reduced revenue and high occupancy costs.

Some short-sighted landlords ignore the property tax burden placed on their triple-net tenants until a renewal is imminent since the landlord's costs are not directly impacted. Where possible, a good lease on multi-tenant properties will address tax challenges and discourage taxes from being viewed as a mere pass-through expense. Further, prudent landlords should help reduce tax costs and avoid being forced to negotiate reduced rent to keep small businesses operating. Most leases do not include a provision permitting tenants to challenge ad valorem property taxes. Similarly, many state statutes only permit property owners, not tenants, to challenge taxes.

Most assessors have not yet recognized COVID-19's impact on retail stores, primarily because the valuation date for most properties preceded the pandemic's full impact on retail. That will change in 2021 in many jurisdictions. Similarly, the trend toward BOPIS will increase the intangible value of online presence, generally not subject to ad valorem taxation, and decrease the importance of physical locations.

COVID-19 is pressuring local governments to increase the property tax burden on small businesses. A recent survey found that municipal revenues are down 21 percent while expenses have increased 17 percent amid the pandemic. The survey reported 45 percent of mayors expect to see dramatic budget cuts for education, while at least one-third expect to see drastic cuts in parks and recreation, mass transit and roads. Only 36 percent of mayors expect to see a replacement of the businesses shuttered due to COVID-19.

High property taxes will only exacerbate the municipal revenue problem. A short-term remedy to municipal finances, higher property taxes, risks the permanent closure of many small businesses. Failing to address the problem will only accelerate the decline of physical stores and eliminate their local jobs and taxes.

IDAHO

Property taxes, redistricting and COVID-19 on Boise officials minds ahead of 2021 Legislative session

Last month, Boise City Council heard an overview of major pieces of legislation expected for discussion at the Idaho State Capitol starting next month. Proposals to shake up property taxes, restrictions on public health orders and a new bill to clean up the process for Boise to elect city council members by district.

With the COVID-19 pandemic still raging, several legislators expressed support for bills meant to restrict Governor Brad Little's emergency powers and public health orders. Boise currently has a mask mandate and enforcement measures in place to ensure compliance, which was issued amid rapidly rising cases ahead of Thanksgiving.

Boise Mayor Lauren McLean said she would not be supportive of any efforts from the legislature to prevent city officials from putting in place orders meant to slow the spread of the pandemic. Little has long said the state should defer any action, like a mask mandate, to local officials who can make the best decisions for their area.

"We remain concerned about potential efforts to pre-empt local government from making public health decisions we've been called on to do in lieu of the state taking those," McLean said.

What about property taxes?

Idahoans in every corner of the Gem State are also watching the legislature to see if there will be any action on property tax relief as rapidly rising residential property values continue to squeeze wallets. An interim committee has been studying the issue for over a year and released its recommendations in November, all of which are focused on tightening government spending.

The first proposed bill would cap tax property increases by changing the taxing formula, including increases allowed due to new construction, by 4% unless two thirds of voters approve in a public vote. It would also limit budget growth through a complex formula involving the consumer price index.

Another recommendation from the committee is legislation that would restrict cities, counties and other taxing districts from building budget reserves and rainy day funds. Only three months of regular operating expenses could be saved as an unassigned cash balance and one month of "rainy day" funds would be allowed. The final proposal would require local governments to publish local government budgeting information on a new website operated by the Idaho Controller's Office.

Boise's Government Affairs Director Kathy Griesmeyer said the bill on budget transparency had broad support, but she said there were concerns about the new property tax formula and the 4% cap. She said that the cost of providing services, like public safety, might outpace the growth in the consumer price index and make it hard for local governments to meet all of the community's needs.

Boise officials and others around the state have raised concerns that any approach of cutting local government spending will not address the ongoing property tax shift from commercial to residential. Some proposed solutions, which were not proposed by the interim property tax committee, include indexing the homeowner's exemption instead of capping it at $100,000 per year.

Other ideas include increasing impact fees to allow more other revenue sources for government projects and increasing property tax assistance to low income seniors called the circuit breaker.

"The city in all of our meetings with committee members and Boise legislators we have been diligent at asking the legislature about reindexing the homeowners exemption to see immediate relief," Griesmeyer said. "We're also encouraging lawmakers to look at the circuit breaker and look at impact fees in partnership with local school districts."

Clarity coming on city council redistricting

Last session, the legislature passed a bill requiring cities with a population over 100,000 to elect their city councils by district. At the time, some legislators and Boise officials objected to it partly because it did not provide a mechanism for how the district lines be drawn and would require Boise to draw lines twice due to the timing of the U.S. Census and its upcoming November election.

Griesmeyer said the city has worked with Senate Majority Leader Chuck Winder, R-Boise, to put together a new bill that keeps the intent of the bill but resolves some of the logistical questions. She said it would align the line-drawing process with the statewide reapportionment process where new districts are drawn according to the new Census results, allow Boise to work with the Ada County Clerk's office for drawing district lines and would prevent council members from being removed from their seats before their elected term is over.

There are no plans in the works to overturn the legislation in court.

"We want to make sure we're meeting the intent of the bill, but also that we're able to make it workable for cities and avoid some of the unnecessary costs from having to draw council districts twice within a one year cycle," Griesmeyer said.

Other possible legislation includes a bill requiring the release of police officer disciplinary records from the Idaho Innocence Project and legislation related to energy building codes. Griesmeyer said that legislation could address Boise's recent change to its energy building code, which requires the installation of an outlet capable of charging an electric vehicle in newly constructed single-family homes and townhomes.

ILLINOIS

Error in assessor's office results in change to Cook County tax estimates

The tax rolls for Cook County and local government became more complicated with a discovery in the final week of 2020.

Cook County Assessor Bob Thompson informed County Administrator James Joerke on Dec. 29 that an error occurred in the collection and processing of data related to dozens of commercial properties and the taxes they are required to pay.

Joerke told the Cook County Board of Commissioners during a meeting Jan. 12 that Thompson notified him that an error in the transposition of spreadsheet data related to the valuation of 36 state-assessed commercial properties had resulted in a miscalculation of tax revenues for those properties. The actual tax revenue that will be collected on the 36 parcels is $177,000 less than originally anticipated, Joerke said.

This left the county board with a choice for how to make up $177,000 for this year's budget. Commissioner Ann Sullivan suggested dividing the difference between local taxpayers and the county's reserve fund. Sullivan and Commissioner Ginny Storlie supported the notion of taking $100,000 from the fund balance and distributing the remaining $77,000 across the entire tax base, commercial and residential properties included.

For a person that owns a home valued at $200,000, this change would result in an approximate increase of $6 per property, according to Auditor Braidy Powers.

Commissioner Stacey Hawkins had another approach, suggesting that the county department heads reevaluate their expenses for the upcoming year and reducing costs by any means possible. A one percent reduction from all departments could alleviate the immediate impact on local taxpayers, Hawkins suggested. As she explained her approach, Hawkins said adjustments could be made at various departments by, for example, offsetting planned expenditures for 2021.

After a significant amount of discussion on the topic, the commissioners voted 3-1 to make up the deficit by taking $100,000 from the county's reserve fund and distributing the remaining $77,000 across the entire tax base. Hawkins was the lone vote against the proposal.

In practical terms, the commissioners' action reduced the levy by $100,000. They approved a final levy of 10,776,801 on Dec. 22. The county board reduced that levy today to $10,676,801 by authorizing the use of $100,000 of fund balance, Powers said in a statement sent to WTIP Jan. 12.

The effect of that $100,000 levy reduction on a taxpayer with no change in valuation or classification is that their county taxes will not increase, according to Powers.

The error did not affect the levy, but it did increase the tax rate. Without the reduction in the levy approved today, taxpayers with no change in valuation or classification would have seen an increase in county taxes of about 1 percent compared to last year, Powers said.

