IPTI Xtracts

Property Tax and Assessment News from Around the World

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CALIFORNIA

Assessor's office is foundation for property tax system

My name is Jeff Prang. I am the 27th assessor of the great County of Los Angeles. I was elected in 2014 and re-elected in 2018. I am here to share with you exactly what my office does and how this office directly affects you in, what I hope, is a most positive manner.

First, every county in California has an elected assessor. This part of government was deemed so important by the founders of the state that it is in the state constitution as an independent department with an elected leader in each of the 58 counties. Every four years, voters in every county in California elect their assessor.

The assessor's office is the foundation of the property tax system, which will provide nearly $18 billion this year to local governments and school districts across the 4,751 square miles of Los Angeles County, including 88 cities and numerous unincorporated areas. I have about 1,200 employees to establish accurate values on 2.57 million parcels and other assessments. The total assessment value for 2020 was almost $1.8 trillion. We will be rolling out the latest figures this summer.

I sometimes tell people what I do not do — I do not collect taxes. There is another guy, with a really intuitive title that does that: the tax collector. Actually, there are five departments involved in the local property tax system. The assessor's office is the first in the process. We are responsible for determining the value of property used to calculate your taxes. We are primarily appraisers. However, we also administer a number of savings programs for homeowners, veterans, seniors, those with disabilities and the victims of natural disasters.

Property taxes in California are governed by Proposition 13, which was passed by voters in 1978. Proposition 13 introduced event-based reassessment. That means that instead of property being revalued every year, or every few years, as is done in other states, property in California is only reassessed if there is a transfer of ownership or new construction. So, when you buy a house, or other property, my office enrolls the market value at time of purchase, which remains the assessed value (or base-year value) of your home until there is a transfer (or new construction) plus a maximum annual inflation adjustment of 2%.

So here is how it works: When you buy a house, you record a deed with the registrar-recorder, who then sends my office a copy of that deed. We then evaluate whether a transfer of ownership has occurred and assess the property accordingly. All of those values are added to the assessment roll — the list of all taxable property and their values — which we compile each year and send to the auditor-controller, who then applies the relevant tax rate.

Proposition 13 mandates a statewide property tax rate of 1% of market value at the time of transfer, but various local ballot measures, including voted indebtedness and parcel taxes, increases the effective rate above that. Once the auditor-controller applies the tax rate, it is transferred to the tax collector, who sends out bills and collects taxes.

The same process works for new construction, except that municipal building and safety offices send us copies of building permits that prompts us to dispatch appraisers to determine the added value. It is important to note that in the case of additions, remodels and other new construction, it is only a partial reassessment for the new, added value.

My office can oftentimes be overlooked because of the nuance of our complicated property tax system. But, as you can now understand, it's the vital first step on the journey to tax revenue that pays for the services we have come to rely on and come to expect in our daily lives.

Los Angeles County Assessor Jeff Prang has been in office since 2014. Upon taking office, Prang implemented sweeping reforms to ensure that the strictest ethical guidelines rooted in fairness, accuracy and integrity would be adhered to in his office, which is the largest office of its kind in the nation, with 1,200 employees, and provides the foundation for a property tax system that generates $17 billion annually.

Should business owners consider a property tax appeal?

Successful challenges to an assessor's valuation can result in significant reductions in a taxpayer's tax liability.

In the past month, California property tax bills have become due. While some markets are hot and property values are rising, commercial property values have declined in some areas, especially office and retail spaces impacted by COVID-19 economic strains.

While many business property owners may elect to simply pay the amount stated on their property tax bill without thinking about the values indicated by the county tax assessor, other property owners will not agree with the amount reflected in their tax bill.

Fortunately, taxpayers have options to contest their property tax bills, including appealing the value of their taxable property. If done correctly, taxpayers may be able to significantly reduce their property tax liability under the current tax year, and potentially on future tax years. If done incorrectly, a taxpayer can spend significant time, effort and money with nothing to show for it.

There are three basic types of taxable property in California: real property, personal property and possessory interests. A property's assessed value is a critical component of any property owner's tax bill.

Under California's property tax assessment structure, revised under Proposition 13 in 1978, real property assessments are set at the base value as of 1975, increased at a rate of the lesser of CPI or 2% per year, and changes only on transfer of ownership or new improvement (there are many exemptions to the transfer rule so this is somewhat simplified).

Thus, the longer a property has been owned by the same party and/or unimproved, the lower the base assessed value would be. However, a property that has changed hands often, or was recently improved, would have been reassessed at the market value at that time.

Further, Proposition 8 (Revenue & Tax Code section 51) allows for a temporary reduction in value based on market conditions in a property that reduce the market value, allowing for a temporary reduction in taxes over several tax years (vs. a permanent reduction, at least until the next transfer or improvement). If the most recent valuation from a sale or improvement was based on top-dollar market values, the current value in today's market for brick and mortar retail might be somewhat less, and the same might be true of an office building impacted by the work-from-home trend.

Given some local market knowledge about their property situation and current market values, a property owner might believe their property tax bill is too high and desire to challenge the valuation of their taxable property.

To ensure the highest likelihood of successfully challenging an assessment, the taxpayer must be diligent to create a detailed and substantive record in the first round of the tax appeal process that will support their claims if it becomes necessary to file a tax appeal in Superior Court. Accordingly, there are a number of key considerations involved in any successful property tax appeal.

The process starts with a request (called "informal" by the assessor) to review the assessment valuation for that year (measured as of Jan. 1). The taxpayer must timely file a form for such request. If the assessor does not respond by the tax appeal deadline in the fall of that year (counties have different deadlines ranging from September to November), the taxpayer must either file an appeal to reserve the right to formally appeal, or forfeit the right for that year.

The informal request may result in a reduction in assessed value, or it may be rejected. The taxpayer has more steps to follow after that to pursue a more formal action. There are additional considerations at each step and traps for the uninformed.

Filing a property tax appeal based on the valuation of taxable property is a complicated process to navigate successfully. However, successful challenges to an assessor's valuation of taxable property can result in significant reductions in a taxpayer's tax liability.

COLORADO

Walmart loses attempt to slash property tax assessment by 60% in Adams County

The Court of Appeals has rejected an attempt by Walmart to slash the tax valuation of its equipment by 60% for three Adams County stores, as a panel of judges on Thursday determined the county assessor had acted correctly in concluding the big box company was not facing a "retail apocalypse."

Walmart based its appeal on the idea that increased online commerce is forcing traditional stores to close down, saturating the market with secondhand store property — shelving, display racks, tools, forklifts, refrigeration units and the like. These items, known as business personal property, therefore face "economic obsolescence" in addition to physical wear and tear, given that a glut in the aftermarket lowers its price.

"With the surge of e-commerce, traditional brick-and-mortar retailers are struggling to stay alive," Brian Huebsch, an attorney for Walmart, argued in court filings. "Commentators identify this as the 'Retail Apocalypse.'"

However, the three-member Court of Appeals panel disagreed that Adams County's personal property appraiser disobeyed the law by failing to calculate economic obsolescence when evaluating two Walmart and one Sam's Club (a subsidiary of Walmart) stores.

"He evaluated the value of Wal-Mart's personal property when installed and in use by the three stores — rather than based on a future or hypothetical sale of the used equipment," wrote Judge Craig R. Welling in the panel's June 17 opinion. "And the Assessor considered the market in Adams County and in Colorado as a whole and determined that it was growing — not deteriorating."

Appraiser Loren Morrow calculated the value of Walmart's business personal property to be nearly $4.4 million after evaluating the purchase cost and applying a depreciation factor found in a manual of the Assessor's Reference Library. He opted against calculating economic obsolescence, which is a factor if negative market forces affect the value of the property.

Morrow discovered that the National Retail Federation named Walmart a national industry sales leader, that the University of Colorado-Boulder's Leeds School of Business had said the retail sector was doing well in the state, and that there was robust home construction in Adams County to bring new customers. Those findings indicated no need to apply an additional depreciation factor.

"What Wal-Mart conveniently leaves out of its arguments is that it seemingly has not been affected by this [retail] apocalypse at all here in Colorado or Adams County," Assistant County Attorney Meredith P. Van Horn told the court.

Walmart argued that its personal property tax valuation should be closer to $1.7 million, and focus on the items' value in the secondhand market. But the company lost its appeal in Adams County and also the state's Board of Assessment Appeals, turning at last to the Court of Appeals.

"We're here because Walmart is a successful retailer," Huebsch told the judges at oral argument. "Under the constitutional structure of our property tax, the value of property cannot be dependent on the characteristics — large, small, successful or unsuccessful — of the owner. It is an objective standard: market value."

He cited a Colorado Supreme Court decision from 1962 involving the Colorado & Utah Coal Company's appeal of a property valuation seven times higher than the company believed it should be. The justices agreed the Routt County assessor should have considered economic obsolesce when calculating the value for the company's property tax bill.

However, Senior Assistant Attorney General Krista Maher, representing the Board of Assessment Appeals, contended that Walmart's circumstances were vastly different from the coal company's.

"The coal mine was struggling so badly it ended up deciding to close and had made that decision before the evaluation," she said. "Here, in contrast, the county presented evidence that the appraiser found Walmart was thriving."

An attorney for Walmart did not immediately respond to a request for comment.

Tim Wilmath and Pat Alesandrini, property appraisers for Hillsborough County, Fla., observed in a November 2015 article that big box retailers are "organized and aggressive" in appealing their property tax valuations. Claiming obsolescence is one of the common arguments used.

"Pundits have been forecasting the demise of physical stores for decades. But retail giants such as Walmart, Lowe’s, and Costco apparently didn’t get the memo, because new big-box stores are being built every year," Wilmath and Alesandrini wrote.

Also sharing that outlook was Gerald Storch, the former CEO of Hudson’s Bay and Toys R Us, who told CNBC in 2018 that Walmart's brick-and-mortar stores were not necessarily imperiled from online competition.

"Everyone is not shopping on the internet, and they never will, so they came to Walmart stores in droves,” Storch said.

Big box retailers have similarly attempted to achieve lower property tax valuations, including in Colorado, through the "dark store theory," which suggests operating stores should be valued the same as vacant ones.

Norman Wright, an attorney who has litigated similar tax assessment cases, said the appellate panel's conclusions about economic obsolescence were unsurprising.

"I suspect, give it another 10 or 15 years, you'll have gas stations making this argument or petroleum refiners if the market eventually moves to electric cars. They'll be replaced," he said. "But until there is pretty objective evidence that you're in an industry that's fading, they're pretty difficult arguments to make."

The case is Walmart v. Adams County Board of Equalization, et al.

Colorado Lawmakers Approve Bill to Reduce Property Taxes on Certain Classes of Property

On June 2, 2021, Colorado state lawmakers introduced a last-minute bill (SB21-293) to sidestep a potential ballot issue known as Initiative 27. If enough signatures were gathered to put Initiative 27 on the ballot, the assessment ratios for all residential properties would have permanently dropped to 6.5%, and all commercial properties would have dropped to 26.4%.

On Wednesday, June 9, 2021, the Colorado Legislature passed SB21-293, which includes a two-year tax cut on residential properties as well as agricultural land and properties used for renewable energy. These reductions total approximately $200 million in tax breaks a year, with provisions that cancel out many of the provisions in Initiative 27. Some members expressed concern over how the cuts may affect rural area services as well as the ability for the bill to assist those struggling with rent. Ultimately, legislators agreed the bill allows them time to properly revaluate assessments and assist those businesses and residents in recovering from the pandemic.

The bill will result in the creation of multiple subcategories of residential property and commercial properties. The assessment ratio for multifamily properties would be reduced to 6.8% from the current 7.15% rate, while all other residential property would be reduced to 6.95%. In terms of commercial properties, the subcategories are broken into agriculture and renewable energy property. All commercial ratios would stay at 29%, except for agricultural and renewable energy property, which would drop to 26.4%.

In addition, primary homeowners will have the opportunity to defer the payment of a portion of the real property taxes that exceed the tax-growth cap. The total amount of deferral allowed is $10,000. For purposes of the equity the person must have in the homestead to qualify for the benefit, the taxpayer is treated like a person called into military service. The equity requirements would be the same as required to qualify for deferral and surviving spouse eligibility. This benefit currently exists for veterans and the elderly but now would extend to all primary homeowners. This would not apply to owners of second or vacation homes.

Larimer County homeowners concerned, confused over latest property value increases

Judy Kinard is no stranger to Larimer County's property valuation protest process.

Kinard said she's protested the county's valuation on her vacation home in Red Feather Lakes every two-year cycle for at least the last 15 years, and she's always prevailed.

"What is so frustrating is that they never get it right the first time," Kinard said in an email to the Coloradoan.

"I shouldn't have to do this," Kinard said in an interview.

This year was no different for Kinard: Her 720 square-foot cabin's valuation rose from $66,300 in 2019 (the value after she protested) to $162,400 — an increase of 145%.

"I laughed, first of all," Kinard said of her reaction to her property's new value. "... It goes from laughing to just extraordinary frustration. ... I only wish it was worth as much as what the county says."

Property values in Larimer County rose an average of 5% this year, but some areas of the county saw sharper increases than others, with Red Feather Lakes and Livermore seeing the largest spikes:

- Fort Collins: 3%
- Loveland: 6.5%
- Windsor: 3.1%
- Wellington: 2.8%
- Berthoud: 5.2%
- Timnath: 3.7%
- Red Feather Lakes: 19.3%
- Livermore: 19.0%
- Estes Park: 12.2%

As of Friday afternoon, the county received 10,292 valuation protests, Assessor Bob Overbeck said. Protests were due Tuesday but are accepted if mailed and postmarked by the deadline, according to the county.

