IPTI Xtracts

Property Tax and Assessment News from Around the World

# UNITED STATES – March 2021

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### ***Does Your State Tax Business Inventory?***

As we continue to look at tax types that can harm states' post-coronavirus recovery, it's worth highlighting taxes on business inventory.

Inventory taxes fall under the umbrella of the property tax, which is the largest tax paid by businesses at the state and local levels. In addition to taxes on the value of buildings and land, businesses can also pay property taxes on their machinery and equipment, known as business tangible personal property (TPP) taxes. A number of states include inventory as part of their tangible personal property tax.

As shown in the map, nine states (Arkansas, Kentucky, Louisiana, Maryland, Mississippi, Oklahoma, Texas, Virginia, and West Virginia) fully tax business inventory, with five additional states (Alaska, Georgia, Massachusetts, Michigan, and Vermont) levying partial taxes on business inventory.
Inventory taxes are levied regardless of whether a business makes a profit, adding to the burden of businesses already struggling to stay afloat. Inventory taxes are also nonneutral, as businesses with larger inventories, like retailers and manufacturers, end up paying more in inventory taxes than other firms do. The inventory tax is also not as transparent as other taxes; those extra fees get passed on to consumers in the form of higher prices.

Inventory taxes, and other tangible personal property taxes, are also "taxpayer active," meaning taxpayers must determine their tax liability themselves. This increases the cost of complying with tangible personal property taxes.

Because inventory taxes are a type of property tax, local governments receive the majority of revenue from such taxes. This adds a layer of complexity to any plans of limiting or repealing such taxes, as an immediate repeal could strain local government finances.

Louisiana sought to limit the burden of inventory taxes by creating a state credit for inventory taxes paid. While this does take the weight off businesses, it turns the system into what is essentially a backdoor state-to-local revenue transfer. This credit increases the complexity of the state's tax code, takes away any incentive to keep the tax rate low, and leads to the possibility of gaming the system.

When possible, state and local governments should look to shift from inventory taxes toward revenue sources with broader, more neutral bases. While this shifting cannot and will not be an immediate solution to the economic crisis still facing the country, a responsible shift would help businesses adjust in a post-coronavirus world and protect businesses both small and large in case of future crises.

## *Real Estate Tax Appeals During the Pandemic – 10 Key Takeaways*

As the COVID-19 pandemic continues to impact the commercial real estate market, property owners will be focusing on ways to reduce operating expenses, including real estate taxes.

In our recent CLE webinar, we offered a broad overview of the property tax system across all 50 states, and the process for seeking property tax reductions for clients. Topics included the property tax system in general, the process for assessing property taxes, the tax appeal process, valuation methods and the current state of the market.

Below are 10 takeaways that summarize some of the practical guidance we provided. You can also **view the webinar**.

10 Key Takeaways:

1. COVID has adversely impacted property values significantly nationwide, with Moody's reporting a 7.2% drop in commercial values nationwide since pre-COVID.
2. Although a property tax appeal can be based on a number of claims, such as tax classification or exemption, the primary claim is that the equalized property assessment exceeds the fair market value of the property, and therefore, the resulting taxes are too high.
3. Income-producing commercial properties are particularly impacted, such as retail, office and hospitality, but others are impacted as well, including multi-family, health services and industrial.
4. Now is the time to review a property's assessment to determine if it is a good case for an appeal.
5. Deadlines vary by state and each state has its own procedures that must be followed. But it is never too early for an attorney to review a property tax assessment.
6. While each state has its own specific tax appeal process, most allow for an informal process of negotiating with the assessor early, followed by a formal process of county board review and/or state tax court.
7. There are three primary ways to value property – the COST approach, the COMPARABLE SALES approach and the INCOME approach.
8. The time to review tax impacts is at the time of a transactions, such as sales and purchases, foreclosure or other events, when the current value may be derived, such as appraisals for refinancing or estate purposes.

9. Those involved in real estate transactions – especially sales and leases – should always make sure to address each party's rights to contest the property value and receive any refunds for prior appeals.

10. Practice pointer: Attorneys who represent trustees, lenders, developers, receivers and others should consider property tax review as part of their advice to their clients.

## *Real Estate Tax Values And The Potential For Appeals After The Pandemic*

The year 2020 had a powerful impact on commercial real estate, especially retail centers and office space. Owners have had to extend concessions to many of their tenants to retain them. Most everyone has shared in the pain of reduced revenue streams, with only a few concepts coming out winners due to the change in commerce patterns and work environments mandated by the pandemic. One area real estate owners should be contemplating is the potential for a successful tax appeal to lower the valuation assessed on their asset and reduce their tax bill.