Prior to the vote, Joerke explained the situation to the commissioners, noting several factors that contributed to the error. In 2020, Joerke said the Minnesota Department of Revenue (DOR) provided counties with its assessed values of commercial properties in a new format that listed both the total estimated market value and equalized market value for each parcel. The reporting form that DOR used in previous years listed only the equalized market value, which is the value that counties must use in calculating the tax base.

Staff in the assessor's office transposed total estimated market value data into a spreadsheet that was provided to the auditor/treasurer's office to calculate 2021 tax revenues, Joerke explained, resulting in a miscalculation of the revenue that would be collected. Changes in assessments related to the reclassification of privately-owned vacation rentals as commercial property made the erroneous data harder to detect, according to the county administrator.

Furthermore, Joerke said the assessor's office was short-staffed in August 2020 when the error occurred. There was insufficient review of the assessment data before it was provided to the auditor/treasurer's office.

Which properties have the biggest property tax increases since 2000?

Cook County Treasurer Maria Pappas today released a study which reveals the properties in Chicago and the suburbs with the largest property tax increases since 2000, dramatic examples of how the tax burden has soared on homeowners and businesspeople.

Called "The Top 50," the report lists the 50 Property Index Numbers (PINs) with the largest tax increases from 2000 to 2019 in Chicago and the suburbs, both residential and commercial. The report is a new chapter in "The Pappas Study," an unprecedented study that shows the county's tax bills virtually doubling over 20 years, an increase that is nearly triple the 36 percent rise in the cost of living index.

"If you don't exercise your right to vote, then you have no right to complain about how property taxes have climbed since 2000," Pappas said, noting the low percentage of the voting-age population that participates in elections.

"The Pappas Study" is dedicated to former Chicago Tribune editorial page editor John McCormick and former editor R. Bruce Dold for their tireless efforts to make Chicagoland a better place to live.

According to the Top 50, the residential properties with the largest property tax increases from 2000 to 2019 are:

- In Chicago, a condominium on East Lake Shore Drive, where the tax bill jumped 1,890 percent, from $6,731.71 to $133,954.83
- In the suburbs, a two-story residence on Ardsley Road in Winnetka, where the tax bill grew 1,174 percent, from $53,014.39 to $675,486.36

The commercial properties with the largest property tax increases from 2000 to 2019 are:

- In Chicago, an office building at 300 E. Randolph St., where the tax bill rose 141 percent, from $8,140,176.71 to $19,599,942.28
- In the suburbs, a shopping center at 1000 E. Woodfield Road, Schaumburg, where the tax bill rose 53 percent, from $12,847,013.47 to $19,633,920.16

"There is a solution to the problem of skyrocketing taxes," Pappas said. "Vote!"

Less than 29 percent of the voting-age population in the Chicago has cast ballots in elections held since 2011, Pappas said. In the suburbs, the percentage is just 26 percent.

"Too many people are voting with their feet instead of at the ballot box," Pappas said. "If you don't hold elected officials accountable, then you only have yourself to blame," she said.

20-year tax history search added to cookcountytreasurer.com

Every property owner can see how much their property taxes have grown over 20 years by visiting cookcountytreasurer.com. Just follow these steps:

- Select the purple box labeled "Your Property Tax Overview"
- Enter your address or Property Index Number (PIN)
- Select the tab on the left that says "20-Year Tax Bill History"
- See an interactive map that shows how property taxes billed have increased in Chicago wards and suburbs since 2001

The Top 50 report also breaks down the 50 largest residential and commercial property tax increases in each of Chicago's wards.

The report analyzed the property tax bills for PINs which did not change property tax classifications from 2000 to 2019. For residential properties, the report analyzed properties with only a Homeowner's Exemption and excluded properties with other property tax exemptions, such as the Senior Citizen Exemption, which affect the change in tax bills.

Cook County assessor argues appeals rulings are undoing taxpayer equity efforts

A Cook County assessor's report on 2019 property reassessments in the North and Northwest suburbs says efforts to improve taxpayer equity and fairness have been undone to some degree by Board of Review rulings on commercial property owners' appeals.

Those properties have been underassessed by an average of 40% in past years, shifting more of the tax burden on to homeowners, the assessor's office argues.

"A minority of people in Cook County use the appeals process, and this minority tends to have the most wealth, knowledge of the system's quirks and weaknesses, and resources to navigate avenues to appeal," Assessor Fritz Kaegi writes in his introduction to the report. "The aggregate effect of appeals from this minority is to reduce its share of the base, thus shifting more of the responsibility for property taxes to everyone else."

But Board of Review Commissioner Michael Cabonargi said Kaegi's pursuit of a preconceived outcome -- that the tax burden should be shifted away from residential properties -- is a fundamental flaw of his argument.

While it's the role of the assessor's office to establish criteria at the macro level, the Board of Review decides appeals based on specific properties and specific circumstances, he added.

"If he's saying people don't have the right to appeal, that's something we're going to disagree on," Cabonargi said. "It's a healthy but natural conflict that we're going to review his work."

Kaegi said his office's efforts to get initial assessments correct must be paired with ensuring the integrity of the Board of Review's appeals process to make sure taxes on Cook County property owners are fair.

"We'll always need the appeals process to identify errors, but the more we can get right at the outset, the more we improve the assessment system for everyone," Kaegi wrote.

The shift caused by reassessments or owners' successful appeals on the value of their properties can have as an effect as great or greater on taxpayers as the initial setting of property tax levies by local governments.

Scott Smith, chief communications officer for Kaegi, said the office has a statutory requirement to assess at market value to ensure equity throughout the county. The new report provides data confirming other third-party reports that the office's assessments are in line with the market, he added.

"The International Association of Assessing Officers examined the state of commercial assessments as of 2018, which were produced by the (prior Joe) Berrios administration and adjusted by the Board of Review," Smith said. "It found widespread, substandard, and systematic undervaluation of commercial properties -- of about 40% overall in Cook County -- shifting the property tax burden to homeowners and small businesses."

During Kaegi's two years as assessor, the office has been working to close gaps in the residential assessment process that previously kept them from being equitable, Smith said.

"We believe we're doing the same on commercial assessments, but the Board of Review approved large-scale reversals of our work last year, which transfers more of the burden back onto homeowners," he added. "It also prolongs the inequity in the property tax system the IAAO identified."

Cabonargi noted that not every commercial property in Cook County is a Chicago skyscraper. Among the appeals the Board of Review considered last week were for a hot dog stand and a barbershop.

All three Board of Review commissioners consider each appeal individually and at least two of them need to agree for an appeal to be successful, he said.

Smith said the Board of Review should demonstrate more transparency in its decisions on successful appeals.

"For full transparency and accountability, we think the public deserves to know how the Board of Review plans to close some of these valuation gaps," he said. "Knowing the underlying data and methodology they use will restore confidence and certainty in the system."

But Cabonargi said the reasoning of each Board of Review decision has been available on its website for years, and that it's the assessor's office that's now catching up. He's pleased by the commitment Kaegi has made to increasing transparency, technology and professionalism in the assessor's office, he added.

The 10 States With The Lowest Property Taxes In 2021

Do you own property in one or more of the states with the lowest property taxes? If you own real estate, you should know this, especially with tax season coming up. According to Forbes, the total amount of property tax collected in 2019 was $306.4 billion. With 86 million single-family homes in the U.S., that was an average of $3,561 per household or an average tax rate of 1.14%. However, this average does not paint the whole picture. Although every state imposes property tax, the tax rate varies greatly from state to state. Property taxes can be very low in one state, but very high in the next. That's why you should be aware of the tax rate in the state, or states, where you own any real estate.

What Is Property Tax?

Property taxes are taxes paid by property owners. The owners can be individuals or legal entities, such as corporations or other types of businesses. The amount of tax to be paid is assessed by the local government where the property is located. We'll talk about how the tax is calculated in the next section.