Property owners flooded Overbeck's office with more than 24,000 protests in 2019 — the most received in a single year for at least the last 25 years — when valuations skyrocketed 18.7% countywide. The county adjusted 67% of the protested property valuations that year.

After 2019's spike in property valuations, the assessor's officer underwent an independent audit in an effort to improve the process. Overbeck said the office implemented the recommendations that came out of that audit and, while they did improve the process, he said he hopes his office will continue to improve it for future valuation cycles.

"I would say we did a great job," Overbeck said, thanking his staff for their hard work and flexibility getting the assessments done during historic wildfires and a global pandemic.

Overbeck said staff implemented a new calculator into its model this year — the effective age calculator — which calculates how any remodels or upgrades to a home may impact the home's value.

"The effective age calculator is an appraisal practice tool that we use to help differentiate between a newly remodeled home and one that hasn't had much work done," Overbeck said. "We began using it this cycle and it will improve over time."

Overbeck said he followed the audit's recommendation to increase the amount of sales data used in the model. This cycle, staff looked at five years of data instead of two.

He also implemented use of geographic systems mapping, or GIS, to look at property virtually and double-check data when something didn't match up. His office also used GIS to create interactive property value change maps so the public can look at property values from across the county, Overbeck said.

In-person protests were not accepted this year due to COVID-19 restrictions, a decision Overbeck said he had to make in March not knowing that public health conditions would improve so much by May.

As an in-person substitute, Overbeck said the assessor's office introduced phone-in protests in 2019 and offered them again this year. About 8% of protesters, or 756 people, used that system to submit their protests this year.

With no in-person protests, Overbeck said the assessor's office saw an increase in the percentage of mail-in protests — 40% in 2021 compared to 23% in 2019. About 52% of protests were filed through the online system in both 2019 and 2021.

In total, about 6% of the approximately 157,000 property valuations were protested this year, which Overbeck said he saw as a success.

Linda Wheeler-Holloway said when she received notice that her home of 25 years near Carter Lake increased in value by 34%, her reaction was, "Oh my goodness."

She said she doesn't understand what caused the property to increase in value by so much. The most recent renovations were done in 2003 through 2005, she said. Her brother-in-law's newer house in a similar area is now worth less than her 45-year-old home.

She said she and her husband, who are both retired, are worried about what this steep valuation increase could mean for their financial future.

"In reality, this is our forever home," Wheeler-Holloway said. "... It was a worry to wonder how much that would increase our mortgage."

Wheeler-Holloway and Kinard were two of more than 120 respondents to a Coloradoan survey about the 2021 property valuations.

Of those who responded 19.8% said their property value declined compared to 2019 while 25.4% said their property's value increased by more than 20%. About half of respondents said they planned to file or already filed a protest with the assessor's office.

While some respondents said they understood why their value declined — including one person who owns property in the Cameron Peak Fire burn scar — others said they were confused as to what led to the decline.

A person living in Oakridge Village in Fort Collins said in their survey response that their neighbor's houses "have been selling like crazy" for more than $500,000, and they didn't understand why their home's value would dip below that. But they said — like all other respondents who said their values declined — they did not plan on protesting.

How the property value assessment process works

- The assessor's office assigns a value to each home using a model that looks at comparable, qualified sales in each neighborhood during the last two years. For this cycle, that included sales between July 1, 2018, and June 30, 2020.
- Comparable sales include homes of the same or similar design within 20% of the house's square footage and 15 years of its build date. If there weren't enough comparable sales during that time period, the office looked further back in 6-month increments.
- The model also takes into account the square footage of the home, any improvements made since the last reappraisal period, the home's quality and the home's location attributes (such as: near a golf course or lake, traffic in the area, the home's view), among other things. All these factors should reflect the home as it existed Jan. 1, 2021.
- The actual value is multiplied by the residential assessment rate (7.2%) to create the home's "assessed value," which is used to determine property taxes along with the homes mill levy rate.

FLORIDA

COVID hits Central Florida tax rolls, but real estate values still grow

Despite the coronavirus pandemic, which shuttered office buildings, hotels, restaurants and even theme parks a year ago, real estate in Central Florida proved to be a resilient economic force, especially residential property values that skyrocketed.

Orange County's residential market hit a new high — $106.5 billion in value, up 6.5% over pre-pandemic 2020, Property Appraiser Amy Mercado said in her mid-year update required by state law. Estimated taxable values, used by governments to craft their budgets, were up in most counties and cities.

Orlando's citywide taxable value increased, too, from $37.25 billion in 2020 to $38.55 billion, a 3.5% year-to-year increase. City government is mostly funded by property taxes.

Orange County's market value for 2021 rose 1.2% over 2020 to $224.7 billion, the smallest one-year percentage increase in at least the last nine years. Mercado said the pandemic hit the county's commercial market values hardest, dropping them 3.4% to $102 billion.

Since the region's economic downturn in 2007, the county had averaged an annual market value growth of about 9%.

"While our county experienced significant impacts due to the pandemic, there were also areas of strong growth, especially in the residential sector," said Mercado in her first year as property appraiser after ousting incumbent Rick Singh in the Democratic primary.

In her report, Mercado mostly used market values, which subtract homestead exemptions and other tax breaks.

She said market values in downtown Orlando slid slightly because the pandemic emptied out some office buildings.

"The office spaces here have been pretty sparse for the last year and folks are starting to come back but we don't know what the final outcome is going to look like," she said.

Residential growth continued its steady surge in west Orange, led by the town of Oakland, where market values grew by 15% or more for the second consecutive year. Ocoee and Winter Garden both had market-value increases of 6% and 5.2% respectively.

Growth in northern Orange was good, too, with Apopka up 8.6% over 2020. The city added over 400 new homes in 2020.

In Osceola County, taxable values rose 6.7 %, powered by $1.6 billion in new construction, Property Appraiser Katrina Scarborough said. She estimated about 70% of the new construction as single-family homes, as the county added 5,400 new homes.

"All during the pandemic, we saw subdivisions being platted, building permits being pulled, and driving down the road you could see the land being cleared," Scarborough said.

The property appraisers' figures offer a look at the pandemic's impact across the tourism-dependent region.

"It wasn't anything dramatic. It wasn't like the Great Recession of a few years ago," said Seminole County Property Appraiser David Johnson, who noted hardships in properties linked to hospitality and retail. "But all that seems to be roaring back in a positive direction."

He was optimistic for a quick recovery.

"I feel good about where we are as an economy," he said. "But obviously we're all part of metro Orlando. That's the driver."

Taxable values rose in all seven Seminole municipalities with the city of Sanford the highest at 8.5%

Overall, tax rolls rose and higher rolls mean more revenue for local governments unless they reduce tax rates.

Lake County Property Appraiser Carey Baker said the strong, countywide growth in taxable values should allow cities and other ad valorem taxing authorities to adopt roll-back rates, which rake in the same amount of revenue at reduced tax rates.

He said it was the ninth consecutive year of strong growth and gains in taxable value in Lake.

"I think most everyone in Lake County knows the residential market has been on fire," Baker said.

His office processed 23,300 deeds in 2020 — and 12,408 were for single-family residential sales.

Baker said the county's tax roll jumped from $24.4 billion a year ago to $26.2 billion.

New home and business construction in Lake added $819 million in taxable value, including 3,505 new homes.

But some sectors struggled because of the pandemic, notably hospitality and large-gathering places.

"Any places that hosted weddings, receptions, banquet, those places got hammered," Baker said.

State law requires each county's elected property appraiser to formulate its "Best Estimate of Taxable Value" and share the data with county government, cities, school districts and other taxing authorities to help them begin annual budgeting processes.

ILLINOIS

Cook County property taxes rose 3 times the rate of inflation. You good with that, voters?

Residents of Cook County don't need to be told that they shoulder a heavy property tax burden. Illinois has the second-highest real estate property taxes in the country, and property taxes in Cook County rose at three times the rate of inflation from 2000 to 2019.

But here's a revelation: The taxes people pay every year understate the extent of the ultimate obligation. Last year, Moody's Analytics concluded that Illinois has a bigger public pension debt than any other state, amounting to a crushing $25,000 for every man, woman and child living here. Cook County, too, has huge unfunded pension liabilities — and between 2009 and 2018, they more than doubled.

Want to guess who is on the hook for covering most of those obligations? That's right: Property owners.

A new report by Cook County Treasurer Maria Pappas looks at the tax burden in a new way. Her office calculated the total government debt and allocated a share of it to each property on the tax rolls. This is illuminating because not all properties bear the same burden, even if their value is comparable.

As the report says, "Local governments set the levies, or the overall amount of taxes to be collected, in each of their districts. How much of that overall levy is paid by any one individual property owner is determined by the value of their property, relative to the value of all the property within the taxing district."

The lowest level of debt to property value is in Inverness, an affluent village in the northwestern part of the county. Pappas puts its debt load at less than 7% of its total property value. The heaviest weight, meanwhile, falls mostly on "less thriving areas with predominantly minority populations and less broad tax bases," the report says. Homeowners in Riverdale, which is 94% African American and has a median annual household income of less than $34,000, pay taxes that are 2½ times higher than those in Inverness, where the typical family's income exceeds $180,000.

Commercial property owners throughout Cook also get a lopsided share, paying at least 2½ times as much as residential owners. In some high-tax communities, a commercial property buyer will pay more in property taxes before a decade has passed than the original purchase price.

If you live in Cook County and want to know the total debt burden for your home or business, you can find it here: https://cookcountytreasurer.com. You may want to sit down and take a deep breath or gulp a stiff drink first.

What all these taxpayers and communities have in common is being held hostage to a public pension system that is grossly overcommitted and ruinously expensive. "Higher debt nearly always means higher property taxes," says the report, "whether those bigger tax bills come now or in years ahead."

We have urged the General Assembly to let Illinoisans vote on amending the state constitution to allow a sensible reform of our public pension system. It's the only way to solve a problem that has been building for too long. It is the only way out.

Assessor Fritz Kaegi releases first property reassessments for City of Chicago

Residential and commercial properties in Rogers Park Township show robust growth

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

"Despite the pandemic, Chicago's real estate market is showing strength," said Assessor Kaegi. "In many parts of the City, home values are steady or rising. COVID-19 has had negative impacts on some commercial real estate types, but generally, rents have increased since 2018, driving property values higher."

Increases in assessments reflect a robust 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.

Residential assessments

In the Assessor's Office 2021 models:

- In 2020, median sale prices of homes in Rogers Park were about $380,000 for single-family homes and $150,000 for condos.
- In its assessment models, the Assessor's Office estimated single-family homes have a 2021 market value between $320,000 and $410,000, and condos between $130,000 and $170,000. Estimates depend on the individual property's location and characteristics.

Assessments of single-family and condominium properties in Rogers Park for 2021 met all International Association of Assessing Officer standards for high-quality assessments. Single-family homes in the bottom third of property values saw the most improvement on these assessment quality measures.

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 rents for apartments in Rogers Park range from $780 to $2000 a month. Market vacancy is at 9%. Market values are estimated from $47,000 to $208,000 per unit.
- Offices in Rogers Park range in size from 2,200 to 48,000 in square footage and are assessed at $17-18 in rent per square foot with 5% market vacancy. Estimated market values are $75-$120 per square foot.

Reports 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 http://cookcountyassessor.com/rogers-park-2021.

How assessments relate to property taxes

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.

It is important to understand that 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.

If the growth in assessed values elsewhere in Chicago outpaces the growth of an individual property's assessment, that individual property's share of property taxes could shrink despite its increase in property value. In 2018, properties in Rogers Park made up 2% of Chicago's total assessed value.
2021 assessments will affect the second installment property tax bill issued in late 2022.

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.

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

Appeals for Rogers Park can be filed until July 19, 2021. More information on filing appeals can be found at cookcountyassessor.com/appeals.

Assessor Kaegi Applauds Illinois Legislature for Auto-Renewal of Property Tax Exemptions and Expansion of Affordable Housing Incentives

New laws will reduce property taxes for County's most vulnerable

This week, Cook County Assessor Fritz Kaegi pledged to implement two significant changes to the tax code which will extend auto-renewals of property tax exemptions for seniors, veterans, and people with disabilities, as well as expand incentives for affordable housing providers.

"Cook County's property tax system needs to be more accessible and fair for everyone," said Assessor Kaegi. "I applaud legislators for passing these bills. They will allow my office to make it easier for homeowners to access the property tax exemptions to which they are entitled and encourage housing providers to expand the number of units of affordable housing."

As a response to the COVID-19 pandemic, HB 3289 extends the renewal of property tax exemptions for low-income seniors (commonly referred to as the "senior freeze" exemption), persons with disabilities, and veterans with disabilities. This extension will cover the 2021 Tax Year. In prior years, homeowners had to file forms online or through the mail to receive these exemptions, which appear on the second installment of their property tax bills in the summer.

"I'm pleased that the legislature extended auto-renewals for communities that are still at risk due to COVID-19," said Assessor Kaegi. "Using this process last year we renewed exemptions for 154,000 low-income seniors, veterans, and persons with disabilities. Extending the law for another year will give us the flexibility to ensure that those who continue to feel the effects of the pandemic most will still receive the benefits they deserve."

HB 2621 creates new incentives for affordable housing, which can reduce property tax bills for those property owners. Assessor Kaegi and members of the Assessor's Office policy team assisted affordable housing advocates and legislators in revising tax code provisions to expand housing options for low-income households by reducing the tax liability for those who provide affordable housing.

“Advocates for affordable housing deserve praise for their tireless work to craft these new and innovative proposals to deliver more housing options in Cook County,” said Assessor Kaegi. "This bill will encourage the development of more housing for low and moderate-income families and individuals, and will ensure that my office gets the information we need to value these properties accurately.”