It's been my experience that the past few years have seen a swell in tax valuations as tax assessors have become more aggressive in raising real estate tax values. Commercial real estate is heavily impacted by these increases. It's fairly typical of the industry that tenants have an "all in" number they are willing to pay to rent space at your center. As taxes go up, the amount of rent you receive can go down. A vital component of managing your portfolio is monitoring taxes and doing what you can to mitigate them.

The process of tax assessment, appeals and payment varies by state and sometimes by county. Typically, the tax assessor will have a reasonably user-friendly website where you can find basic information on the process and perform parcel searches. If you can't find what you need to understand the appeal process, you will certainly find a phone number. A good old-fashioned phone call can be an efficient way to get your answers. It's absolutely possible to educate yourself to the point where you can perform your own appeal of tax valuations. But, it's been my experience that most owners find it inefficient and potentially costly in terms of missed nuances to manage their own appeals. The majority of the real estate firms and investment groups I've interacted with outsource the appeal process to someone who specializes in this area.

If you are outsourcing, there are plentiful options that break down into two basic types. There are large national firms that perform these services. They typically break the country into regions and have a local specialist who services a particular region. This would be the person who works to build a relationship with the assessor's office and ensure they understand all local practices and due dates. They leverage their executive level to focus on unusual situations bringing a breadth of experience to the problem. Your other option is a local contact that works in a specific municipality. Most frequently this is an attorney or, in some instances, an individual who previously served as the tax assessor. What they typically bring to the table is strong local involvement and frequently a personal relationship with the assessor.

Here are issues to be aware of as you line up tax appeal help:

• Nobody is as interested in your tax values as you are. Put a mechanism in place to ensure you do not miss an appeal window. Mine is as simple as a reminder on my calendar to touch base with our tax appeal folks and ensure they are on it.

• Most of the contracts initially offered on appeals are based on a percentage of results (e.g., the appeal team gets paid 20% of whatever they save you). You may want to put a cap on the payment. I once had a value increase on a development that would have resulted in a $410,000 fee to the tax appeal team if they hadn't been open to a reasonable limit.

• If you are using a local attorney, you need to discuss the scope of the analytics they provide. Some attorneys will take your information and prepare the calculations to present in defense of the value they are seeking. Some only offer to perform the in-face meetings and expect you to supply the calculations and the specifics of the argument. If you are required to prepare the calculation, you can find someone who will perform it for a set fee. Often a local appraiser will provide a valuation calculation with the stipulation that it is not a full appraisal. It still behoves you to understand enough about the valuation process and the assumptions they are making to ensure you are receiving solid results.

• Be prepared to spend quality time with your appeal team. You need to thoroughly educate them on your asset. A good appeal team should ask for a rent roll, year-end financials, the latest appraisal and details on uncommon activity at the center. The uncommon activities could include a recent purchase of the asset, construction at the center, major tenant bankruptcies and any element that raises the risk factor associated with the center's value. The appeal team should also be happy to discuss the process with you and can be your greatest source of intelligence on how the local assessor views valuations.

• For those owners with leases stipulating recoverable expenses, check to ensure you are entitled to recover the costs of the tax appeal from the tenants under the terms of their lease. The majority of the retail and office leases I've worked with consider these expenses recoverable because it works in the tenant's favor to keep pass-through tax expense low.

Take the time to reach out to the companies or individuals who offer appeal services. You will find that many are perfectly willing to sign a nondisclosure agreement, review your assets and offer a preliminary opinion on whether you have the potential for a reduction. If the answer is positive, you can negotiate for them to perform the appeal on your behalf. The "cost" of that type of investigation can be as minimal as some time and effort. The upside is you could discover that you have an opportunity for significant savings.

### *Huge new study shows homes in poor areas are taxed at twice the rate as rich neighborhoods*

The study reveals structural racism at work.

Property tax in the United States is directly based on the value of the property, including land, owned by individuals.A new study from researchers at the University of Chicago found that homes in poor areas are taxed at twice the rate as rich neighborhoods
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With data from millions of sales records for properties throughout the country, you can see the differences between property tax rates in your neighborhood and others.

Cities, counties, school districts and special districts in the United States raise roughly $500 billion per year in property taxes, research shows — roughly 70 percent of local taxes. A new study reveals that much of that is paid by low-income property owners, who are taxed at twice the rate as those living in rich neighborhoods.