Although property tax usually alludes to real estate, some states also assess property tax on other types of personal property, such as cars and boats. Property taxes are a key source of income for local governments. They are used to fund municipal projects such as schools, road improvements, parks and recreation, and public transportation.

States with lowest taxes

How Is Property Tax Calculated?

Property tax is calculated using the value of the property in question. More specifically, the value is assessed based on the type of property, its structure, and the land that it sits on. For example, a vacant plot of land will have a much lower tax than its neighbor with a similar plot of land that has a house and guest cottage on it. If the property has access to public services or has the potential for further development, higher taxes could be assessed.

Each state computes its property tax rate using its own unique formulas. However, they all share two common factors: the property's assessed value and the percentage tax rate. Because of this, it's easiest to look at the tax rate itself when comparing and contrasting property taxes between states.

For example, let's say person A in state A owns a home worth $1 million. They were assessed a property tax of $10,000 last year. That's a property tax rate of 1 percent. Then, let's say person B in state B owns a condo worth $150,000. However, they were assessed a property tax of $10,000 last year as well, the same amount person A paid. That's a whopping 7 percent property tax rate. Although person A and person B paid the same dollar amount, you can easily tell that person B has a much heavier tax burden by looking at the property tax rate.

Who Sets Home Value?

Now, you're probably wondering who exactly determines why person A and person B in the example above paid what they did in property taxes last year.

The entities that set home values in each state are tax assessors. They are typically government agents who value your property every one to five years. They will look at other similar properties in your market and compare recent sales prices to determine your property's value. Unique formulas are also involved, and as you might imagine, this involves a lot of complicated math.

You can expect your tax bill to go up if you add any value to your home, such as by adding a pool or building a second story. Most states offer an appeal process so that there is some recourse if you feel like your property value assessment is unfair or unreasonable.

What States Do Not Have Property Taxes?

This question may have given you hope that there might be states with no property tax at all, but unfortunately, there is no such thing. Property taxes are essential; they are used to fund government services critical for the public good and welfare. Therefore, every state assesses property taxes in one shape or form. However, the good news is that some states have a much lower property tax rate than others.

10 States With Lowest Property Tax

Here's the moment you've been waiting for: the big reveal of the 10 states with the lowest property tax rates! If you own property, then you'll know the pain of having had to pay property taxes every year. However, if you own property in one of the states listed below, this annual expense is less of a burden. If you're thinking about buying real estate, you might consider investing in real estate in one of the following states, even if you don't plan to live there.

- Hawaii: 0.30%
- Alabama: 0.40%
- Louisiana: 0.52%
- Wyoming: 0.55%
- West Virginia: 0.55%

- South Carolina: 0.56%
- Colorado: 0.56%
- Delaware: 0.58%
- Utah: 0.62%
- Arkansas: 0.64%

States with no property tax

This question may have given you hope that there might be states with no property tax at all, but unfortunately, there is no such thing. Property taxes are essential; they are used to fund government services critical for the public good and welfare. Therefore, every state assesses property taxes in one shape or form. However, the good news is that some states have a much lower property tax rate than others.

10 States With Highest Property Tax

Next, we'll reveal the 10 states with the highest property tax rates in our country. Do you own property in one of the following states? If you have felt like your property taxes were high, this will validate your feelings. If your state didn't make it into this top 10 list, now you know that there are property owners out there paying much higher taxes than you are.

- Illinois: 2.22%
- New Jersey: 2.19%
- Texas: 2.11%
- Vermont: 2.11%
- Connecticut: 2.04%
- New Hampshire: 1.93%
- New York: 1.87%
- Pennsylvania: 1.75%
- Ohio: 1.68%
- Nebraska: 1.57%

Summary

Above, we revealed the 10 states with the lowest property taxes and the 10 states with the highest property taxes. Hawaii currently has the lowest property tax rate at 0.30%, while Illinois has the highest rate at 2.22%. With a difference of 1.92%, this shows us that property taxes vary significantly from state to state. As a property owner and real estate investor, the local property tax rate can and should influence your decision on where to invest. If you're interested in buying real estate in a different state from the one you live in, here's our guide on how to invest in real estate from a distance. If you've been wondering how to find out how much you'll need to pay in property taxes, visit your county's assessor website. Some even offer handy calculators so that, come tax season, the bill won't come as an utter surprise.

INDIANA

Tax Court affirms assessment of Boone County Meijer store
The Indiana Tax Court has affirmed a final determination rendered by the Indiana Board of Tax Review for a Boone County Meijer store that increased its assessed value over four years.

Meijer Stores Limited Partnership in 2014 built a Meijer store in Boone County with related site improvements that was later assessed by the Boone County Assessor.

Meijer argued the valuations were too high and appealed the store's assessed values for the years 2014, 2015, 2016 and 2017 to the Boone County Property Tax Assessment Board of Appeals and then to the Indiana Board of Tax Review.

Following an administrative hearing, both Meijer and the assessor agreed to provide evidence for the 2016 tax year alone and stipulated that the assessments for the remaining years would be determined by applying their pre-determined trending formula to the Indiana Board's final determination of assessed value for the 2016 assessment year.

Both parties used the sales comparison, income and cost approaches. For Meijer, it concluded that the market value-in-use for the property was $7,190,000 under the sales comparison approach, $7,750,000 for the income approach and $8,240,000 for the cost approach.

The assessor, however, estimated the value of the Meijer property to be $14,450,000 under the sales comparison approach, $14,400,000 under the income approach and $16,550,000 under the coast approach.

The Indiana Board ultimately concluded that the cost approach in certified appraiser and MAI Samuel Koon's first appraisal, excluding the adjustment for entrepreneurial profit, was the most credible and the best indication of the property's market value-in-use. It therefore valued the subject property at $12,798,600 for the 2016 tax year.

On appeal, the Indiana Tax Court affirmed upon finding that Meijer had not demonstrated that the Indiana Board erred in rejecting its sales comparison and income approach valuations, adopting the assessor's cost approach, or rejecting its obsolescence calculation.

First, the Tax Court concluded that what Meijer claims is the Indiana Board improperly performing a market segmentation analysis of big box stores over 150,000 square feet "was simply the Indiana Board acting within the scope of its authority and weighing evidence to determine its reliability."

"Because the Indiana Board did not perform a market segmentation analysis, but simply used 'mega warehouse superstores' as a guide for weighing comparability, the Court will not reverse the Indiana Board's determination that (the) sales comparison and income approaches were unreliable," Judge Martha Wentworth wrote.

It next affirmed the Indiana Board's finding because, based on appraisal authority, the Tax Court concluded its reliance on the cost approach was reasonable and supported by substantial evidence.

Lastly, it addressed the obsolescence adjustment issue by finding it was reasonable for the Indiana Board to conclude that Koon's first cost approach for the assessor inherently accounted for "substantial immediate obsolescence for features unique to the Meijer [s]tore."

The case is *Meijer Stores Limited Partnership v. Boone County Assessor*, 19T-TA-30.

LOUISIANA

Louisiana Appraiser Board Seeks to Have Appraisal Fee Price-Fixing Case Heard by Supreme Court

The first case about real estate appraisers to reach the U.S. Supreme Court in almost 60 years may concern the Federal Trade Commission's price-fixing claims against the Louisiana Real Estate Appraisers Board. Would that be a good thing for appraisers? Well, maybe it's not the best timing.

Filed in 2017, the FTC's administrative complaint asserts that the Louisiana appraiser board, "a state agency controlled by licensed real estate appraisers, has unreasonably restrained price competition for real estate appraisal services." The FTC contends that the board carried out this price-fixing through its regulation of fees paid to appraisers by appraisal management companies and through its enforcement actions – while being controlled by the board's eight appraiser members, who allegedly had private interests in higher fees.