HB 3289 and HB 2621 passed both houses of the Illinois General Assembly during its recent spring session. The two bills now await Governor J.B. Pritzker’s signature before becoming law.

These recent changes to the law are in line with Assessor Kaegi’s efforts to modernize the Assessor’s Office and deliver more fairness within the property tax system.

Over the past two years, the Assessor's Office has expanded the ability of property owners to file for exemptions and appeals online; publicly posted the data, code, and standards used to calculate assessments; worked with legislators to make senior exemptions renew automatically; and improved the accuracy of assessments so no property owner pays more than his or her share of property taxes.

INDIANA

Porter County property tax appeals cut in half for 2020, assessor says

The Porter County Assessor’s Office received less than 1,000 appeals for property tax bills issued for 2020, the office announced Wednesday.

Typically, Assessor Jon Snyder said, the office receives more than 2,000 appeals on property tax bills, so given growth in assessed valuation throughout the county and the COVID-19 pandemic “appeal volume was surprisingly light.”

“I am pleasantly surprised with the lack of appeals this year and look forward to resolving them in a timely fashion. The trust that Porter County residents have placed into our valuations is encouraging and we hope that we can continue these trends into the future,” Snyder said.

For the appeals that were filed, Snyder said, office staff will reach out to the residents to review or ask for “evidence of appeal” like an appraisal or photos, Snyder said.

If both sides agree on the appeal, the Property Tax Assessment Board of Appeals then has to approve the appeal, Snyder said.

Because property tax bills are paid out a year behind, meaning 2020 property taxes are paid in 2021, for example, a property owner could possibly see a shift in their bill in the following year, Snyder said.

If the assessor’s office and the homeowner can’t agree on the appeal, Snyder said, the matter also goes before the Property Tax Assessment Board of Appeals as well, Snyder said.

“We try to reach a resolution before going to the board,” Snyder said.

MASSACHUSETTS

Now not the time to hike PILOT payments for arts organizations

The creative economy faces enough challenges already following pandemic devastation

BEFORE THE PANDEMIC, arts nonprofits in Boston were a potent driver of the local economy, supporting at least 45,889 full time jobs, generating over $1.3 billion in spending, and bringing in $34.9 million in local tax revenue annually.

But over the last year, they've sustained devastating economic losses. A survey of 314 arts organizations in the Greater Boston region by the Mass Cultural Council shows that they've lost $423 million in revenue over the past year.

Now is not the time to ask cultural nonprofits to contribute more, which is what the Boston City Council has in mind with a proposal to increase the cash payments that nonprofit organizations make to the city through the Payment In Lieu of Taxes (PILOT) program.

PILOT is a nearly century-old initiative that was designed to increase city property tax revenues. Under the voluntary program, land-owning nonprofits, which are tax exempt by law, make payments to the city for the basic services they receive such as trash collection and public safety.

Until 2011, the city negotiated PILOT payments individually and only requested them of medical and educational institutions with significant land holdings. At that time, the Menino administration instituted a standard in which nonprofits with more than $15 million in real estate holdings would voluntarily contribute 25 percent of the property taxes they would pay were they not exempt. Up to half of that amount could be calculated in terms of credit for the "community benefits," such as scholarships for local youth and free public programming.

The change meant that a handful of Boston's largest arts and cultural nonprofits, such as the Boston Symphony Orchestra, the Museum of Fine Arts, and the New England Aquarium, would now be asked to make PILOT payments. It proved a revealing moment of Boston's lagging support for the arts. A 2015 Boston Foundation report noted that in FY2012, the city collected $187,000 from arts and cultural nonprofits in PILOT fees while investing just $130,000 dollars in its budget for arts and cultural grants. Boston holds the distinction of being the only city in the country that requests funding from arts and cultural nonprofits.

It's true that the program is voluntary and that the majority of Boston's arts nonprofits—including Boston Gay Men's Chorus—are off the PILOT hook. But we are affected nonetheless, as are all small organizations and artists that interact with these larger institutions. The costs of increased PILOT payments trickle down to us in the form of increased costs for the use of their rehearsal and performance spaces, technical assistance, and other infrastructure that smaller organizations lack.

If there is agreement among policymakers that charitable organizations are more of a drain on local resources than what they contribute to the public good, the answer isn't to undermine tax law, which has exempted charities from federal, state, and local income tax from the inception of the modern tax code in the late 1890s.

The solution is to address the issue directly through the legislative process at the state and federal level. But before doing any of that, policymakers should be asking how they can better support community-based arts organizations, which find ways to make arts and culture accessible to more and more people—often on a shoestring—to improve our communities and educate, uplift, inspire, and bring solace in troubled times such as those we are living in now.

MICHIGAN

'Dark Stores' squeeze Michigan city tax revenue

Vacant big box stores in Michigan become tax-reducing boons to retail companies statewide when those establishments have property assessed at rates sometimes 50% lower than previous rates.

This is known as a "dark stores" strategy, which often leaves local taxpayers to foot the tab.

An S&P report released Thursday found the strategy is employed nationwide.

"In essence, big box stores have argued that their in-use stores should be assessed for property tax purposes at levels comparable to vacant stores, known as dark stores," S&P Global Ratings analyst Emma Drilias said in a statement.

That hits Michigan local governments hard since devalued properties reap less tax revenue, so either local taxpayers end up footing the bill via property taxes or millages, or statewide taxpayers pay since lost school tax revenue is backfilled from the Michigan Treasury.

Either way, there's less money for municipal operations, emergency services, and libraries.

The issue isn't settled, Stephanie Morita, a senior attorney at Farmington Hills-based Rosati, Schultz, Joppich, and Amtsbuechler told The Center Square in a phone interview.

"Hypothetically, you can compare a rock to a mansion. But should you? No," Morita said.

"Any time you're not valuing property according to our Constitutional requirement in the state of Michigan, which is through true cash value, you're setting the system up to fail," Morita said.

When you start improperly valuing one class of property, others will claim it too, Morita said, such as drug stores and banks who use deed-restricted-properties to limit potential buyers and drop sales prices so the company can use that vacant property as a comparable.

"If you had a drug store on the corner and they wanted to move across the street, they would deed-restrict the property they left to keep competition from moving in," Morita said.

Morita said she's handled cases in which property owners tried to use deed-restricted properties as comparables for at least 10 years.

Large Michigan retailers have previously assessed an average of $55 per square foot. Grand Rapids attorney Jack Van Coevering gave the following examples in testimony. But now:

Amy Drumm, the vice president of government affairs for the Michigan Retailers Association, said "[p]roperty is valued in Michigan based on the price the next buyer is willing to pay."

Since many retail buildings are specially designed, they would require drastic modification for suitable use for another buyer, Drumm said.

"These retail properties have been over assessed by local government assessors who are trying to apply a value-in-use standard rather than value-in-exchange standard as Michigan law requires," Drumm wrote in an email.

Drumm said retailers appealed property taxes and the courts adjusted the proper tax rate.

"Retailers are good, supportive members of the communities they serve," Drumm said. "They employ hundreds of residents and collect and pay millions of dollars in taxes each year. They are happy to pay the appropriate rate based on the correct valuation of their property but can exercise their legal right to file an appeal if they feel the valuation is incorrect."

Sen. Ed McBroom, R-Vulcan, told The Center Square that "dark stores" hit hard rural areas with smaller tax bases. Big box stores require more public expenses compared to smaller ones, but demand a much lower standard tax rate, he said.

It's harder to fight fires at a 150,000-square-foot Costco facility than a small party store.

A Mining Journal report said total state Tax Tribunal decisions for Marquette Township businesses alone dropped $2.8 million for all taxing entities from 2009 to 2019.

"It erodes away at the functionality of our communities and our ability to provide vital infrastructure to not just those businesses, but all the others," McBroom said. "And then the impact is also very real on the citizens themselves."

McBroom questioned why policy would favor big stores with advantages, including economies of scale, loads of cash, and an "enormous" tax break over mom-and-pop businesses.

"We really want to fix this for the future viability of our small towns," McBroom said.

Homeowners, small retailers, and other businesses can't get the same deal.

McBroom said those who support "dark stores" paint opposition of it as supporting a tax increase, which he argues isn't the case since those stores should have been paying higher taxes the entire time.

McBroom offered three possible solutions: the Tax Tribunal change their mind, the state adopt strong statutory policy otherwise, or Michiganders amend the Constitution.

There might be a decision out of the courts in the next year or two.

MISSOURI

Property assessors pound the pavement, reassess every property in Jackson County

You may soon see more people in your neighborhoods.

Jackson County warned that property assessors will soon focus on the Blue Springs, Grain Valley, Lone Jack, and Greenwood neighborhoods.

They are working to reassess all property in the county by 2023 and need to physically look at each location. The project will last through 2022.

Jackson County said the reassessments are needed because of the significant increase in property values since 2017. According to the county, if property value increases by more than 15%, interior inspections are required to be offered to the property owner — unless improvements have been made to cause the jump.

Property owners should have received their 2021 assessments in April. There are instructions in that notice if you want to have your property's valuation reviewed.

This is the first valuation following what many felt was a disastrous assessment in 2019, leading to thousands of appeals.

Some homeowners are still frustrated by the process, but the county is making sweeping changes to improve its assessments.

Jackson County's assessor told FOX 4 last month that a lot's going into making the process better. This year, the county is using a new method called "trending" to more accurately pinpoint home values.

Reassessments impacted by real estate boom

The sudden explosion in real estate sales in Camden County and the lake area, and the subsequent increase in value determined by supply and demand, has caused Camden County Assessor Marty McGuire to take a wait-and-see approach to reassessments.

By state law, assessors are required to reassess property values every two years.

“My approach is that I’m going to let the market settle out and take a closer look in 2023, the next reassessment year,” he explained.

He’s concerned that if he reassesses at possibly inflated valuations, then taxing entities could face serious budget challenges if the valuations suddenly drop if the real estate market drops.

Properties within five miles of the Lake of the Ozarks fall under Planning & Zoning regulation. The Camden County Planning & Zoning Department issues building permits for new construction and remodels. Building permits help the field appraisers to track changes in property which affect values.

He noted that field appraisers often photograph the exteriors of properties as a historical record in case of damage from fire or severe storms. Insurance companies can gauge the value of a property if they have a visual reference such as a photo. It’s also a reference if improvements or changes have been made to a structure.

“If we see an improvement in a non-assessment year we don’t usually raise the valuation then,” he explained.

Property assessments are based on Jan. 1 of each year. Improvements in place as of that date are assessed that year. Improvements made after then are not assessed until the following year.

In 2020, Camden County’s assessed valuation was slightly more than $1.7 billion.

Reassessment occurs every odd-year tax cycle. This is when McGuire and other assessors can update the assessments in their counties to reflect current market conditions and follow state mandated reappraisal.

All real estate and personal property in Missouri counties is assessed each year. By statute, each odd numbered year, including this year 2021, is a reassessment year. The onerous task of assessment in Camden County falls on the shoulders of McGuire, who is nearing completion of his first term in office.

The process of assessing the 70,000 parcels of real estate and the 35,000 personal property accounts is truly a full-time job. Field appraisers systematically review each parcel while the personal property department updates the assessment lists. While statutorily each odd year is a reassessment year, the assessment can also change in off-years if there is new construction or a change in improvements. His four-person team of field appraisers is on review year-round.

Under Missouri statute, all assessments for property tax purposes must be based on market value and be uniform within the same class or subclass of property.

For property tax purposes, there are two classes — real and personal.

Real property is sub-classed and assessed as follows:

- Residential: 19 percent of value

• Agricultural: 12 percent of value

• Commercial: 32 percent of value

Personal property is assessed as follows:

• 33 and one-third percent of the value. Vehicle values are based on the average trade-in value as published by the National Automobile Dealers Association (NADA).

A property owner's tax bill is based on the total assessed value of the property and the tax levy assigned to that district. Levies differ by taxing district according to the total amount of levy from each of the taxing entities located within it, with the school districts getting the lion's share of the tax dollar. As the assessed valuations change, the taxing entities have the task of establishing their levies and creating their budgets.

What to know

• Change in value notices are sent out starting in April. In most cases, notices are sent out if the assessed value is $100 or more higher than the previous year or if a new parcel has been created that did not exist the previous year.

• If a property owner feels an assessment is unfair, a request can be made for an informal hearing with the assessor's office to discuss the assessment and answer questions.

• If that meeting fails to resolve the dispute, the issue can be advanced to a three-member Board of Equalization (BOE) appointed by the County Commissioners. The deadline to file a formal assessment appeal to the Board of Equalization is the third Monday in June.

• BOE decisions can be appealed to the Missouri State Tax Commission and must be filed by Sept. 30.

NEW JERSEY

Murphy says he's open to boosting property tax relief with big revenue windfall

Gov. Phil Murphy hasn't divulged plans for spending any of New Jersey's more than $10 billion surplus, but he is open to expanding a popular property tax relief program and "things like that," he said Monday.

His remarks seem keep the door open for a possible tax break as he prepares to negotiate a final state budget with legislative leaders this week.

Murphy's comments came in response to an NJ Advance Media question at his regular coronavirus briefing in Trenton about whether he is considering tax cuts or expanding an existing tax rebate proposal, given the state's extraordinary surplus.

"No news to report here, but if we can find a way, for instance, to plus up the Homestead rebate, count me all in for things like that," he said. "But again, to be determined exactly where we come out."

New Jersey's Department of Treasury last week announced tax collections this fiscal year are running $4.1 billion ahead of projections made in February, which already were $3.2 billion higher than a fall forecast. Treasury also boosted next year's forecast by $1.1 billion.