"In addition to violating principles of good taxation, property tax regressivity often violates the law. The 14th amendment's equal protection clause requires that all property of the same class--e.g., residential--be taxed at the same rate," author Christopher Berry, a researcher and professor at the University of Chicago, argues in the study, noting that courts interpret this clause to protect property owners from intentional and systematic discrimination.

Because of the economic impact of centuries of slavery, wealth and race are intertwined in the United States, meaning that regressive property taxes are disproportionately exacted from Black Americans, according to the study. In an analysis by the Center for Municipal Finance of 26 million residential homes sold between 2006 and 2016, homes in neighborhoods where 90 percent or more of the residents are Black are taxed roughly 50 percent higher than they are in other neighborhoods in the same county.

Using data from CoreLogic, a commercial firm which collects local data records from both public and private entities, the center generated reports for more than 99 percent of all residential properties in America available on the Harris Public Policy website. Users can select a county or city to see how property assessments in their community compare with other communities throughout the nation.

Part of the problem is the way property values, and thereby taxes, are assessed, according to Berry, which allows some property owners to undervalue their homes while others are overvalued.

"Generally speaking, assessors are not allowed to enter homes to do inspections, nor do many have the labor power to do so," Berry said in an email to The Washington Post. So, "consider two neighboring homes that were identical at the time of construction (same square footage, number of bedrooms, etc.). But over the years, one owner has not maintained the property and now has peeling paint and a leaky roof. The other owner has kept the property in pristine condition and even added a chef's kitchen and spa bathroom."

An assessor can't necessarily tell the difference, which means the two homes will be valued the same — skewing the property tax curve. And while property owners can appeal these assessments, Berry found that owners of high-priced property were more likely to do so than other property owners, who may lack the knowledge or resources to do so.

Mike Ardis, a spokesperson for the International Association of Assessment Officers, a trade group for property tax assessors, said in a statement to the Washington Post that "homes at both ends of the value spectrum tend to present a valuation issue for assessors because there can be a lack of quality data, and the motivations of market participants tend to be different at those extremes."

This is only one of several factors that Berry concludes is contributing to a system that disproportionately burdens non-white Americans. Still, Ardis told the Post the organization was "focused on improving the accuracy and precision of the appraisal methodologies on which assessments are based, and helping assessors more accurately identify and locate regressive assessments."

## CALIFORNIA

### *Property tax relief available for businesses impacted by Covid-19*

The Santa Clara County Assessor's Office is offering temporary property tax relief to businesses affected by Covid-19.

"This recession is very different than the 2008 Great Recession when we reduced the property assessments of 136,000 homes," County Assessor Larry Stone said. "The 2008 Recession was caused by subprime mortgage credit fraud and excessive risk-taking by major financial institutions. This time it is businesses, such as hotels, restaurants and retail that have been most severely impacted. Covid-19 restrictions imposed by the government have severely impacted many businesses. For others, there has been no measurable impact. The Assessor's Office intends to provide proactive reductions where warranted."

There are two different types of relief the Assessor can provide to property owners: one for the owners of the buildings and land, and another for the owners of business equipment and machinery.

To assist business operators, the Assessor is inviting the owners of businesses, such as restaurants, movie theaters, and gyms and fitness facilities, to submit valuation information about their business equipment. The Assessor's Office is legally required to assess business personal property, such as machinery equipment valued in excess of $10,000, as of Jan. 1.

"Clearly, many businesses have suffered due to the Covid shelter-in-place order and other health restrictions," Stone said. "We intend to review potential value reductions if the market value of equipment and machinery has declined."

To provide relief, the Assessor's Office is legally required to have qualitative evidence to support a reduction. The Assessor's Office is requesting that businesses provide information, such as how long it has been closed or experienced reduced hours of operation in 2020, how business income may have been affected, and the extent to which the utilization of business equipment has been impaired.

Businesses are asked to complete the request for information through the Assessor's online filing system at efile.sccassessor.org.

Businesses must file property statement filings, due April 1, and no later than May 7, without penalty.

In January, the Assessor requested owners of commercial property to notify the office if the market value of their property dropped below the assessed value, as of Jan. 1.

"Hundreds of owners requested reductions and our appraisers are evaluating each request," Stone said. "We plan to review as many of the requests as possible by June, when property owners receive the annual assessed value notification."