One of the Louisiana board's asserted defenses was something called "state-actor immunity." Under this defense, the Louisiana board argued that the alleged anti-competitive actions of the board and its members were not illegal because they were state government-sanctioned actions and policy decisions. The FTC's counter to the defense was that the protection did not apply because the Louisiana board was controlled by "market participants" – i.e., private appraisers with an interest in the outcome. When the FTC ruled that the appraiser board could not rely the defense, the board challenged the ruling by suing the FTC in federal court and asking the federal court to overrule the FTC. As covered in my earlier post about the complete history, the Fifth Circuit Court of Appeals recently ordered that the board's court case be dismissed and that the FTC's administrative proceeding go forward.

Now, in a December 9, 2020 filing, the Louisiana appraiser board has indicated that it will seek review by the U.S. Supreme Court. But first, before it files its petition for writ of certiorari, the board has asked the Supreme Court to suspend the FTC's administrative proceeding, while its appellate effort goes forward (the Court of Appeals denied the same request). The board contends that the Supreme Court will likely accept review, writing in its application that "it is unusually clear in this case that there is 'a reasonable probability' that this Court will grant certiorari to review the Fifth Circuit's decision."

If the Louisiana appraiser board's petition for writ of certiorari succeeds, this will be first U.S. Supreme Court case specifically about real estate appraisers since 1961 (based on my research). A Supreme Court case would certainly bring heightened attention to the FTC's underlying action and the FTC's allegations that an appraiser-controlled professional board engaged in price-fixing for residential appraisal services. The battle may not come at the best time for appraisers.

At present, appraisers are facing public, media and government attention regarding allegations that their valuations are discriminatory (whether intentionally, systemically or otherwise) by undervaluing properties owned by racial minorities or located in areas with large minority populations. The new Biden administration is expected to closely consider these issues and to look at possible overhauls. Some critics have proposed increased use of automated valuation methods (AVMs) as a solution. This is likely not the best time for appraisers to also gain further attention for the Federal Trade Commission's contention that one of their boards has engaged in alleged price-fixing.

Regardless of whether appraisers should want the Louisiana case to gain more attention, it's probably true that the legal issues at the core of the appeal here are important to other types of professional boards across the country who may similarly be accused of anti-competitive actions. As the attorneys for the Louisiana board state in their application: “the factual context of this case board applies to thousands of state boards across the United States whose membership is comprised of professionals who participate in the regulated industries.”

MICHIGAN

Housing advocates call on Gov. Whitmer, Detroit leaders to repay overtaxed homeowners

Housing advocates on Wednesday evening called on Gov. Gretchen Whitmer and local leaders to investigate inflated property taxes in Detroit and provide options for over-assessed homeowners to get a refund.

The Coalition for Property Tax Justice — which held an online convening — called on Detroit Mayor Mike Duggan to create a fund to compensate overtaxed Detroit homeowners, Wayne County Treasurer Eric Sabree to stop foreclosing owner-occupied homes until the city fixes what the group calls "systemically illegal property tax assessments," and Whitmer to order the State Tax Commission to investigate tax assessments.

U.S. Rep. Rashida Tlaib, D-Detroit, Cornel West, and Rev. William Barber II joined the conversation, which drew more than 600 online viewers, and was capped off with a performance by The Clark Sisters.

"We have a situation in Detroit where unconstitutional property tax assessments are rapid. They lead to illegally inflated property taxes that Detroiters cannot afford to pay, which has led to foreclosure rates we haven't seen since the Great Depression," said Bernadette Atuahene, a professor at Chicago-Kent College of Law who has studied overassessment in Detroit, and the leader of the Coalition for Property Tax Justice.

Wayne county's majority Black municipalities — Detroit, Highland Park and Inkster —have a higher foreclosure rate than mostly white localities, Atuahene said, citing her own 2018 research.

"We categorically disagree with the assertion that homes are being over-assessed based on what we have been able to examine in terms of appeals that people have successfully done," said Detroit Deputy Mayor Conrad Mallet, adding that "the state tax commission was overseeing our work and left in 2017, because they were confident that we were proceeding in exactly the expected manner."

As for advocates' demands to compensate Detroiters who have been overtaxed, Mallet said "we do not believe that, within the fundraising capability that we have, creating a technically difficult to administer fund that looks back is going to have the same positive effect as the funds that we are trying to raise money for that looks forward."

The virtual event marked the launch of #BlackHomesMatter, which organizers are calling a movement to end racialized property tax administration across the country. West, a professor of the practice of public philosophy at Harvard University, said "you can't talk about Black Lives Matter if you're not talking about Black homes mattering."

Protests across the country for Black lives must lead to policy change that improves Black lives, including housing policies, Tlaib said.

"This is a national crisis but think about it, this if anything is showing you just how broken these systems are and they're set up against communities of color like ours," Tlaib said.

Detroit City Council in November rejected a proposal by the Duggan administration to offer over-assessed homeowners a 50% discount on city-controlled vacant properties and move those homeowners to front of the line for affordable housing and applying for city jobs. Under the mayor's proposal, anyone who owned a home in the city and lived in it as a primary residence between 2010 and 2013 would have been eligible, which amounts to about 130,000 residents.

The Coalition for Property Tax Justice said the proposal was insufficient because it did not offer financial repayments and left out homeowners who were overtaxed before 2010 and after 2013. Duggan's staff at the time said the roughly $6 million plan was the most “fiscally responsible” way to correct past mistakes made by the city's assessor.

Michigan law prohibits municipalities from assessing any property at more than 50% of its market value. If the market value of a house is $100,000, local authorities cannot assess the home for more than $50,000, Atuahene said.

Research published in 2018 in the Southern California Law Review found that Detroit over-assessed 53% to 83% of residential properties between 2009 and 2015. A separate study in February from the Center for Municipal Finance found that Detroit was over-assessing most of its lower-value properties — homes priced below $19,000 — between 2016 and 2018.

The city in 2017 completed a citywide reappraisal after the State of Michigan placed Detroit's assessment division in 2014 under state oversight for mismanagement.

A federal class action lawsuit filed last year claims the city was late in delivering more than 260,000 residential property tax notices in 2017, leading to inflated property tax bills issued in recent years. Defendants in the lawsuit include Duggan, Wayne County and state tax officials.

The city overtaxed homeowners by at least $600 million between 2010 and 2016, a Detroit News investigation reported last year. More than 92% — of the 173,000 Detroit homes reviewed — were found to be overtaxed by an average of $3,800.

The number of tax foreclosures in Detroit has dropped in recent years. Detroit's foreclosures went from a high of 9,111 occupied homes in 2015 to 514 in 2019, according to city data.

Activists and Community Leaders Call for an End to Unjust Property Tax Assessment in Detroit

Local housing activists joined an online talk yesterday calling on Governor Gretchen Whitmer, Detroit Mayor Mike Duggan and other local leaders to investigate the unjustified and overly inflated property tax assessment in Detroit.

Using #BlackHomesMatter as a falling cry, the talk was hosted by the Coalition for Property Tax Justice, Rep. Rashida Tlaib, Cornel West, and Rev. William Barber II urged action on the issue that is ever-present in cities across the country. The night, which saw more than 600 in online attendance, was complemented with a thorough thread of data on Twitter.

After brief introductions, the first speaker of the night was Bernadette Atuahene, a professor at Chicago-Kent College of Law and an expert on property tax overassessment in Detroit, who also works as the leader of the Coalition for Property Tax Justice.

“In Detroit, over a hundred thousand families have lost their homes. Since the Great Recession, one in three homes has been taken by the government for property tax foreclosure. We on the ground are calling this a hurricane without water because of the extensive amount of displacement and dispossession,” stated Atuahene while showing a map of the city of Detroit. “I want you to see what that looks like. When I say one in three homes in Detroit have been taken through property tax foreclosure, think of these red dots as homes. As you can see here, there is no neighborhood in Detroit that has not been touched by this property tax crisis. So the real question is, what in the world is going on in Detroit?”