The state’s reserves could top $10 billion at the end of the fiscal year on June 30. The governor’s proposed budget would spend that down to about $6.9 billion in the fiscal year that begins July 1.

Additionally, the state has received $6.2 billion in federal aid, a piece of the American Rescue Plan’s $350 billion for state and local governments. Murphy also has not announced plans for deploying that money, which cannot be used to pay for tax cuts.

Lawmakers, including Senate President Stephen Sweeney, D-Gloucester, have said the state must be careful to not create programs with one-time revenues that it won’t be able to sustain in leaner years.

“I’m looking at this in multiple years,” he said last week. “It’s like musical chairs. And when the music stops there’s one chair, and what winds up dropping?”

Republican senators on the Budget and Appropriations Committee, on the heels of Treasury’s announcement last week, called on the state to fund direct tax relief to New Jersey taxpayers from the tax windfall.

“We are faced with the situation we have a lot more money than we had anticipated, and it’s time to give it back to the taxpayers to help reduce their taxes and take care of so many outstanding needs out there,” said state Sen. Samuel Thompson, R-Middlesex, who suggesting permanently expanding the Homestead and Senior Freeze property tax relief programs.

Homeowners’ Homestead credits remain based on their 2006 property tax bills, which allows the state to hold down program costs despite homeowners’ rising bills. Murphy’s proposed budget includes $260 million to fund the Homestead benefit program and $220 million for the Senior Freeze.

Republicans also recommended the state dedicated $1.5 billion to the depleted unemployment trust fund to avert a July payroll tax increase on Garden State employers.

Murphy and the Democrat-controlled Legislature have until the end of the month to finalize a budget for the fiscal year beginning July 1. Murphy said on Monday that talks have been “extremely constructive, productive and in very good spirit.”

Murphy’s proposed budget includes tax rebates of up to $500 for single filers with income below $75,000 and at least one dependent child and married filers with income below $150,000 and at least one dependent child.

Those tax rebates grew out of an agreement in the fall between Murphy and Democrats who control the Legislature to raise taxes on high-income earners.

Treasury estimates 764,000 households will receive rebates this summer.

NEW YORK

U.S. Supreme Court Denies Review of County’s Tax Dispute With Cayuga Nation

On June 7, 2021, the United States Supreme Court denied Seneca County’s (New York) petition for certiorari, thus leaving in place the Second Circuit’s decision in *Cayuga Indian Nation of New York v. Seneca County, New York*, 978 F. 3d 829 (2d Cir. 2020). The Second Circuit had upheld the lower court’s ruling that the Cayuga Nation’s sovereign immunity prevented Seneca County from being able to foreclose on Cayuga Nation properties for nonpayment of real property taxes. The Second Circuit also rejected the County’s argument that *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), abrogated the tribe’s immunity from suit.

The fundamental issue in the *Cayuga* case was whether a federally recognized Indian tribe's sovereign immunity from suit prevented Seneca County from foreclosing on tribal properties within the County's borders for the nonpayment of real estate taxes.

In 2007, the Cayuga Nation purchased several parcels of land in Seneca County. In 2010, after the Cayugas refused to pay real property taxes levied by the County on those parcels, the County initiated foreclosure proceedings under Article 11 of the New York Real Property Tax Law. In response, the Cayugas sued the County in federal district court, asserting that the foreclosure proceedings were barred by the doctrine of tribal sovereign immunity. The federal court agreed and ruled in favor of the Cayuga Nation, enjoining the County from pursuing foreclosure proceedings. On appeal to the Second Circuit, the County argued that the foreclosure proceedings were permissible under an "immovable property exception" to tribal sovereign immunity. The County asserted that, at common law, a sovereign (such as France) would not be immune from legal actions that challenged the sovereign's rights to real (i.e., immovable) property located outside the sovereign's own territory (e.g., the United States). The County asserted that an analogous exception to the general rule of tribal sovereign immunity was applicable, reasoning that the scope of the immunity to which indigenous tribes are entitled cannot exceed that enjoyed at common law by other sovereigns.

The Second Circuit rejected this argument, concluding that, even if it were to recognize the County's proposed exception to immunity, the foreclosure proceedings were outside its bounds. The Court explained that the foreclosure proceedings did not seek to establish Seneca County's *rights* in real estate, which are central to the immovable property exception. Instead, because the proceedings are best seen as the functional equivalent of an action to execute on a money judgment in that the County seeks to seize the parcels as a *remedy* for the nonpayment of real estate taxes, the proceedings fall within the categories of suits from which sovereigns were traditionally immune under common law, and the immovable property exception is irrelevant.

The Second Circuit also rejected the County's claim that the United States Supreme Court's decision in *Sherrill* abrogated the tribe's sovereign immunity and authorized state tax foreclosure actions against tribes. In *Sherrill*, the Supreme Court held that equitable considerations of laches, acquiescence, and impossibility barred the Oneida Indian Nation of New York's claim that its open-market purchases of parcels of land, which the tribe purchased and which were within the boundaries of its former reservation, unified the fee and aboriginal title in the parcels such that the tribe could assert sovereign dominion over the parcels and avoid payment of city property taxes on the parcels. The Second Circuit concluded that *Sherill* merely narrowed the scope of tribal immunity from certain forms of state regulation.

Testimony on Preliminary Report on New York City Property Tax Reform

Submitted to the New York City Advisory Commission on Property Tax Reform

Good evening Chair Shaw and members of the Advisory Commission on Property Tax Reform. I am Ana Champeny, Director of City Studies at the Citizens Budget Commission (CBC), a nonprofit, nonpartisan think tank and watchdog dedicated to constructive change in the services and finances of New York City and New York State government.

CBC and many New Yorkers have called for reform of the City's byzantine and unfair property tax system for decades. Your Commission's thoughtful work will be a significant contribution on the long road to comprehensive reform.

The Preliminary Report's recommendations focused on reducing the inequities in tax burdens among residential properties and largely align with prior CBC testimony and recommendations. These recommendations address many of the current inequities in tax burdens among one-to-three family homes, cooperative apartments, and condominiums, as well as increase the simplicity and transparency of taxation of cooperative and condominium units.

We recommend that the Commission further address four areas in its Final Report.

First, develop a simple and transparent tax rate setting process that eliminates the function of class shares and distributes the levy based on clearly articulated policy rationales for the differential levels of taxation. The Preliminary Report's recommendations do not alter the relative burdens between the classes and, in fact, envision maintaining the effective tax rates over time, which misses the opportunity to address the high tax burdens for rental and commercial property in New York City and perpetuates current disparities. CBC has recommended that homeowners have the lowest effective tax rate, followed by rental properties, and then commercial properties; however, the existing disparities should be narrowed.

Second, expand the scope to address disparities within the rental and commercial classes. CBC agrees with the Commission that net income capitalization is the appropriate way to value large rental and commercial property. However, improvements are needed; DOF should be conducting sales ratio studies, modifying models to ensure consistency within the classes, and providing greater transparency on how assessment guidelines and capitalization rates are set.

Third, provide details on how the homestead exemption and circuit breaker should be structured. Homestead exemptions provide a tax reduction to owners for their primary residence, effectively allowing higher taxes to be levied on non-primary residences. Circuit breakers provide property tax relief to owners who lack the income to pay and are a common way to address property tax affordability across the country. While CBC endorses these approaches, we cannot fully support these recommendations as presented since details regarding eligibility, structure, and benefit levels, as well as interaction with existing programs, such as the Senior Citizen Homeowner Exemption, are lacking.

Fourth, clarify how assessed values for the new residential class will be set. Phasing-in market value changes provides some smoothing and stability; however, it seems in conflict with the recommendation that all properties in the new residential class be assessed at 100 percent of market value. If changes are phased-in, then the value for tax purposes will be different than the most recent year's market value.

Incremental reform has not worked. The goal should be to advance as comprehensive a reform proposal as possible to create a more equitable and transparent property tax system. The Commission's work and upcoming Final Report will contribute greatly to this effort. The CBC looks forward to continued participation in this important policy dialogue and appreciates this opportunity to testify. If we can be of additional help, please let us know.

Don't Price Us Out, New Yorkers Plead Amid Property Tax Overhaul

Sheila Lewandowski bought her Queens home in 2001 with her former husband for $265,000. It's probably worth four times that now.

If she had to pay four times the property taxes she did 20 years ago, she's not sure she could afford to stay.

"I don't want to be displaced," said Lewandowski, who testified at a virtual New York Property Tax Commission hearing in the Bronx on Monday. "I know there are other people citywide, who've been in their communities for generations, who if you tax them at a full market rate, they're out."

Like many other New Yorkers in the Bronx, Queens, and Staten Island, Lewandowski, who runs a non-profit arts center in Long Island City on a five-figure salary, is unnerved over what might happen if city and state officials agree to assess levies based on 100% of her home's market value. It's one of the 10 recommendations included in a languished effort to overhaul New York City's property tax system that was revived in late April.

Residents, and their political representatives, decried in a series of public hearings how the city's arcane property tax system has unfairly burdened low- and moderate income workers, former civil servants, seniors and retirees living on fixed income, teachers, and landlords. Those residents have watched their property taxes increase at a far more rapid clip then the wealthy people living in luxury buildings across the street in their own neighborhoods, as the values of their homes grew exponentially and their incomes barely budged.

"Any reforms of the property tax system must protect those home values that have appreciated more rapidly over the last few decades despite no significant change in their income," State Sen. Andrew Gounardes, who represents neighborhoods like Bay Ridge, Bensonhurst, and Dyker Heights, said at a May 27 virtual hearing in Brooklyn. "These property owners who are property rich, but cash poor will be negatively impacted by the proposal to do away with fractional assessments."

The New York Property Tax Commission resumed public hearings in May after they were postponed for 14 months due to the Covid-19 pandemic. The commission has set a goal of delivering recommendations by the end of the year as pledged by outgoing Mayor Bill de Blasio.

"The good news is the commission is back," said New York Council Member Justin Brannan for District 43. "The bad news is that our current mayor will no longer be in office to live up to his commitment by the time the commission publishes its final report. We have now missed an entire year of making progress on reforming this badly, busted property tax system."

Politically Acceptable

New York's tax system consists of four classes of property: residential, large rentals, utilities, and commercial. One of the recommendations is to move co-ops, condominiums, and rental buildings with up to 10 units into a new residential class along with 1-3 family homes. It's an effort to ensure the same treatment under the property tax system because they are similar to Class 1 properties, which are largely single family homes

The city's heavy reliance on property tax revenue and the politically difficult task of rebalancing a tax burden has, for four decades, kept in place a status quo weighted against minorities and poorer families living in similarly valued homes in East New York, Brownsville, or Canarsie as well as low- to moderate income renters in high-rise buildings. Politicians have routinely denounced the set-up as unfair but resistance to change has been fierce.

At a May 11 hearing in Staten Island, former New York City Council Member Sal Albanese warned about the political backlash that could erupt if the city intends to tax working class residents at a 100% of their market value.

"Whatever you do, it has to be fair, predictable, and politically acceptable," Albanese said. "You have to make it politically acceptable. Otherwise it's not going to work."

New Yorkers across the five hearings said the commission's proposal would gut generational wealth and cause tax liens to be placed on their homes if they're unable to pay. They raised questions about the lack of detail included in the plan on income thresholds that might trigger a homestead exemption or circuit breaker.

"I heard it's going to be based on your income plus assets," said Esther Blount, who lives in Fort Greene in a home she inherited from her aunt that was initially bought in 1936. "I'd like to know what that means? Does that mean my retirement assets? And when I die, if I leave the house to my kids, how would the circuit breaker work with them? Would it go by their income or some other formula that we don't know exists? There are so many unanswered questions that it's really hard to know what's going on."

Homestead exemptions provide a tax reduction to owners for their primary residence, effectively allowing higher taxes to be levied on non-primary residences. Circuit breakers provide property tax relief to owners who lack the income to pay and are a common way to address property tax affordability across the country.

Anna Champeny, director of city studies for the Citizens Budget Commission, called on the commission to address four areas, including offering greater detail on how the homestead exemption and circuit breaker would be structured.

"Phasing-in market value changes provides some smoothing and stability; however, it seems in conflict with the recommendation that all properties in the new residential class be assessed at 100% of market value," said Champeny, in her testimony on Wednesday. "If changes are phased in, then the value for tax purposes will be different than the most recent year's market value."

Fine Print Missing

City residents also pressed the commission for details on how a gradual phase-in of the assessed values for the new residential class would be set.

"How in the world can you give a phase-in and not give real examples?" pressed Ralph Yozzo, who did not identify himself with any affiliation or neighborhood. "Because nobody understands what you mean by phase-in over five years. No one understands that I know of. Is there an example in all of the documents?"

Many others offered sharp, emotional pleas to the commission.

Priscilla Ghaznavi, a Williamsburg resident and president of the Southside Homeowners Association, said homes in the community of 82 families that were purchased in 2001 for $298,000 are now worth more than $2 million. "Tax them on their way out," said Ghaznavi. "Don't tax them while they want to stay here. We can't afford it."

Robin Harper, who owns a home in Queens, where she has lived with her family for the last 20 years, says she anticipated and budgeted for "reasonable" annual tax increases every year. But she said didn't expect them to increase by 500%—and potentially double under the commission's preliminary plan.

"Don't punish us for believing in New York City," said Harper during a June 9 virtual hearing in Queens.

Jeffrey Golkin, an attorney who has represented property owners for the last four decades, said the changes will make an already bad system worse. "There are so many people who will be left behind," he said. "Frankly, you can't take away protections that people have had for 40 years and suddenly turn the system upside down."