While the owners of commercial property (land and buildings) were requested to provide data by Feb. 26, the office will continue to accept data up to Aug. 1. For information, visit bit.ly/3eHvMQl.
CONNECTICUT

### *Property tax burdens fall on nation's lowest-income homeowners, study finds*

*Nationwide study finds that lower-income residents pay more, subsidizing the homes of the wealthy*

The Center for Municipal Finance at the University of Chicago Harris School of Public Policy has completed a nationwide analysis revealing that property taxes—which generate roughly $500 billion and represent the single largest revenue source for local governments each year—are inequitable, with the burden falling disproportionally on owners of the least valuable homes in most counties, cities, and other taxing jurisdictions across the United States.

The study finds that a property valued in the bottom 10% within a particular jurisdiction pays an effective tax rate that is, on average, more than double that paid by a property in the top 10%. This means that, on a nationwide basis, the lowest-income homeowners effectively subsidize the tax bills of their higher-income counterparts—fueling inequities across racial, economic, housing and other divides.

For example, properties located in neighborhoods that are 90-100% Black experience assessment levels that are more than 1.5 times the average for their county.

"People wouldn't tolerate this if the system were easier to understand, like the income tax. Because the way property taxes are calculated is murky to many people, the problem has gone unnoticed for a very long time," said Prof. Christopher Berry, who authored the research and is a leading expert in municipal governance. "Our analysis shows, unfortunately, that the problem is pervasive across the country, exists in each state and in the vast majority of counties. It ultimately impacts almost everyone, both homeowners and renters alike."

Using data from millions of residential real estate transactions between 2007 and 2017, Berry—who directs the Center for Municipal Finance and is the William J. and Alicia Townsend Friedman Professor at Harris Public Policy—developed the nationwide analysis and a new tool, searchable by county and city, which looks at property tax records for communities around the U.S.

The analysis compares assessed values with sales history and finds that lower-value homes were on average assessed at higher rates than higher-value homes. The interactive tool allows users to compare a particular community compares with others throughout the nation, and also provides a visual comparison of a community, county or state.

Berry's findings and methodology are available in a recent paper and on the Property Tax Fairness website. The analysis is also highlighted in a major Bloomberg Businessweek story, published March 9, detailing how property tax inequities impact residents of Detroit and other communities across the nation.

Despite the widespread nature of the issue, flaws in how properties are assessed and then taxed largely arise from limitations in the data and methods used by assessors, rather than from their government's explicit policy choices. Some localities will choose, as an example, to set limits on maximum assessment levels; grant appeals to homeowners, a process typically favoring more affluent taxpayers; or treat condominiums and single-family homes differently in the process.

Berry finds though that a primary challenge to more equitable taxation lies in the fact that many important features of a home that are observable to buyers and sellers are not observable to assessors and their models.

"Of course, each place has its own unique story and some of the factors that drive disparities in New York are different from those in Baltimore or St. Louis, Detroit or Miami," Berry explained. "And while there are inherent limitations to any assessor's ability to fully redress the problems at the local level, the reality is property taxes in America are regressive and create clear economic and racial disparities. It is a clear example of structural racism, but it is also much more than that. Even in places without significant minority populations, owners of low priced homes are getting a raw deal."

Earlier analysis by Berry on the topic demonstrated that roughly $2.2 billion was inappropriately shifted from high value to low value properties in Chicago. The resulting media coverage and political fallout from that study ultimately contributed to the election loss of former Cook County Assessor Joseph Berrios. Berry has also studied Detroit where he found evidence of a particularly unfair and regressive system, which has helped stimulate widespread activism for change.

"While the property tax has lots of appealing features in theory, in practice the tax is highly regressive, and this regressivity often violates the law," Berry concluded. "Policymakers across the country, at all levels of government, should recognize that the most important tax used to fund local governments is unfair as currently administered."

## *Empty Office Buildings Squeeze City Budgets as Property Values Fall*

A looming hit to tax revenues puts pressure on Congress to deliver relief.

At a meeting with Treasury Secretary Janet L. Yellen last month, Jeff Williams, the mayor of Arlington, Texas, laid out his grim economic predicament: Heavy spending on coronavirus testing and vaccine distribution had dwarfed dwindling tax revenue, forcing the city to consider painful cuts to services and jobs. While sluggish sales and tourism were partly to blame, the big worry, Mr. Williams said, is the empty buildings.

Those dormant offices, malls and restaurants that have turned cities around the country into ghost towns foreshadow a fiscal time bomb for municipal budgets, which are heavily reliant on property taxes and are facing real estate revenue losses of as much as 10 percent in 2021, according to government finance officials.