Atuahene then explains how following the Great Recession, housing prices across the country plummeted. In Detroit, which had been going through bankruptcy at the time, the government did not have the capacity to lower property tax values to match the new low housing prices. She then explains the process in which property taxes are assessed, which includes taking the taxable value — minus qualifying exemptions — and multiplying it by the property tax rate, giving you the total property tax rate you pay.

While Detroit property taxes are already high, this was not the focus of Atuahene’s presentation. Instead, she wanted to focus on the assessment process in Detroit.

Now, the Michigan State Constitution supporting case law is quite clear; no property can be assessed at more than 50 percent of its market value. What does that mean? Well, if the market value of your house is $100,000, the local authorities cannot assess your home for more than $50,000. And, if they assess it more than $50,000, then that is illegal, Atuahene stated while discussing how property tax is assessed.

Busting out her data, Atuahene brought up the fact that between 2009 and 2015, 55-85 percent of all property addressed by the City of Detroit violated her aforementioned point in the Michigan State Constitution. Of the homes being passed, 95 percent or more of the lowest values homes are being illegally assessed, while only 16 percent of the highest valued homes were being overly assed. Thus, in a city already facing too many economic hurdles, Detroiters in many cases are paying an illegally high amount of property taxes.

This is where the call for action comes in, as Atuahene, Tliab, West, Rev. Barber and the dozen or more organizations involved with Coalition for Property Tax Justice are demanding action from state and local leaders.

The colation put out three demands aimed at Mayor Duggan — which asks that he create a fund to compensate Detroit homeowners who were overcharged — Wayne County Treasurer Eric Sabree — starting that he must stop foreclosures on owner-occupied homes until the crisis is addressed — and

Gretchen Whitmer — who, while already refusing, has been asked to have the State Tax Commission investigate the process of over assumption.

Joining late due to the ongoing impeachment process in Washington, Tliab joined the call sharing, "As you all know, Michigan lost more black homeownership than any other state in the country, 40 percent loss in black homeownership. We have also seen more and more of our neighbors — generations in their homes — being pushed out."

I think as we see the uprising in our country for Black Lives Matter, that it has to be attached to real policy change that uplifts our black neighbors and that includes having true access to homeownership, to housing and it should be a right and we should be very intentional to in the policy-making that possible, Tlaib added.

Reacting to the data presented, Rev. William Barber II shared, "I want to go back a little bit, people need to understand, this is injustice on top of injustice. Detroit is that city, the motor city; we know how when Ford — for instance, with the River Rouge Plant — had up to 90,000 workers, yet even inside that economic engine, they had a wage structure that kept black and white workers separated in the plant. So back people suffered in that way, they did the same work for less."

"Wherever there is systemic racism, there are always two things, theft, and death. Whether it be the racism of slavery or Jim Crow, there is theft and death," he later added.

Tying the matter to the overall systemic racism present throughout US history, Rev. Barber II called out the banks and local government, urging those listening to react to the crisis plaguing Detroit the same way they would to murder by police. Speaking after Rev. Barber II, West echoed his sentiments, calling out the lack of accountability and lack of investigation around the matter.

"I just hope we can cast limelight here in Detroit, in Chicago, in Atlanta, all around the country, this limelight of this underside of the society in which the greed is running amok, the corruption running amok and then the ways in which our government is facilitating this." Shared West, while hoping for positive limelight to the situation. "I think sister Rashida put it so well when she said it was not about demonizing any politician, but it is a matter of criticizing any politician whose not stepping forward to come to terms and elevate this kind of suffering."

Schedule for mailing of 2021 assessment notices and appeal period shifted to allow for processing of influx of property tax exemption applications

City processing 20% surge in applications for property tax exemption program

Assessor prioritizing review of applications to ensure all eligible homeowners receive full or partial property tax exemption

Mailing of 2021 proposed assessment changes to will begin on January 25; homeowner appeal period will be extended to run from February 1-22.

Due to the increase in the City's Homeowner's Property Tax Assistance Program (HPTAP) applications, the Office of Assessor will delay the mailing of the 2021 Assessment Notice by one week. Because of this delay, the Assessors Review will now be extended to run from February 1 through February 22, 2021.

This decision was made after the City experienced a surge of 2020 HPTAP applications, with efforts to ensure that every single application is reviewed, and property tax exemptions are granted to eligible Detroit homeowners in such an unprecedented time.

Additionally, the Office of the Assessor wants to ensure that the rights of Detroit Property Owners to question and challenge how their property is valued is preserved.

By taking these steps, the City is ensuring that the rights of Property Owners are respected and preserved and that those Detroiters who have requested assistance with their property taxes receive the assistance.

The City of Detroit continues to make every effort to provide assistance to those property owners who are having difficulty paying their property taxes. Over the last six years, The City have been successful in reducing property tax foreclosures by over 90% and continues to work diligently to accomplish the goal of zero tax foreclosures within the City of Detroit.

Winter Tax Bills

The statutory deadline of January 15 for winter tax bills will not be extended. The Board of Review and the Office of the Assessor will contact any outstanding HPTAP applicant that does not receive an exemption to remind them of the deadline.

These steps are being taken by the Office of the Chief Financial Officer (OCFO) and the Office of the Assessor to ensure that everyone who needs assistance, and qualifies, receives the help they deserve and are entitled to.

City’s Property Tax Assistance Programs Outreach during COVID-19

HPTAP is one of the City’s key tools in helping Detroiters keep their home. Despite the difficulties brought on by the current pandemic, the City continued to find ways to ensure that those property owners who needed this assistance were able to apply. Those steps included:

Working with community partners throughout the year to reach eligible homeowners during a National Crisis
Creating an online HPTAP application process in which more than 1,700 applicants took advantage of during the pandemic

Staff from the Office of the Assessor made field visits to applicants’ home to pick up the application when necessary or to drop one off an application when requested
Staff from the Office of the Assessor made more than 2,000 phones call to prior applicants during the months of November and December to remind them of the 2020 deadline to return the applications
From December 7 through December 15 staff from the Office of the Chief Financial Officer (OCFO), Office of the Assessor, and our community partners assisted more than 1,200 Detroiters with the HPTAP application at TCF Arena

Advocated for enactment of state legislation that provided for automatic renewal of HPTAPs due to the COVID-19 pandemic

These efforts have led to a more than 20% increase in the number of Detroit Property Owners seeking assistance to avoid property tax delinquency.

Additionally, The City in partnership with Wayne County also passed the Pay As You Stay (PAYS) program to assist eligible homeowners with delinquent property taxes to keep their home. Detroit homeowners enrolled in the HPTAP program with delinquent property taxes was also enrolled into the PAYS program, which helped eliminate interest, penalties and fees associated with delinquent taxes, and enrolled them into an affordable payment plan to keep their home.

The PAYS program through December 20, 2020 had accepted 5,022 Detroiters and assisted them with substantially lower their delinquent property taxes.

NEW YORK

NYC property values fall but taxes go up

The City's largest organization of landlords of rent-regulated apartments is calling on the city to freeze this year's property tax assessments after the COVID pandemic wiped five percent off the value of its real estate.

The tentative assessment roll for FY22 shows the total market value of all New York City properties is $1.298 trillion, a 5.2 percent decrease from Fiscal Year 2021, according to the new Department of Finance assessment issued on Friday.

"By all accounts, 2020 was an extraordinary year with a global pandemic that disrupted virtually all aspects of society," said incoming Department of Finance Commissioner Sherif Soliman in a news release.

"New York City's real estate market was not shielded from the pandemic's effects on the City's economy."

With its newest assessment, the city figures the taxes it can collect from property owners will drop 3.9 percent to $260.3 billion for FY22.