Marc Shaw, chair of the advisory board for the Property Tax Commission, assured residents it would consider all feedback in further deliberations.

"The simple fact that we need examples of individual properties and we will obviously take that into account. We still need to do a lot of work on the circuit breakers and the residential abatement programs," said Shaw. "We are listening, and we hear your concerns."

TEXAS

Autopsy Report: Property Taxes Will Continue to Rise in Texas

Texans continue their fight for property tax relief.

As Texans' property taxes continue to rise, the Texas Legislature took no decisive action to lower them across the board. Three experts discuss what the Legislature actually accomplished and what citizens should ask for in a special session.

"We have a lot of people who are being taxed out of their homes, and that is wrong at every level," James Quintero of Texas Public Policy Foundation told Texas Scorecard.

For a full analysis in light of the recent legislative session, Texas Scorecard interviewed Quintero, North Texas realtor Chandler Crouch, and Tim Hardin, the executive director of Texans for Fiscal Responsibility.

What the Legislature Did

"This session's results were mixed," Quintero said.

"It's little nitpicky things: transparency and protections during a disaster and chicken coops," Hardin said, referring to HB 2535, which keeps chicken coops off of Texans' property tax appraisals. "They're steps in the right direction, but … none of this comes even close to making significant property tax relief."

The best thing Hardin saw was lawmakers' failure to extend Chapter 313 tax abatements, which are set to expire in 2023. "School districts are able to give property tax abatements or exemptions to businesses that promise to bring a certain number of jobs to the area," he said. "Any time you exempt anybody from a property tax, guess who has to bear the burden of that exemption? The rest of the taxpayers."

Crouch discussed passed bills that he likes, two of which are proposed amendments to the Texas Constitution. Senate Joint Resolution 35 expands the current homestead tax exemption to include surviving spouses of service members fatally injured in the line of duty, along with those killed outright, and House Joint Resolution 125 extends the current homestead school tax limit for disabled individuals to include surviving spouses who are at least 55 years old and reside at home. Citizens will vote on these on November 2.

He also praised parts of Senate Bill 63. "[The chief appraiser is] now going to be forced to respond to exemption requests within a 90-day window," Crouch explained. He also said HB 988 "takes care of a significant problem, which is that if you file a [property appraisal] protest, there currently is not a law that requires the appraisal district to actually schedule a hearing within a certain amount of time," he said. "[The bill] was amended to close a loophole that allows the Appraisal District Board of Directors election to be rigged."

Quintero named three bills he described as "the top wins on property tax."

"You had some local entities over the course of the last year act against the taxpayer by adopting tax rates that brought in more than 3.5 percent revenue increases without voter approval," he said. "What the Legislature did basically [is] say an epidemic, and a pandemic, does not qualify for an event that allows you to exceed that limit without voter approval, and that was SB 1438."

Quintero also discussed HB 1869, which requires local governments to count certain types of debt repaid by property taxes toward the voter approval rate (the property tax rate in a given year that, if adopted, triggers an election because property tax revenues would increase by at least 3.5 percent from the year before). "What was happening is you had certain nonvoter-approved debt instruments, things like certificates of obligation (CO), being used at the local level in a way that circumvented that 3.5 percent limit," he said. "What we helped the Legislature do is say that at least some types of CO debt now count toward that 3.5 percent limit."

While Quintero is disappointed carve-outs were added to the bill, he is ultimately glad that the bill passed. "I think at the end of the day, we got a good incremental step in the right direction that protects taxpayers from this property tax loophole that was being abused at the local level."

He also mentioned SB 1427. "It basically stipulates that in order for a temporary tax exemption to apply, you have to have an instance where there is physical damage, not just economic damage," he said. "This kind of goes hand in hand with SB 1438."

Quintero also said the Legislature maintained "property tax relief" provided in 2019. With data showing property tax bills are continuing to rise, he was asked to clarify what he meant by "relief."

"One of the issues … is that the property tax system, as a whole, largely operates at the local level. And what cities, counties, and school districts have continuously refused to do is to adjust tax rates downward to compensate for rising appraisal values," he said. "The Legislature has done, I think, a commendable job to work within the current system to see that tax relief is provided; but, unfortunately, local officials continue to act with aggression towards taxpayers."

Hardin was asked about what the Legislature did in 2019.

"Relief is a reduction in property taxes, where reform—which is what I would say they did—is a changing of the system and making improvements. And I would definitely say what they did was an improvement," he replied. "But, as is the case most of the time with the Legislature, it was not what they were instructed to do. They did the bare minimum. They still are allowing cities to raise taxes on homeowners."

Special Session

With reports that Gov. Greg Abbott will call multiple special sessions, what should citizens ask him to put on legislators' to-do list regarding property taxes?

"Property tax cuts," Quintero replied. "We need people to not only see the tax relief that was gained in 2019 continue, but we need people to actually see meaningful reductions in their tax bills moving forward."

"If citizens are going to call and voice their concerns, they need to say, 'Listen, you need to tie cities' hands, and we want our property taxes reduced. I want to pay less next year than I pay this year," Hardin advised.

"If it were up to me, I would pass a law to cap the amount of [property value] increase at a lower level," Crouch said. "It needs to be 5 percent maximum for homesteads, and then 10 percent for all residential property. That would be the No. 1 thing that I think would have the biggest impact."

"We need to also reform the property value study that the comptroller does," he added. "It incentivizes the appraisal district to artificially inflate values."

Lawmakers are also likely to revisit the Chapter 313 tax breaks to businesses during a special session.

Does Texas need giant tax breaks to attract companies?

In recruiting businesses, local officials like to say they need every tool in the toolbox. So what happens when they lose the hammer?

Last month, Texas lawmakers chose to not extend the Chapter 313 incentives program, which has saved companies $10.8 billion in school taxes over the past two decades.

While it's been utilized for some enormous projects, including Tesla's gigafactory near Austin and Texas Instruments' chip-making plant in Richardson, critics have documented dozens of abuses.

The most frequent criticism is that tax breaks went to projects that were coming here anyway, such as natural gas processing plants and wind turbines. The Chapter 313 program is scheduled to expire at the end of 2022, and some believe it will make Texas less competitive, especially for capital-intensive projects.

"Once you narrow down to a handful of sites, you're really digging into costs," said Kelley Rendziperis, principal and leader of the economic incentive division of Site Selection Group, a Dallas-based location adviser. "The real and personal property tax rate is fairly high here, especially compared to neighboring states. It's going to be very difficult for Texas to not come out more expensive on large investments because of its heavy tax burden."

She was referring specifically to property taxes, which are often dominated by school taxes in Texas. Those costs are higher than the nationwide average, which was part of the rationale in creating the 313 program in 2001.

But Texas is not a high-tax state — nowhere near it.

In large part, that's because Texas has no state income tax. Most other levies appear to be fairly competitive, too.

Texas ranked 11th-best overall for business tax climate, according to an index compiled by the Tax Foundation, a nonprofit that's been assessing tax policy for over 80 years. That's one spot better than Texas' 2020 rank, and Texas was No. 12 for much of the past decade.

"Texas is a very competitive state," said Janelle Cammenga, policy analyst with the Tax Foundation and co-author of the latest report on state business taxes. "Texas has been dedicated to being a low-tax state for a long time, and companies rely on that. It makes a difference for them."

The 2021 State Business Tax Climate Index measured 124 variables in five major tax categories, weighting the scores by the most important factors for business and ranking them among the 50 states.

Texas scored best on individual income taxes, not surprisingly. For property tax burden, Texas ranked 36th — worse than average but hardly beyond the pale. It ranked 35th on sales tax.

The outlier was the state's margin tax, a modified gross receipts tax with a low rate and wide base. It taxes inputs, not just profits, and the Tax Foundation considers it more damaging than a corporate income tax. That put Texas at No. 47 on corporate taxes.

"Rather than offsetting that through incentives, the state should just aim to lessen the burden of the uncompetitive tax," Cammenga said.

She has the same view on property taxes. If they're so high that Texas has to create a special tax break, the state should fix the tax policy, not the incentives.

When companies search for a site, property taxes are a big deal, Rendziperis said, because they're often among the highest ongoing costs.

"You can't ever look at an overall ranking; you've got to dig into the details," she said. "From being in the industry 20 years, I can tell you that incentives are definitely important to offset the costs of any move. These companies have to answer to shareholders."

She expects rival states to criticize Texas for ending the 313 program and to look for a competitive advantage. At a recent conference of site selectors in Orlando, Fla., many were surprised by Texas' move, said Matt Garcia, senior vice president of public policy for the Dallas Regional Chamber.

It's too early to tell whether Texas will lose deals because of it, but he expects other states to be emboldened, especially Tennessee, Mississippi and Arkansas.

"This brings them back to the table for some of these big manufacturing projects," Garcia said. "Those three states were all very happy to see that Texas had not reauthorized 313."

John Boyd Jr., a longtime location consultant, takes a counter view. Many believe Texas has been giving away too much in incentives, he said, so dropping 313 won't be an obstacle for his clients. The program brought so much scrutiny and criticism that companies worried about a backlash.

They're already attracted by Texas' strengths, including "low business costs, low taxes, a pro-business regulatory environment" and more, said Boyd, principal of the Boyd Co., which started in 1975 in Princeton, N.J.

As for the tax burden, many clients are more worried about Texas handling its strong growth, he said.

"This is a way to redirect revenue into things like energy grids," Boyd said, a not-so-subtle reference to the February storm that shut down power for days in much of Texas. "There's an opportunity for Texas to position this as a way to protect and reinvest in infrastructure, schools and public safety."

Executives must pay attention to environmental and social issues today — and closely weigh the risk of any move.

"Everybody talks about the cost of projects and other benefits, but risk has to be looked at," said Gene DePrez, a site selection expert at Global Innovation Partners in the New York area. "You can't locate an operation and take on the risk of not having electricity."

DePrez has worked on over 800 corporate projects, he said, and the vast majority didn't involve incentives. They sometimes come into play at the end of the process, but he believes there's a better way to make an impression.

"How quickly can the community respond?" DePrez said. "Are we going to have a lot of permitting problems? Is it going to take forever to get things done?"

Construction of Texas Instruments' massive chip plant is underway in Richardson. Two years ago, the $3.6 billion project was granted a Chapter 313 tax break worth about $100 million, but the state program is scheduled to end in December 2022 — unless advocates can resurrect it in a different form.

The economic recovery continued in May as Texas added over 34,000 jobs and had a slight drop in the unemployment rate. But the construction industry lost 3,100 positions statewide, even while residents were clamoring for new homes.

Protesting property appraisal values

By now, Atascosa County property owners should have received their property appraisal values in the mail from the Atascosa Central Appraisal District (ACAD). As many have noticed, the values on properties have risen significantly for 2021 as compared to 2020. Property owners who disagree with ACAD's appraisal of their property for local taxes or for any other action that adversely affects them may protest their property value to the district's Appraisal Review Board (ARB).

ACAD Chief Appraiser Michelle Berdeaux explained that property owners wishing to file a protest with the ARB regarding their property value may do so by either accessing ACAD's online protest portal, mailing, emailing or dropping off the formal protest form included with their appraisal notice or placing it in the drop box located outside of their office lobby. The online portal information is included with the property owner's notice of Appraised Value which includes their property personalized PIN number and instructions on how to access the system.

"Protests are processed primarily by value at this time. Larger value properties, $500,000 and up, will be scheduled first with lower valued properties following on a tiered down basis. This process could take 30-90 days depending on the level of protests received," said Berdeaux.

You must file a written notice of protest before May 15 or within 30 days after the appraisal district delivers the notice of appraised value, whichever is later. The ARB began hearing taxpayer protests on May 12. Once they complete hearings and approve final property tax appraisals, taxing units will use these appraisals to set property tax rates for the new year.

"All timely filed property value protests are scheduled for an Appraisal Review Board Hearing. Protests that are not filed by the deadline are reviewed for just cause and the ARB will notify the property owner regarding their protest status," said Berdeaux.

Property taxes vs. property valuations

Berdeaux explained that many taxpayers are confused as to what and where to protest their property valuations and taxes. Often times, a taxpayer will go to ACAD trying to protest their property taxes when they should be protesting their property valuations.

"The appraisal district does not set local governing body budgets nor the local tax rate for the entities that collect taxes from property owners," said Berdeaux. "The appraisal district reports the current market value of all property to the local taxing jurisdictions as required by law. In theory, the increase in property value should cause the tax rate to decrease for the taxing jurisdictions setting the tax rates."

The appraisal district has no knowledge of the local jurisdiction's budgetary needs prior to the values being determined and has no control over how the local jurisdictions set their rates or budgets. The governing bodies set their tax rates after the appraisal roll is submitted to them in late July and they hold public hearings on the proposed tax rates. Citizens may attend these public hearings and voice their concerns regarding the respective tax rate proposals

Where Do Candidates for New York City Mayor Stand on Property Taxes?

Most agree reform is needed, but it's unclear how change can best be implemented

Q. Where do the New York City mayoral candidates stand on property tax reform?

A. Property taxes may not be the sexiest issue on the New York City mayoral candidates' platform, but it's a crucial component of the city's finances. In addition, many New Yorkers have been complaining about the city's assessment system for decades.

In 2018, Mayor de Blasio and City Council Speaker Corey Johnson formed the New York City Advisory Commission on Property Tax Reform to try to address concerns of taxpayers. The commission released its initial report in January 2020, complete with 10 recommendations to address inequities.

“There can be vast differences in how properties are classified, valued and assessed, lending credence to the widely held characterization that the system is overly complex, opaque and arcane,” commissioners said in the report.