But the numbers show that hundreds of property owners will still face a tax hike.

"As landlords' struggles continue because of dwindling rent collections, the City is once again proposing increased property tax assessments for hundreds of building owners across the five boroughs," said Joseph Strasburg, president of the Rent Stabilization Association, which represents 25,000 landlords.

"Since this pandemic began nearly one year ago, there has been no real relief for property owners. State and City elected officials have turned their backs on the City's true affordable housing providers with endless eviction moratoria, a rent freeze, no mortgage relief, and increased property taxes.

"This is another slap in the face to the City's property owners. If the Mayor truly wants to help all New Yorkers, he would put a freeze on all property assessments for the upcoming fiscal year."

According to the Department of Finance, commercial properties led the decline in overall property values. Retail and hotel values dropped 21.1 percent and 22.4 percent, respectively, while office building values fell 15.6 percent.

However, the city's new tax assessment roll shows the value of Class 1 properties, that's one-to-three family homes, went up by 5.3 percent to $23.2 billion.

The overall market value of Class 2 (cooperatives, condominiums and rental apartment buildings)fell to $320 billion in FY22, decreasing by $27.6 billion, or eight percent.

But in Brooklyn, where values fell 5.2 percent, billable assessments have increased 3.2 percent.

The real estate industry generated more than half (53 percent) of the City's total annual tax revenue in the last fiscal year, which is more than double the next closest contributor – personal income tax, which accounts for 21 percent of the City's annual tax revenue.

Last March when the pandemic began to ravage the City, the State implemented an eviction moratorium. Albany lawmakers recently enacted the COVID-19 Emergency Eviction and Foreclosure Prevention Act of 2020, which protects all tenants – even those who have no financial hardship but aren't paying their rent – from eviction until at least May 1, 2020.

Stabilized rents were also frozen for the third time under the de Blasio Administration, despite increased owner operating expenses.

Through all of this — and the pandemic — landlords have still been required to pay their property taxes, mortgages, water bills, and other building operating expenses.

"Residential and commercial tenants continue to reel from the negative financial impact of government-mandated lockdowns – and City officials are oblivious to the fact that this has had a domino effect on landlords," said Strasburg.

"The Mayor has repeatedly made it loud and clear that property tax payments are needed to fill the City coffers as the budget deficit increases. But with no relief for landlords, he is destroying the same affordable housing stock he swore he would preserve

"Tenants should be joining us in calling on the Mayor to put a freeze on all property tax assessments for the upcoming fiscal year."

NYC Property Values Decline 5% as Offices and Hotels Stand Empty

- Office building values drop 15.6%: finance department
- Decrease in property value is the most since the early 1990s

New York City property values are set to decline 5.2% from the current fiscal year, the biggest decline since the early 1990s, highlighting the toll the pandemic has taken on the city's commercial and residential property values.

The city has set a value of $1.3 trillion for its more than one million properties for the fiscal year beginning in July, according to a tentative assessment roll released by the Department of Finance Friday. Commercial properties led the decline. Retail and hotel values dropped 21.1% and 22.4%, respectively, while office building values fell 15.6%.

"By all accounts, 2020 was an extraordinary year with a global pandemic that disrupted virtually all aspects of society," said incoming Department of Finance Commissioner Sherif Soliman in a news release. "New York City's real estate market was not shielded from the pandemic's effects on the City's economy."

Real estate taxes are the largest contributor to New York City's revenue and the primary source of funds that back its approximately $40 billion of outstanding general-obligation bonds. Property tax revenue is estimated to drop by $2.5 billion, compared to the city's November forecast, Mayor Bill de Blasio said Thursday. Citywide assessed values, which determine the value of property for tax purposes, fell 3.9% to $260.3 billion.

Workers have been slow to return the office and many renters have fled the city to escape the pandemic. Only 10% of Manhattan's one million office workers had come back to the office as of late October, according to the Partnership for New York City, a business lobbying group.

Manhattan's office vacancy rate rose to a 24-year high of 13.3% in the third quarter as new space, including the recently opened One Vanderbilt, outpaced demand, according to the city's Office of Management and Budget. New leasing activity fell to the lowest nine-month level since 1995.

Market values for cooperative, condominium and rental apartment buildings fell 8% to $320 billion. One-to-three bedroom home values increased a slight 0.8%.

Virus Siphons $2.5 Billion in N.Y.C. Property Tax Revenue

The value of office buildings and hotel properties, which have all but emptied out since the pandemic began, is expected to take a nosedive.

As New York City officials fight to control the coronavirus by this summer, it is becoming clear that the economic fallout will last far longer: The city's property tax revenues are projected to decline by $2.5 billion next year, the largest such drop in at least three decades.

The anticipated shortfall, which Mayor Bill de Blasio announced on Thursday, is largely driven by a sharp decline in the value of office buildings and hotel properties, which have all but emptied out since the pandemic began.

City Hall officials said that the market value of the tax class that includes hotel, retail and office properties has fallen by 15.8 percent, putting the city's budget in a precarious position for the foreseeable future: Roughly half of the city's tax revenue comes from real estate.

For now, the city will partially offset the loss with increased revenues from income taxes: The "rich got richer," according to a slide from the mayor's presentation.

But the city will still have to substantially cut spending, although officials gave no clear indication what services might be at risk. Mr. de Blasio said that since last January, the city had already cut 7,000 jobs through attrition and a hiring freeze; he now plans to reduce the city's head count by another 5,000.

"This is just a total economic dislocation for certain industries," the mayor said. "We've never seen anything like what's happened to the hotel industry. We've never seen Midtown in the situation it is now."

New York has been devastated by the pandemic's dual paths of destruction: The virus has killed nearly 26,000 people in the city, while hundreds of thousands of jobs and billions of dollars in tax revenue have been lost.

At the height of the pandemic, unemployment exceeded 20 percent; today, a half million New Yorkers remain unemployed. And although some businesses remain open, many workers are staying at home rather than using mass transit to commute to densely packed office buildings in Midtown and Lower Manhattan.

Mr. de Blasio and Gov. Andrew M. Cuomo, who have battled with the Trump administration for more federal aid, have expressed optimism that President-elect Joseph R. Biden Jr., together with a Democratic-led Congress, will bring substantial assistance.

Indeed, just before Mr. de Blasio's announcement, the incoming Senate majority leader, Chuck Schumer, said that he and Mr. Biden had reached a deal for the federal government to cover the full cost of state and city expenses related to a disaster declaration from last March, when the virus was first discovered in New York. The city had been on the hook for 25 percent of the expenses eligible for federal emergency reimbursement.

The move is expected to save the state and city about $2 billion, money that Mr. Schumer's office said can be used to "tackle Covid-related budget gaps."

On Thursday, Mr. Schumer was promising more to come.

"This is just prelude of better days ahead out of Washington for New York," he said. "With Biden as president and me as majority leader, it's going to get better."

A $1.9 trillion proposal unveiled on Thursday by the president-elect contains $350 billion to help state and local governments. Still, few expect the federal government to be able to fully meet their budgetary needs, especially with the economy in such flux.

In November, the city projected that the budget for the next fiscal year, which starts in July, would include $31.8 billion in property tax revenue. On Thursday, the city said it was recalibrating those expectations downward by $2.5 billion.

"This is an unprecedented drop," said Thomas P. DiNapoli, the New York State comptroller. "We have not seen property tax collections decline in more than 20 years and never at these levels."

Even if normal economic activity resumes in New York City, it will not necessarily result in the full-scale return of office workers to office buildings, now that so many have become acclimated to working from home.

In early January, only 29 percent of Manhattan hotel rooms were occupied, compared with 69 percent the year prior. More than 230 Manhattan hotels have closed, at least temporarily, during the pandemic.