The current system allows for relatively low tax rates for owners of some of the city’s most expensive condominiums, compared to higher rates for brownstones in the Bronx, Mansion Global reported shortly after the report was published. That leaves many middle-class New Yorkers on the hook for higher rates than their affluent neighbors.

“We need a system based on true market value, not a complicated assessment formula,” Democratic candidate and former commissioner for the New York City Sanitation Department Kathryn Garcia said in an email to Mansion Global. “The current system is inequitable, and my administration will address that. At the same time, I will protect existing taxpayers from being priced out of their primary residence.”

Assessing residential properties at market value is one of the commission's recommendations, as is stepping up the base value of properties when they are sold.

“One of the real opportunities is when a property changes ownership,” Democrat Art Chang said in an interview. “That would start to ease the pain.”

Other homeowners would see a phase in of additional levies.

“The phase-in approach is the right one,” continued Mr. Chang, who is a first-time candidate and former project manager of Queens West in Long Island City under Empire State Development. “The proposal that’s on the table right now is essentially right, but the question is how do we implement it? Right now, it’s a one-size-fit-all approach.”

Democrat Aaron Foldenauer is in favor of updating the city’s “antiquated valuation rules,” he said in an email. “We must simplify property tax assessments to make them more predictable and ensure that certain types of property ownership are not given preferential treatment.”

New York City Comptroller Scott Stringer, another Democratic mayoral candidate, has long been a proponent of property tax reform. He recommended the property tax commission “consider expanding tax credit eligibility and making benefits more generous to combat the increasingly regressive burden of property taxes” in a 2018 report about the disparity of property taxes in the city, especially for those making less than $250,000 a year.

His campaign website also proposes replacing the mortgage recording tax—which adds a charge of about 2% for mortgage holders—with a progressive transfer tax that would “lessen the burden on middle-class homeowners, scale up taxation on high-value transfers, and bring in up to $400 million in new annual revenue that can go to building more affordable housing.” He did not return requests for comment.

Democrat and former presidential candidate Andrew Yang has called for reassessing empty lots in New York City, excluding community gardens, to be commensurate with their market value, instead of the discounted rate they are currently charged.

“Bringing wasted land values up to their sales-price based market value and adjusting class shares and the property tax levy accordingly would increase city property tax revenue by roughly $900 million,” he said on his campaign website. He did not respond to requests for comment.

Former Citigroup executive and Democrat Raymond J. McGuire called the problems with the current system “glaring” on his website. If elected, he will “finally overhaul the property tax system to make sure that every neighborhood pays only their fair share, saving hard-working families thousands of dollars each year while asking wealthy property owners to pay a little more.” He did not return requests for comment.

Maya Wiley, a Democrat and a civil rights lawyer, has also said she agrees with the commission’s report, but would tax the city’s richest New Yorkers, although it’s not clear how that would apply to property taxes. She did not reply to requests for comment.

One of the main agenda items on Republican Curtis Sliwa's platform is property tax reform. His plan "eliminates unfair tax benefits and ensures that New York City’s low- and middle-income communities are no longer forced to subsidize the city’s wealthiest residents and neighborhoods," he said on his website.

It includes implementing a 2% cap on annual property tax increases, market-value assessments and eliminating property tax exemptions on private institutions, such as universities and Madison Square Garden. It also calls for tax breaks for senior citizens making less than $75,000 a year. Mr. Sliwa, the founder of the volunteer crime-prevention organization the Guardian Angels and a conservative radio talk show host, did not return requests for comment.

Republican candidate and entrepreneur Fernando Mateo has also pledged to cut property taxes.

“New York City’s property taxes unfairly target middle class neighborhoods. The cap on assessments means that property taxes in trendy areas [in Brooklyn] like Williamsburg, Park Slope and Bushwick” have not kept up with market value, he said on his campaign website. “My administration will implement a fair property tax system where people are taxed based on the actual market value of their home.”

Mr. Mateo did not respond to requests for comment.

Mayoral candidates Eric Adams, Shaun Donovan, Dianne Morales and Joycelyn Taylor did not return requests for comment.

Candidates Paperboy Love Prince and Isaac Wright Jr. were not immediately available for comment.

The New York City primary election is Tuesday, and early voting began June 12. The general election is set for Nov. 2.

Why we need fairer property taxes for New Yorkers

Property taxes are a lifeblood of our city, constituting the single largest revenue source. However, the rates New Yorkers pay are dysfunctional, to put it mildly. Many New Yorkers have sweetheart deals, while others are soaked. Even worse, the inequality runs across racial lines.

One of the biggest drivers of property inequality is assessed property values for tax purposes that are widely divergent from market values. This is the result of legislation in the early 90's, when Albany imposed single-digit percentage caps on annual increases in assessed values of houses and small apartment buildings. The legislation was supposed to increase fairness, because the caps replaced the practice of assessors undervaluing homes at their discretion as favors to owners.

However, the law of unintended consequences kicked in. While it may have seemed reasonable at the time to believe real estate market values would never increase beyond single-digit percentages, gentrification came along, and some market values surged well in excess of single digits. The result today is that some property owners, particularly those in neighborhoods once undesirable, have much lower effective property tax rates than others, because their assessed values cannot catch up to market values.

Subsequent attempts to increase fairness exacerbated things. Because assessment rate caps only apply to houses and small apartment buildings, the property tax burden on large apartment buildings was increasing disproportionately. To close the gap, in the late 90's the state passed new reforms to make assessed values of large apartment buildings based on rental income of nearby properties, instead of sales prices; and create a "temporary" Coop-Condo Tax Abatement that was supposed to be a placeholder until lawmakers devised a fairer tax system, but it is still in place today.

New inequalities abounded. When new luxury housing popped up in lower income neighborhoods, the assessed values were based on rental income of not-so-luxury buildings in the area, even ones with rent-regulated units. On top of that, the Coop-Condo Tax Abatement has no income limits, and only a sliver of progressivism in the form of a smaller percentage abatement for more valuable units. As a result, wealthy owners of units in large apartments can get a ridiculously low assessment, plus a tax abatement on top of that.

To get a grasp of the insanity, consider the case of billionaire Ken Griffin. In 2019, he bought a four-story condo on Central Park South for $238 million, making it the most expensive home in America. Because the city must disregard the sale price and only consider rental income of nearby buildings, its market value for tax purposes is $9.3 million, and the assessed value is $4.2 million.

The implications are more than just a few cushy deals: property values far outpace assessed values in neighborhoods where white people live, which means they are getting better rates on their property taxes. An analysis found that the average effective tax rate of houses and small apartment buildings in predominantly white neighborhoods is .73%, compared to .84% in predominantly non-white areas. It gets even worse when comparing individual neighborhoods: in my district in Queens, the average effective tax rate is .94%, while my colleague's gentrifying district in West Harlem has an average rate of .34%.

This tax insanity must stop. If an apartment's market value is almost 60 times the assessed value, something is seriously wrong. And if my constituents have an effective tax rate almost triple those in another district, something is wrong to the Nth degree.

Firstly, the current assessment growth caps must go. In conjunction with this, we must assess the market value of large apartments based on sales, instead of rental income, to bring assessed values in line with reality. We must also end the Coop-Condo Tax Abatement, whose existence now is almost arbitrary, and replace it with a means-tested abatement to help low-income homeowners.

I understand that this will spike some property tax bills. However, if new assessments drastically increase our projected revenue, then we can balance out higher assessments with lower tax rates. We can also ease the shock of property tax hikes by phasing in changes over a few years.

Fortunately, Mayor de Blasio recognized these inequities, and in 2018 formed the New York City Advisory Commission on Property Tax Reform to recommend changes. After exhaustive deliberation, the commission released preliminary recommendations in line with my own. And if you are reading this and want to speak your mind, then you are in luck: the commission is now soliciting feedback.

As with any reforms, there may be unintended consequences. Considering previous attempts to increase fairness engendered new disparities, the same could happen again. For example, a means-tested property tax credit might give a discount tax rate to a homeowner with little income whose wealthy parents bought them a home. Nonetheless, a well-designed property tax overhaul would do its best to be fair and progressive.

Reforming the city's labyrinthine property tax system may be a Herculean task. However, we should not spurn fairness just because it is difficult. With much patience and determination, we can make a fairer property tax system. The time to start is now.

Adrienne Adams, NYC Council Member, 28th District.

Tax bills show how much Covid devalued NYC real estate

City's property tax revenue is expected to drop by nearly $2B

The pandemic hit the commercial real estate market hard. Property tax bills now reveal just how hard.

New York City expects property tax revenue to drop by $1.6 billion, or 5 percent, in the coming fiscal year, Bloomberg News reported. That's the biggest drop in the city's largest source of revenue since the early 1990s.

Office buildings' market value — not their real-world worth, but the metric used by the city's Department of Finance — dropped by 16 percent across the city, according to the agency. The value of some major skyscrapers was cut by more than $100 million, the publication reported.

Some properties got assessment cuts despite faring relatively well during the pandemic: Two Vornado Realty Trust properties received reductions of 14 percent and 23 percent despite leases from major tenants that surged in value, the publication reported.

The city generally relies on information from building owners to make assessments. But this year the Department of Finance considered other metrics because the submitted data was pre-pandemic. A spokesperson for the agency told Bloomberg News that it wanted to better reflect true market conditions.

Overall, landlords saw big cuts even though many continued to collect rent from tenants. While lower assessments will save landlords money, remote work is likely to ultimately affect buildings' income.

The value of hotels and retail property fell by more than 20 percent, the publication reported. The lodging industry is especially struggling. The St. Regis and the Four Seasons saw their taxable value cut by 36 percent, the publication reported. The New York Midtown had a cut of 13 percent on the final tax roll.

The lower values may weigh on city revenue for a while, as property taxes are usually based on the average value over the previous five years, Bloomberg News reported. Property tax revenue largely fuels the city's social programs and services.

"The question for the city is really a long-term one," Ana Champeny, director of city studies at the Citizens Budget Commission, told the publication. "Until we know what happens with remote work and office use and tourism, it's not going to be entirely clear about how the commercial real estate market is going to recover."

Queens hotel wins massive tax reduction

Attorney says victory could be blueprint for other owners

Hotel owners in the Big Apple have long kvetched that their property taxes are exorbitant. Now, in at least one case, a judge has agreed.

The owner of the Marriott Courtyard near LaGuardia Airport won a years-long challenge when a court ordered its tax assessment cut by a whopping 85 percent. The hotel's lawyer argued the city had overvalued the property.

The challenge, which is for the fiscal years 2014-2015 through 2018-2019, reduced the hotel's tax bill by more than $11 million.

"The city was using a valuation that looked to the go-go days [for hotels], but the go-go days aren't there anymore," said attorney Joel Marcus of Marcus & Pollack, who represented the 288-key establishment at 90-10 Dimars Boulevard, GCP Realty.

Marcus said the city overvalued the hotel because, rather than rely on the property's actual expenses, it calculated what the hotel's expenses would have been using a market average. The city also used comps for hotels in Washington and Boston, cities that Marcus said have little relevance to the New York market.

A representative for the New York City Department of Finance did not immediately respond to questions on the court ruling.

When the hotel initially challenged the assessment, the city offered to lower it. But Marcus said it wasn't enough and elected not to settle — a strategy he said owners don't often follow but one he thinks may gain in popularity after his client's win.

"Most property tax cases do not end up in trial," he said, noting the expense of carrying on a years-long challenge. "To my knowledge this is the first trial for a property tax case in more than a decade."

The tax years covered by the challenge pre-date the pandemic, but it was not without challenges for the lodging industry, as the city's hotel market was squeezed by a surge in new supply and rising operating costs.

Owners long bemoaned that their property taxes continued to climb during the hotel-building boom following the Great Recession even if their revenues weren't keeping pace. Labor costs at union-staffed hotels rose, too.

If more owners similarly challenge their assessments, it could deplete the city's property tax revenue — on top of the effects of the pandemic. The Department of Finance reduced the assessed value of hotels by 21 percent citywide last year.

Hotel owners earlier this year lobbied the city to give them a break on taxes to help them recover from the pandemic and the de Blasio administration responded with a summer tax holiday.

Homeowners Could See Property Taxes Rise, But Current System Is 'Not Fair' Reform Commission Says

After a year of taking a backseat to more immediate problems caused by COVID-19, property tax reform is back as one of the key issues facing New York City.

In order to approach this matter, the New York City Advisory Commission on Property Tax Reform, formed in 2018 by Mayor Bill De Blasio and City Council Speaker Corey Johnson, is hosting a series of virtual hearings seeking input from the public on potential reforms.

Hearings have already happened here in Brooklyn and in Staten Island, with the other three boroughs taking place in the coming weeks.

A preliminary report from the commission was released in January 2020 with recommendations to create a fairer system, but the pandemic slowed momentum. Using the input from these public hearings, De Blasio has promised a finalized report before he leaves office in December.

Property tax reform has long been a contentious issue in New York City.

The city does not assess taxes at properties' full market value, instead opting for a complicated system dating back to World War II that separates properties into four classes, each being assessed at different rates of the estimated market value. In practice, the system has taxed wealthy homeowners, and condo or co-op owners at vastly lower rates than middle class homeowners. The system has also shown to tax communities of color at higher rates.

"The current system is not fair," the Commission's preliminary report, which lists ten initial recommendations to confront this issue, says.

Among these recommendations is to merge co-ops, condominiums, rental buildings with up to ten units, and 1-3 family homes into one "residential" property class. It also recommends using a sales based methodology to value these residential properties, and to assess them at their full market value. This reform would, in theory, put all residential properties on the same playing field.

Any reforms would require working with the state government as well as the city council and, due to the upcoming term limitation for De Blasio, the onus will likely fall on the next Mayoral administration.

For some critics, this is a good thing.