The Manhattan retail sector, which was getting battered by e-commerce before the pandemic set in, continues to suffer, too, with rents declining and vacant storefronts increasing.

In 2020, tenants leased just 20.5 million square feet of office space in Manhattan, the lowest level in at least 20 years, according to a recent report from Savills, a real estate services firm.

It "will still be several quarters before workers return to the office in earnest and the full implication of demand shifts due to work-from-home or new location strategies can be seen," notes the recent Savills report.

Landlords have responded by embracing unconventional ideas, like converting large swaths of underutilized Midtown office space into apartments, a notion recently embraced by Mr. Cuomo.

The agreement with the Biden administration to pay 100 percent of coronavirus-related emergency expenses — similar to one that New York had with the Obama administration in the wake of Superstorm Sandy — will mean about $1 billion for the state and the city each, Mr. Schumer said.

The Trump administration had previously committed to such an arrangement, the senator said, but had never actually acted on it, leaving the city and state to cover 25 percent of those costs.

"I asked Trump for this personally two or three times," Mr. Schumer said. "He said yes, and he never did it."

Thanks to the arrival of more aid, the city will be able to put off nearly $200 million in cuts to education funding, including a $44 million cut to the expansion of the mayor's "3-K for All" preschool program.

Earlier this week, Mr. Cuomo announced that the state government was facing a $15 billion shortfall, which he characterized as the largest in state history, something he, too, said he hoped the federal government would help backfill.

“We expect basic fairness from Washington,” he said on Monday. “Finally.”

Mr. Schumer said he had spoken to the president-elect and Nancy Pelosi, the speaker of the House, about the need for direct aid to state and local governments — something that was left out of a December coronavirus relief bill — and both leaders were committed to providing it.

But as to whether it means a complete bailout for New York, Mr. Schumer was more circumspect.

“We’re going to do everything we can to get the state all the money it needs,” he said.

N.Y. Law Spotlights Lost Nuclear Plant Tax Revenue Nationally

Assessing waste storage for taxation could take years

New Jersey, other locales may follow suit to help recoup tax losses

Towns and cities across the country face the major loss of property taxes as nuclear power plants in their borders are shut down. They may be able to make up some of the loss, however, by taxing the nuclear waste storage property that still sits on the sites.

A law just signed by New York Gov. Andrew Cuomo could be a model for communities in New Jersey, Illinois, Wisconsin, California, and other states where more than a dozen reactor sites are slated for dismantling in coming years. Without a national repository for nuclear waste, spent fuel has remained in holding facilities next to reactors.

New York’s first-of-its-kind law allows officials in the village of Buchanan and the town of Cortlandt to assess the economic value of storing the waste at the 240-acre Indian Point power plant, whose third and last reactor is shutting down in April.

Officials started wrestling with revenue options as soon as Cuomo reached a deal in 2017 with Entergy, the plant operator, that it would close Indian Point by 2021.

“There’s really no prototypes for this,” Cortlandt Town Supervisor Linda Puglisi said in an interview. “There’s only 100 nuclear plants in the country... We’re kind of doing it ourselves. We will eventually become the prototype—the example for other communities that have closed nuclear plants. We have no textbook to go to.”

As officials faced the stark reality of safekeeping 125 spent fuel casks on two giant pads of concrete each the size of a football field, they needed to devise a plan. While the worth of the spent fuel may be up for debate, the cost of each storage cask was $1 million, according to Buchanan Mayor Theresa Knickerbocker.

“It’s not really fair to the communities not to be compensated for that being stored here,” Knickerbocker said in an interview. “That was not the agreement for the communities to keep it here for an indefinite period of time.”

Where the Value Is

Local officials say that without the legislation, tax assessors would have been left without anything to appraise—only a former nuclear plant without the ability to generate electricity.

"The waste may not be worth anything. The ability to safely store may be where the value is," Thomas Watkins, Cortlandt's tax assessor, said in an interview. "This stuff can't be moved by road, by plane, by barge, by train. It cannot be moved. But guess what? We have a piece of land upon which we can store nuclear fuel. So, what's it worth?"

But determining its economic price tag won't happen overnight, and it could take years. Unlike assessing a building or an apartment or an office building, determining how spent fuel is stored is a complicated process that will require further research.

"By not having this door open, we were going to lose a big part of our tax base," said Watkins. "This was an exercise in securing the ability to assess. I am confident that there is value in this real estate."

With no economic assessments and data readily accessible, Watkins said he has been researching case studies worldwide on spent fuel, noting variation among different facilities even if in similar situations.

"What the actual number is going to be—he doesn't have that figure yet, nor do I," said Puglisi.

New York officials are hoping that their efforts will serve as a template for other states left with offline nuclear facilities and ailing budgets.

"We're all in the same boat," Knickerbocker said. "We don't know how long it will be there. It could be five years. It could be 50 years. Who knows?"

New Jersey Eyes Legislation

Veronica Laureigh, the administrator for Lacey Township, home to Oyster Creek, an 800-acre nuclear plant in New Jersey that shut down in 2018, has been holding conversations for over a year on how to assess a spent nuclear fuel site.

"We'd love to do something similar to New York," said Laureigh, who will be attending a meeting this week to discuss whether there's any chance of passing a bill in the New Jersey Legislature.

"It's supposed to be temporary, but what is the definition of temporary?" Laureigh said. "I don't believe that any of these communities that have power plants signed on to the fact that now they're going to become a waste storage site for nuclear power."

Lacey Township has suffered less than its New York counterpart, thanks in part to an $11.1 million state energy tax receipts program and property taxes it continues to take in from the dormant facility. But the township risks losing millions in real estate taxes in the near future when plant operator Holtec begins to dismantle the facility. Those plans are still being drafted.

Some communities would have more than one legislative hurdle.

David Knabel, the administrator of Zion City in Illinois, said he has been pursuing a similar approach to help boost the city's ailing budget after the 1998 closure of the Zion Nuclear Power Station, but faces the additional challenge of changing the current state assessment law first.

He's faced pushback on whether the five acres of concrete that stores the spent fuel can be considered real estate versus personal property, which could be taxed to help close the gap on his roughly $1.5 million annual deficit.

"You should be paying $120 million in property taxes, because there's only a dozen places where you can store this, and their argument is going to be the law currently says, 'You can only value the pads,'" Knabel said in an interview. "We don't have the assessment law backing us as its currently written."

TEXAS

PROPERTY TAX INFORMATION FOR TEXAS PROPERTY OWNERS

Property tax information is available to assist taxpayers. This property tax information covers a wide range of topics, such as taxpayer remedies, exemptions, appraisals and is of value to select groups, such as disabled veterans and persons who are 65 years of age or older.

Whether you are a homeowner, business owner, disabled veteran or a taxpayer, it's important you know your rights concerning the property tax laws. You can contact the Shelby County Appraisal District about any property tax issues and they will provide you the most complete, accurate and up-to-date available information to assist you.

This includes information about the following programs:

Property Tax Exemptions for Disabled Veterans - The law provides partial exemptions for any property owned by veterans who are disabled, surviving spouses and surviving children of deceased disabled veterans. This includes homesteads donated to disabled veterans by charitable organizations at no cost or not more than 50 percent of the good faith estimate of the homestead's market value to the disabled veterans and their surviving spouses. The exemption amount is determined according to percentage of service-connected disability. The law also provides a 100 percent homestead exemption for 100 percent disabled veterans and their surviving spouses and for surviving spouses of U.S. armed service members killed in action.

Property Tax Exemptions - Non-profit organizations that meet statutory requirements may seek property tax exemptions and must apply to the appraisal district by a specific date. Businesses that receive tax abatements granted by taxing units; ship inventory out of Texas that may be eligible for the freeport exemption; store certain goods in transit in warehouses that are moved within 175 days; construct, install or acquire pollution control property; own and operate energy storage systems; convert landfill-generated gas; or store offshore drilling equipment while not in use may also be eligible for statutory exemptions.