"Bill de Blasio has not been effective in leveraging the powers and pulpit of the mayoralty against the powers that be in Albany," City Councilmembers Justin Brannon of South Brooklyn and Joe Borelli of Staten Island wrote in a recent Op-Ed.

"New Yorkers of all stripes – homeowners, tenants, renters and small landlords – should join us in demanding each [mayoral] candidate commit to supporting the tax commission's recommendations."

Still, these reforms will likely be a tough sell to many homeowners whose property taxes would go up should the recommendations of the commission come to fruition.

Though the Brooklyn public hearing has passed, anyone concerned about the current property tax system and any future reforms can still listen in to hearings for Queens, the Bronx and Manhattan.

Check Out Your Real Estate Taxes: 2021 Assessment Roll is Online

Wondering how much your real estate taxes will be next year? The Village of Scarsdale has posted the 2021 assessment roll.

If you did not do any construction on your house this past year, your assessment should remain unchanged. And this year, the equalization rate for Scarsdale is 100%, meaning that the value shown is considered the fair market value and you don't need to do any complicated math to figure out how much you will pay.

However that also means that you might not have much success filing a grievance this year. In recent months homes have been selling at far above their assessed value, so your taxes, for now, may appear reasonable.

If you do want to grieve your taxes, see a link to instructions on how to do so. You only have until June 15, 2021, so act quickly.

Here is an interpretation on the Village's 2021 assessment roll from local expert Robert Berg. He said, "This will be I believe my ninth year serving on the Board of Assessment Review. Because of an odd statistical coincidence, the State's equalization rate for the Village of Scarsdale this year is 100%. This suggests that the assessed value of a property equals its fair market value. But for most properties, that's not true.

The last town-wide assessment was the highly criticized Ryan revaluation conducted in 2016 which led to several thousand property tax grievances over the subsequent years. So our current assessment roll is a hodgepodge of grieved, settled, or court-determined assessments, along with residual Ryan-era assessments. Basically, it's a mess. Moreover, because of the rather spectacular rise in market values over the past year, the assessment valuations, on average, substantially understate the fair market valuations of the properties, even using the July 1, 2020 valuation date for this year's property grievance proceedings.

What this all means is that last year was the year to file a property grievance, not this year. For most Scarsdale properties, filing a property grievance this year will be a losing proposition. My advice this year -- check your tentative assessment value. If you think it is significantly above the fair market value of your property as of July 1, 2020, then contact our Assessor, Victoria Sirota, immediately.

If she has time to review your assessment, she will be happy to give you her opinion as to its appropriateness. Indeed, if she feels your property is over assessed, she likely will propose lowering your assessment. If you don't agree with her, you can still file a grievance as long as you file it on or before Grievance Day. Victoria and her staff are extremely courteous and professional, and I encourage you to contact them if you have any questions about the grievance process."

Property taxes should be lessened in recognition of owners' risks in the COVID tax year

On May 19th New York eased many COVID restrictions. While a return to normal operating environment will not occur overnight, this development is unambiguously positive for the real estate industry. However, the tax bills that are coming due should not be commensurate with current market conditions. Under the law, the most recent assessments and upcoming tax bills should reflect the property's value as of the previous year, when COVID was a far more disruptive force and regulations were heightened. For owners that filed grievances, if these bills are not reduced, they will be entitled to a refund for any overpayment.

During the height of COVID, property owners were forced to pay full taxes despite the drastic impact from sudden changes to the world. While it was refreshing to see local and statewide officials extend payment deadlines, there were no changes to the amounts paid as a result of COVID's impact on the operating environment. Now is the time when the law allows for tax bills to take into account the effect of COVID and either reduced tax bills or refunds are warranted.

The extent to which each property's taxes should be adjusted varies on a case-by-case basis. This is why it is critical that each property owner attempt to quantify how COVID affected their specific property. As previously outlined in this space, the decreased rent collections suffered by many properties are the most striking figure, but increased expenses must be examined as well.

The other component that must be taken into consideration is the amount of risk that comes with real estate investment. From the outside, when properties are operating smoothly, the structure appears simple: collect rent that corresponds to the quality and location of the building. While the concept is simple, the execution is not. Landlords encounter a host of hurdles that they must navigate in order to achieve a profit. Consider all the time, effort and resources that go into operating a strip center with multiple tenants as compared to sitting back and putting money in a bond market: it's night and day.

Adding a global pandemic and accompanying government restrictions has further complicated management, resulting in one of the most volatile risk circumstances we have seen this century. This risk factor must be applied to a property tax analysis by way of a capitalization rate that matches the uncertainty that owners experienced during that time.

For the analysis of the current assessment year, risk should be examined as of the July 1, 2020 for Suffolk County and January 4, 2021 in Nassau County. At those points in time the risk for investment was enormous and for good reason. Forget value appreciating, owners were focused on how the property could endure the pandemic and if it would even remain a viable investment. For this reason, real estate taxes for the COVID tax year need to be adjusted.

Owners, tenants, and businesses all shared in the economic pain caused in the COVID tax year. Now it is the municipality's turn to assist these properties. This tax year is like no other we have experienced and the owners of all real property should have their property tax burden adjusted to a level that takes into account one of the most unsure times in our nation's history. It certainly was not a time where commercial real estate investments were seen as opportunities. Rather, with remote work and home delivery booming, the need for commercial real estate, at least at its current volume, was questioned.

As we enter the next phase, the ongoing impacts will continue to be examined, but the impact during the COVID tax year cannot be forgotten. This year was not a blip on the radar that is now in the rear-view mirror, rather it is an event that is shifting the paradigm in nearly every property sector. That we are over a year from the start of the pandemic and still announcing restriction adjustments speaks to the lasting impact of COVID.

Taxpayers stepped up and paid their bills as required under the law during the most trying days of the pandemic. Now the municipalities have the benefit of reviewing just how each property was impacted and accurately analyze property values as of the COVID valuation dates. If done properly this analysis will necessitate adjustments to lessen tax burdens for many properties. The result will be a reduction in taxes that will fairly recognize just how dire the circumstances were for commercial real estate in the COVID tax year.

How parasites have brought chaos to NYC suburbs' property-tax system

The IRS extended the filing deadline for income-tax returns this year, but in New York, another tax season is now in high gear: local tax-grievance time.

Between now and mid-June, New York state homeowners will file for reductions in their property assessments, deluging local assessment-review boards in Nassau, Suffolk and Westchester Counties with appeals — many promoted by a tax-grievance industry unknown in most of the country.

The thousands of assessment challenges are part of a statewide property-tax assessment mess that is at its worst in New York City's suburban counties.

Real-estate taxation, the main source of revenue for local governments across the United States, rests on the technical and arcane — yet crucial — process of property reassessment. When assessments are out of date or inaccurate, so are owners' tax bills, with repercussions for both personal finance and municipal revenues.

A recent University of Chicago study of property-tax-valuation practices across the country chose to emphasize the impact of unchanged assessments on minority homeowners, who are more likely to live in lower-priced homes. In fact, out-of-date assessments skew property taxes for all homeowners.

All but nine states have laws requiring regular property reassessments, but the exceptions include one of the largest and most heavily taxed states: New York. Here, not only is reassessment not required, but also, in some places, values haven't been reset for decades or generations. Compounding the state's failure to enforce a uniform full-value standard, disparities arise from New York's multiple layers of local governments.

Outside Nassau County and New York City, property assessments are determined by hundreds of individual cities and towns. To accommodate county governments (which cover multiple municipalities) and school districts (which can cover pieces of several towns), the state calculates an "equalization rate": A rate of 25, for example, means the municipality assesses property at an average 25 percent of market value.

The purpose is to ensure that properties with similar full-market values in different municipalities pay equivalent shares of county and school taxes. In effect, however, the formula has tied individual tax bills to the sale prices of other homes in one's community — in order to ensure that a municipality's share of its contribution to its county tax revenue remain "equal" over time.

The result is a non-system that has led to distortions and tax injustice and spawned a cottage industry of consultants who use the courts to force assessment adjustments for individual homeowners, while pocketing a large portion of the savings for themselves.

New York localities often go decades, indeed generations, without reassessments. In an exemplary Westchester locality (where one of us sits on the local Board of Assessment Review), assessment rolls were last updated during Richard Nixon's first term in the White House. Thus, homes that were highly valued a half-century ago but are now outdated remain stuck with stratospheric tax bills.

In counties where median property-tax bills are among the highest in the country — typically exceeding $10,000, with $100,000-plus bills not impossible — the consequent inequities can be enormous.

The lack of consistently updated assessments means that most suburban tax rates, and thus individual tax bills, get determined by that arcane "equalization" process. The state compares a sample of home sales in all of a county's cities and towns to determine what share of county and school district property taxes each should pay.

If homes in your town sold for increased prices compared with neighboring communities, your county and school rate increases — even if the market value of your own property decreased.

No wonder local boards of assessment are hit with a tsunami of grievances, many filed by older homeowners living on fixed incomes in homes whose value has declined, yet who now must pay higher taxes. Annual tax "grievance days" occur in Suffolk County on May 18 and Westchester County on June 15.

In the absence of regular reassessments, a shadowy and parasitic group of grievance-filing firms has flourished. Often billing themselves as "real-estate consultants," these firms are the property-tax equivalent of ambulance-chasers — charging fees up to half a homeowner's first-year tax savings for filing challenges with local tax-appeals boards. Grievance firms build business by stuffing suburban mailboxes with promotional flyers that promise results.

Incredibly, the overwhelming majority of assessment challenges filed by and on behalf of homeowners are successful — not at the local level but in an obscure judicial venue called the Small Claims Appeal Review.

The numbers for the past decade are staggering: nearly 500,000 assessments appealed to the courts in four downstate suburban counties, with Long Island being by far the most active source of grievance.

The state does not report how many assessment-grievance cases lead to tax reductions, but assessors at the local level do. In 2019, in Westchester County's Rye, 78 percent of small-claims property-tax appeals succeeded, leading to tax reductions of $522,000 — an average savings of more than $3,000 per property. Assuming very conservatively that property-tax grievances throughout the metro-New York suburbs saved homeowners an average of $2,000, the 10-year total savings came to $1.1 billion.

And assuming that most of those cases were filed by grievance firms, the industry's total take was in the neighborhood of $500 million — most of it, again, on Long Island.

And when one homeowner's tax bill goes down, the bills of others go up to ensure that the full tax levy is raised. That keeps the grievance gravy train rolling.

Sky-high property taxes add to the cost of living and doing business in New York. Over the past decade, Gov. Andrew Cuomo's cap on property-tax levies outside New York City finally has brought a measure of control to suburban tax bills. It's time New York coupled property-tax limits with tax fairness — and joined other large states that require regular property reassessments at full market value.

OHIO

Liberty Center seeking a $31 million drop in property value

Liberty Center is asking the Butler County Board of Revisions for a $31 million property value reduction.

Mega mixed-use Liberty Center owners are asking the Butler County Board of Revisions to reduce their property value by $31 million due to economic conditions, which could impact the Lakota Schools.

Liberty Center filed applications March 5 asking for property value reductions on eight of 18 parcels that are currently valued at a total of $124.4 million. The form application states the reason as "Recent sale(s) of comparable properties. Physical, economic, functional depreciation or obsolescence. Economic valuation based on gross or net income."

Liberty Center officials could not be reached for comment.

Some of the properties include the Cheesecake Factory, the Cobb Liberty Luxury 15 and CineBistro, the Foundry and parking garages.

"Well I guess a lot of businesses are looking for ways to cut costs," said Butler County Auditor Roger Reynolds, who is in charge of the Board of Revision, which includes representatives from his office, county Treasurer Nancy Nix and the commissioners. "And reducing their property taxes is one approach."

The properties are part of the University Pointe tax increment financing district, so tax revenues to local jurisdictions, other than the Lakota Schools, only totaled $3,725 for this year. Since 2015 Lakota has received $21.3 million from the TIF, and the annual payments would be impacted by a reduction.

Lakota Schools Treasurer/CFO Jenni Logan said the district does not plan to challenge the revision request.

"The economy is just starting to reboot and Butler County has just come through a revaluation process," Jenni Logan said. "We are hopeful these requests represent a temporary impact to these businesses' financial health and the future is brighter for all of us."

The county commissioners and Liberty Twp. forged a complicated development deal with the developer that included $37 million in taxpayer-backed bonds to build the parking garage and water lines for the project. There have been issues with the bond payments over the past couple years.

Commissioner Don Dixon said the new Liberty Center owner Apollo Commercial Real Estate notified the county recently about restructuring the original development deal.

"They would like to revisit how the agreement was structured, the payments and whatever else is out there, some of the operations issues," Dixon said. "We haven't discussed it as a board, no decisions have been made, but we all want to see it be successful. But we're going to do what's best for the taxpayers at the end of the day."

Liberty Twp. Trustee Board President Tom Farrell said officials there have been meeting with Liberty Center and county officials to discuss tactics for the large mixed-use center as it comes out of the pandemic, and the devaluation of some of the property "is part of the master plan to get us back to normal."

"Obviously the pandemic hit us all in different ways and we have to all try to work together to get back normal," Farrell said. "To do that we need to give a little and take a little and this is one of the areas I believe we need to give a little. I think Liberty Center is on the mend, they're rebounding and only time will tell."

PENNYSLVANIA

What you need to know about countywide property reassessment

A lot has happened since 1994.

The country has witnessed seven presidential elections. An entire generation was born, grew up and entered adulthood.

Technology has advanced by leaps and bounds. The internet went from a novelty to something most people use daily with small devices they can fit in their pockets or purses.

And development has trudged on, with new housing developments and shopping centers and office buildings and warehouses permanently changing the landscape.

One thing that hasn't happened over the last 27 years? Berks County hasn't done a countywide reassessment of properties.

One Reading Eagle reader is curious why that's the case. As part of the newspaper's Ask the Eagle initiative, he asked to know a little bit more about the process.

So the Eagle took a look at the issue.

What is reassessment?

Counties across Pennsylvania assess the values of properties as a way to determine how much property owners have to pay in property taxes.

That includes taxes levied by the county, local municipalities and school districts.

Each of those entities sets its own property tax rate, which is then applied to the assessed value of a property to calculate tax bills.

According to the state constitution, that has to be done uniformly. The process has to be fair.

To achieve that, counties use what is called a "base year." That is a year when the county goes out and officially assesses the value of all properties.

The last time that was done in Berks was 1994, which means tax calculations are done based on property values in that year.

Of course, a lot of houses and other buildings have been constructed since then.

For properties that have been developed since 1994 — or those whose owners challenge the assessment through the county boards of assessment appeals — a calculation is made to equate today's home values to those from 1994.

That calculation is done using a ratio called the Common Level Ratio that is set each year by the state Tax Equalization Board.

In Berks the CLR for 2021 is 1.78, which means that property values are assumed to be about 56% higher now than 27 years ago.

If a countywide reassessment is done, it resets the base year and all properties get an up-to-date assessment. While the process is expensive and labor intensive, it can lead to a more fair distribution of the tax burden by accounting for appreciation and depreciation of properties that has occurred since the previous base year.

But in Pennsylvania, there is no rule about when reassessments have to happen or oversight about whether those assessments are outdated and unfair. It is one of only a handful of states that doesn't regulate reassessments.

The result is a county-by-county patchwork, with some counties using base years dating to the 1960s and others with much more recent base years. Some have regularly scheduled reassessments, and others completely avoid the endeavor decade after decade.

Berks, with its 1994 base year, ranks in the bottom third when it comes to how long it's been since it last did a countywide reassessment.

Why is reassessment important?

There is a push in Pennsylvania to change the reassessment system.

A handful of groups, representing both ends of the political spectrum, are lobbying the state to create rules for countywide assessments, taking the decision out of the hands of county officials.

They have also pushed for reassessments on a county-by-county basis, supporting court challenges seeking to force individual counties to reassess. Many of those challenges have been successful, including in Chester County in the late 1990s and, more recently, in Delaware County.

Marielle Macher, executive director of a nonprofit public interest legal aid organization Community Justice Project, is involved in two such challenges in Schuylkill and Lackawanna counties.

A countywide reassessment has not been done in Schuylkill since 1996, and in Lackawanna the last time one was done was 1968.

Macher said doing reassessments ensure that taxes are levied fairly.

"As you pull further and further away from the base year, property values change," she said. "Some properties depreciate and other properties appreciate. And it tends to be lower valued properties that change more slowly, so that has an adverse effect for those homeowners because they tend to shoulder a disproportionate share of the tax burden."

Macher said that failing to reassess results in a regressive tax system in which owners of lower valued properties are being asked to pay more than those who have higher valued properties.

"Keeping the way it is hurts overassessed property owners," she said. "As an organization that advocates for the rights of low-income Pennsylvanians, we view it as very problematic that the owners of lower valued homes are paying more in taxes."

Along with her involvement in challenges in individual counties, Macher is also pushing for a systemic change at the statewide level. When her organization brought the challenges against Schuylkill and Lackawanna counties, they included language calling for the implementation of a statewide standard.

The challenges in Schuylkill and Lackawanna are not the first time the Community Justice Project has pushed for a reassessment. The organization was instrumental in bringing a lawsuit against Allegheny County more than a decade ago that worked its way through the court system and eventually resulted in a loss for the county.

That decision was one of many that have been handed down by the courts.

In fact, many county officials have only undergone the reassessment process after a court found that they were in violation of the uniformity clause in the state constitution. The constitutional imperative of uniformity means that it becomes necessary to periodically step back and look at every property in order to ensure that the burden of taxation is properly distributed.

But Eric Montarti, research director of the Allegheny Institute for Public Policy, said there is no uniformity in how or when counties do that.

"There is no consistency or predictability in Pennsylvania when it comes to reassessment," he said, adding that the assessment process in Pennsylvania seems out of step compared to other states.

Montarti said his organization has researched the topic extensively because of the implications reassessment brings.

He pointed out that assessments have a big impact on property taxes, which are the primary source of revenue for local governments, and that the consequences of not keeping values at market rate can be monumental for some homeowners.

Instead of letting counties handle reassessments on their own, Montarti said a far better public policy approach would be a legislatively mandated regular reassessment regimen that would meet state constitutional standards.

"Somehow other states are able to do this and not have a huge problem," he said. "But, here, because the law permits counties to have outdated assessments as long as they are using that same value for everyone there is no urgency.

"It is time for the Legislature to fix this problem. It is a detriment to the state to be so far out of step with sound and fair taxation policies practiced in almost all other states. Every year of delay exacerbates the difficulties in a reassessment process for counties that are decades out of date."

The state has taken a look at reforming the reassessment process. But the Property Assessment Reform Task Force, a project of the state Local Government Commission, concluded a study in June 2018 that has not led to any concrete changes.

"This was the last statewide effort to look at this issue and it was basically decided to leave it up to the counties," he said. "The report stated that they knew the state was out of step compared with other states and outlined the problems with having an outdated base year, but they stopped short of recommending that the Legislature set a standard."

The challenges of a reassessment

Lisa Schaefer, executive director of the County Commissioners Association of Pennsylvania, served on a subcommittee of that special commission. She was a member of a group that crafted a guide for counties to help them determine if they're meeting state constitutional requirements for fairness and equity by ensuring taxpayers only pay their fair share of property taxes.

The guide provides information about requirements and identifies key factors that may affect the fairness, equity and accuracy of property values in the county and influence the need for a countywide reassessment. It also discusses steps the county may take to obtain additional information, the readiness of the county to conduct a reassessment and ways to support the property assessment office efforts to assure fair assessments.

Schaefer said that simply having an old base year doesn't necessarily equate to a need for doing a reassessment.

"The important thing to note is that the point of a countywide assessment is to make sure property values are uniform compared to one another," she said. "So time is not necessarily the only factor that impacts uniformity.

"For instance, you could have a county where there hasn't been much growth. There are so many factors like the economy, the marketplace, the readiness of the county to undertake the process. That all falls into the conversation."

One of the big factors counties have to think about when considering a reassessment is the cost of the process. It often requires a large amount of time and staff, as well proper software systems to collect and analyze data.

Another challenge is that reassessments are often unpopular with the public, many of whom fear they will see their tax bills skyrocket.

"This can be a very contentious process," she said,

But Schaefer pushed back on the notion that property owners will see their tax bills rise, noting that previous assessments show that about a third of property values will increase, a third will stay the same and a third will decrease.

That's because revenue from property taxes has to remain neutral the year a reassessment goes into effect. It can't be used as a way to hike the stream of tax dollars.

Every governing board — the county, municipality and school district — has to adjust its millage rate following an assessment so that the new rate keeps revenues neutral. So just because your value changes does not mean your tax bills are going to change.

"I think there is a lot of consternation and anxiety that comes with this, but counties need to have a good public relations team in place to communicate that to people," she said.

Schaefer said her organization advocates that the decision to reassess comes from the county rather than the state. She said she feels county officials are in the best position to identify the needs of their communities.

"This is a learning process for everyone that goes through it," she said.

Montarti agreed there is often a misconception among taxpayers about the impact of a reassessment.

In many cases, he said, property owners assume their taxes will increase at the same rate as their assessment increase. But because tax rates have to change as well, it's not that simple.

"They don't understand that the overall reassessment, when the value comes together, has to be revenue neutral," he said. "That doesn't mean that someone who is underassessed won't pay more in taxes, but that person needs to look at what has gone on in the county, the municipality and in the school district."

Montarti said there could be a property whose value has increased faster than the rest of the county, municipality or school district. That property will likely see a larger than average tax increase.

But there could also be a property that, while increasing in value, did so at a slower rate than other properties in the area. That property will likely see a small tax increase, or perhaps even a decrease, when tax rates are adjusted.

Still, Montarti said, the fact that some property owners will see tax increases after a reassessment has led many county leaders to shy away from taking on the task.

"The politicians are reluctant to do it because they know there will be some sticker shock," he said. "There is a lot of angst and misunderstanding around this issue, and it falls to the county to help communicate to people that a higher property value does not necessarily mean higher taxes."

TENNESSEE

Shelby County will move to two-year property reappraisal

Shelby County will move to a two-year property appraisal cycle after commissioners approved the plan Monday.

Shelby County will be the first county in the state to move to a two-year property appraisal. The plan still must be approved by the Tennessee Comptroller's Office.

Shelby County Assessor Melvin Burgess pushed hard for the move, saying it would mean recognizing market growth as it occurred and thus evening out increases and decreases in values.

"If we go to a two-year reappraisal we won't have a sales ratio, it will always be 100% market values," said Joe Griffin, property assessment consultant at the County Technical Assistance Service.

A two-year appraisal would also allow the county to better create revenue projections from the property tax levy, Burgess said.

However the plan was met with opposition from homeowners who are currently facing a sharp increase in property values during the current appraisal.

It also was opposed by the Memphis Area Association of REALTORS and the National Association of Real Estate Boards Memphis Realtist Chapter.

Some appeals currently take longer than two years, the two realtor associations wrote in a letter to the Shelby County Board of Commissioners, and "there are too many unknowns and potential unintended consequences to support the proposal."

"In addition, we, as advocates for all property owners in Shelby County, need to ensure that an assessment structure neither overly benefits nor overly burdens residential property owners, compared to commercial property owners, and vice versa," they wrote. "The proposal does not address potential inequities that could result."

Choosing a plan was ultimately delayed for months as commissioners waited on setting the tax rate for fiscal year 2022, saying that would help them determine whether they should move to a two-year property appraisal or remain with the four-year plan.

Commissioners ended up approving the plan with an 8-5 vote, with commissioners Van Turner Jr., Michael Whaley, Reginald Milton, Willie Brooks Jr., Edmund Ford Jr., Mickell Lowery, Eddie Jones Jr. and Tami Sawyer voting in favor of the change.

TEXAS

A missing chapter

Ray Perryman is the head of The Perryman Group and serves as a distinguished professor at the International Institute for Advanced Studies.

Over 20 years ago, the Texas Legislature passed the Texas Economic Development Act, which allows school districts to offer tax incentives for businesses that invest in their communities. The Act, commonly called "Chapter 313" because of its position in the Texas Tax Code, fundamentally improved the economic development landscape. Chapter 313 has been extended several times, but is now set to expire Dec. 31, 2022.

Chapter 313 gives school districts a mechanism for allowing 10-year limitations on appraised value for a portion of property taxes. In exchange for the value limitation and reduced liability, the recipient agrees to build or install new facilities and create jobs. The school district is reimbursed by the State.

I was around and did the studies when Chapter 313 was enacted and implemented. It completely changed the state's ability to compete for capital-intensive projects, and it remains crucial to encouraging new investment. Our tax system in Texas is not conducive to attracting expensive facilities due to the heavy reliance on property taxes (which, unlike most levies, are incurred irrespective of economic fluctuations and ability to pay). This program provides a way to balance the scales, thus overcoming an otherwise daunting disadvantage.

What is often lost in this discussion is the fact that property taxes on vacant land are very low. In many rural areas (where Chapter 313 has been extremely helpful), the land was previously taxed at its agricultural value. In addition, companies typically make partially offsetting balancing payments and, of course, after 10 years the full value is eligible for taxation. A significant new location can also enhance the tax base in other ways, such as by enhancing demand for housing and other real estate and encouraging collateral activity by suppliers.

It is entirely appropriate to review Chapter 313 and strengthen compliance and oversight (which appears to be the primary concern among lawmakers). Any actual or perceived shortcomings can be addressed. Others have objected that it has been used for renewable energy projects. In truth, we are going to need all types of power to fuel the global economy of the future, and these initiatives have been vital to many small communities.

Given the tax structure in Texas and the intense competition for economic development, this measure is vital. Soon after it was enacted, the state moved from an also-ran to a powerhouse in attracting growth. In fact, Texas has won the coveted "Governors Cup" for the largest number of major locations in the U.S. for an unprecedented nine consecutive years.

In essence, Texas has authored a perennial best-seller on promoting prosperity. It will soon be missing a critical chapter. Let's hope that it is restored soon, before we spoil the ending. Stay safe!

WISCONSIN

Franklin Property Value Assessments For 2021: How To Appeal

The City of Franklin has released its initial 2021 property value assessments. Here's how to contest any changes this year.

The Franklin City Assessor released an updated list of property value assessments for Franklin, but there is time to contest changes.

A list of each property's 2021 value assessment is available online, however, any increases in value require notice from the City. The new assessments will be confirmed by the Franklin Board of Review starting July 15.

Property owners can discuss their value assessment with the assessors office over the phone until June 25. In person meetings are possible, but phone appointments are preferred, a news release said. Contact the Assessor's Office at 414-427-7523.

Property value assessments are critical in determining the tax rate for properties. An increase or decrease in a property's assessed value can mean changes in property tax rates. Assessments tend to increase with improvements such as additions, new siding, new fireplaces or extensive remodeling, according to the assessor's website.

Those looking to contest an assessment must first submit a notice of an intent to file an objection, a news release said. That initial notice can be written or verbal, but it must be submitted 48 hours before the Board of Review meetings start on July 15.

Objectors must then go in front of the Board of Review with evidence such as area sales data, comparisons to similar homes, private appraisals and more.