Rendering Taxable Property - If a business owns tangible personal property that is used to produce income, the business must file a rendition with its local county appraisal district by a specified date. Personal property includes inventory and equipment used by a business. Owners do not have to render exempt property such as church property or an agriculture producer's equipment used for farming.

Appraisal Notices - A Notice of Appraised Value is mailed to each taxpayer in mid May. This is the taxpayer's opportunity to check for any discrepancies in their value, property description, address, exemptions, etc. The city, county, school districts and other local taxing units will use the appraisal district's value to set property taxes for the coming year.

Property Taxpayer Remedies - This Comptroller publication explains in detail how to protest a property appraisal, what issues the county appraisal review board (ARB) can consider and what to expect during a protest hearing. The publication also discusses the options of taking a taxpayer's case to district court, the State Office of Administrative Hearings or binding arbitration if the taxpayer is dissatisfied with the outcome of the ARB hearing.

Homestead Exemptions - A homestead is generally defined as the home and land used as the owner's principle residence on January 1 of the tax year. A homestead exemption reduces the appraised value of the home and, as a result, lowers property taxes. Applications are submitted to the appraisal district.

Productivity Appraisal - Property owners who use land for timberland production, agricultural purposes or wildlife management can be granted property tax relief on their land. They may apply to the appraisal district for an agricultural appraisal which may result in a lower appraisal of the land based on how much the taxpayer produces, versus what the land would sell for in the open market.

Residence Homestead Tax Deferral - Texas homeowners may postpone paying the currently delinquent property taxes due on the appreciating value of their homes by filing a tax deferral affidavit at the appraisal district. This tax relief allows homeowners to pay the property taxes on 105 percent of the preceding year's appraised value of their homestead, plus the taxes on any new improvements to the homestead. The remaining taxes are postponed, but not cancelled, with interest accruing at 8 percent per year.

Property Tax Deferral for Persons Age 65 or Older and Disabled Homeowners - Texans who are 65 years of age or older, or who are disabled as defined by law, may postpone paying current and delinquent property taxes on their homes by signing a tax deferral affidavit. Once the affidavit is on file, taxes are deferred, but not cancelled, as long as the owner continues to own and live in the home. Interest continues to accrue at 5 percent per year on the unpaid taxes. You may obtain a deferral affidavit at the appraisal district.

Notice of Availability of Electronic Communication - Chief appraisers of a county appraisal district and appraisal review boards may communicate electronically through email or other media with property owners or their designated representatives. Written agreements are required for notices and other documents to be delivered electronically in place of mailing.

Protesting Property Appraisal Values – Property owners who disagree with the appraisal district's appraisal of their property for local taxes or for any other action that adversely affects them may protest their property value to the appraisal district's appraisal review board.

WISCONSIN

Like an 'act of God': Commercial property values could take hit from COVID-19 pandemic

The hit to businesses such as hotels, taverns, restaurants and theaters from the COVID-19 pandemic has been to more than their bottom lines. The pandemic could also be taking a bite out of some property values.

That's because, unlike residential properties, a businesses' income is often considered in setting the value of commercial properties.

To get ahead of the challenge, the city is taking special steps to consider this impact before new commercial property values are set this spring.

City Assessor Michelle Drea is asking commercial owners to provide information such as operating statements, appraisals and sales listings to get a better grasp of the pandemic's impacts before new values are established. The information, she said, should help avoid a crush of challenges to new values that set the base for tax bills.

"The pandemic is unique," Drea said. "We're treating it almost as if it were a fire or a flood, like an act of God."

The move somewhat flips the usual process that determines the value for 6,181 commercial properties with a current combined assessed value of $11 billion. The result will help determine the property tax burden among commercial and 67,707 residential properties.

Usually, the assessor's office uses comparable sales, vacancy rates and other data to establish a market trend for property types and then sets values for individual properties. Owners with disputes can challenge the values and go through a city review process, and sometimes to court, to set a final value used for determining a property's taxes.

But this year, Drea is seeking detailed information at the outset from commercial owners hit hard by the pandemic.

"We need to be able to account for the impact of the pandemic in a reasonable approach with a consistent method," she said. "With accurate data from the property owner, we are hopeful to understand the impact to the commercial property in the context of two to three years. Context is critical as it will allow us to avoid dramatic swings in valuation but to truly reflect the holistic performance of the commercial property."

It will be most helpful if information is provided by Feb. 1, Drea said.

Assessments are based on 2020 property sales and other data and form the basis for property tax bills that will be issued in December. An increase or decrease in property values doesn't necessarily correlate to a rise or drop in tax bills because the city and other governmental units still must set budgets and tax rates later this year.

In 2020, the pandemic forced the city to delay the release of property assessment notices usually sent in April until June. But now, it could influence actual values.

"By postponing, we were able to procure Plexiglas shields and appropriate PPE to wear," Drea said. "We have been able to work with our outstanding IT department to build online infrastructure for the open book, Board of Assessors, and Board of Review process. While the hearings are in person we have been able to construct an online portal for the processes involved."

Further, she said, "We have been able to construct an online process that does not require a full staff in the office."

When assessments were released in June, Madison real estate values rose 6.6% over 2019, with growth in commercial property again leading the way and the value of the average single-family Madison home rising yet again, by 4.9% to $315,200, a new high.

The value of commercial property, which includes everything from multi-unit apartment buildings to office and retail buildings, rose by 8.6% in 2020.

The pandemic's impact on values for 2021 "is difficult to say," Drea said. "It depends upon the data provided. The outcome could be a reduced assessment or a hold on the assessment from 2020. Not all properties will have been impacted, and they will undergo the typical mass appraisal analysis as in prior years."

Hotels, restaurants, taverns, gyms, live entertainment venues, movie theaters and some retail establishments, as well as properties located in specific geographic locations such as State Street or Capitol Square damaged by summer protests, were affected most, Drea said. Some businesses, such as grocery or liquor stores, have maintained strong sales, she said.

“Recent property tax data shows the success of our business community was driving the increase in Madison’s tax base prior to the pandemic,” said Zach Brandon, president of the Greater Madison Chamber of Commerce. “When our businesses struggle, it affects our ability to fund city services. This is another example of why our local leaders need to take concrete steps to build public confidence and help businesses recover.”

The pandemic and subsequent health restrictions ordered by Dane County forced many restaurants to close permanently and reduced the earning potential of those still struggling to stay in business, said Susan Quam, executive vice president of the Wisconsin Restaurant Association. Many restaurant-occupied buildings Downtown were also damaged over the summer, with some businesses and building owners unable to repair the damage, let alone absorb a tax increase due to a higher assessed value this year, she said.

“We hope that property tax assessors across Dane County take time to evaluate the current recessionary state of the restaurant and hospitality industry and understand the impact it has on restaurant property values,” she said.

Madison intends to treat COVID-19 as a type of “obsolescence,” something external to the business that damages its prospects, Drea said.

“You could think of obsolescence as what would happen after a fire or flood,” she said. “This is a similar situation to COVID for appraisal purposes. The more accurate information we have to identify the impact, the more accurate we can capture that impact in the assessment.”

Among other things, the assessor’s office is looking for 2018, 2019 and 2020 operating statements, recent appraisals and any information regarding government aid related to COVID-19.

“We are willing to consider any information related to the impact of COVID on the property,” Drea said.

“It is difficult to predict the overall impact on tax rates,” said David Schmiedicke, city finance director. “Rates have been falling over the past few years due to strong overall growth in property values. If that growth slows, tax rates may increase, much like they did during the Great Recession.

“The city budget is affected by the state-mandated levy limit, based on the value of new construction in the city,” he said. “If new construction slows, the allowable increase in the levy will be smaller. This could place more pressure on the next city budget.”