While many states had stronger-than-expected revenue in 2020, a sharp decline in the value of commercial properties is expected to take a big bite out of city budgets when those empty buildings are assessed in the coming months. For states, property taxes account for just about 1 percent of tax revenue, but they can make up 30 percent or more of the taxes that cities and towns take in and use to fund local schools, police and other public services.

The coming fiscal strain has local officials from both parties pleading with the Biden administration and members of Congress to quickly approve relief for local governments.

Lawmakers in Washington are negotiating over a stimulus package that could provide as much as $350 billion to states and cities. The aid would come after a year of clashes between Democrats and Republicans over whether assistance for local governments is warranted or if it's simply a bailout for poorly managed states.

On Saturday, the House passed a $1.9 trillion bill that would provide aid to cities and states and garnered no Republican support. The Senate is expected to take up the bill this week with a vote that is likely to break down along similar party lines. Republicans have continued to object to significant aid for states, saying most are in decent financial shape and cherry-picking data to support their argument, such as revised budget estimates that show improvement because of previous rounds of federal stimulus, including generous unemployment benefits.

“On the whole, state and local governments aren’t in fiscal crisis,” Senator Patrick J. Toomey, Republican from Pennsylvania, said at a Senate Banking Committee hearing in February.

For local officials from both parties, however, the help cannot come soon enough and they have been making their concerns known to Treasury officials and members of Congress.

“The pandemic is raging on and the economic impacts are very real,” said Mr. Williams, a Republican.

The pandemic has upended America’s commercial property sector. In cities across the country, skyscrapers are dark, shopping centers are shuttered and restaurants have been relegated to takeout service. Social-distancing measures have redefined workplaces and accelerated the trend of telecommuting. The $16 trillion commercial property sector is being stressed in ways not seen since the Great Recession of 2008.

According to Moody’s, the credit rating firm, commercial real estate values are projected to decline by 7.2 percent nationally from their pre-pandemic levels, bottoming out by the end of this year. The hardest hit categories are the office and retail sectors, with values declining by 12.6 percent for offices and 16.5 percent for retailing.

American cities are facing red ink for a broad swath of reasons but the pain is unevenly distributed. In some cases, rising residential real estate values will make up for the commercial property downturn and some segments, such as warehouses, have been doing well as online shopping lifts demand for distribution centers. States that do not have income taxes, such as Florida and Texas, are more vulnerable to fluctuations in real estate values.

The overall picture is problematic, and the National League of Cities, an advocacy organization, estimates that cities could face a $90 billion shortfall this year.

Big cities are bearing the brunt of the office exodus. Figures provided by CoStar show that available office space in some of the largest markets has swelled from the end of 2019 to the end of 2020. Unused space in San Francisco increased by nearly 75 percent last year, while empty office space increased by more than 25 percent in Los Angeles, Seattle and New York City.

Mayor Bill de Blasio of New York warned in January that property tax revenues were forecast to fall by $2.5 billion next year as the value of hotel, retail and office properties has fallen by 15.8 percent. With real estate making up about half of New York’s annual tax revenue, the city is planning to cut thousands of jobs this year.
Victor Calanog, the head of commercial real estate economics at Moody’s, said that in some big urban markets, rent collection rates had fallen to about 75 percent, putting pressure on owners and landlords who need to repay their loans. Eviction moratoriums and uncertainty about what degree of normalcy

will return to the office sector as vaccines are rolled out has made projecting the industry's fortunes even more difficult.

"Companies were dragged kicking and screaming to the world of letting people work remotely," said Mr. Calanog, who has been working from his home in New Jersey for the last year. "The genie is out of the proverbial bottle."

The extent of the fiscal pain facing municipalities will be clearer in the coming months as commercial property assessments come in and owners, who view the values as inflated, contest their tax bills. Jason M. Yarbrough, a real estate lawyer in Pittsburgh, said he had been fielding a growing number of calls from property owners seeking to file their 2021 appeals. With buildings and stores sitting vacant, some owners have seen their assessed values reduced by millions of dollars after challenging their assessments — lowering their tax bills by hundreds of thousands of dollars.

"We're seeing a very large demand from commercial property owners, who are getting hit from all sides," Mr. Yarbrough said, noting the squeeze this also puts on city budgets. "It's a troubling issue for municipalities because they're pegging their tax base on property values and you're assuming there's not going to be a Black Swan event."

Lawmakers and Treasury officials have been aware of the strain on the sector. Last year, Representative Van Taylor, Republican of Texas, introduced legislation that would allow the federal government to take a small ownership stake in hotels and other companies and the industry lobbied hard for aid. But commercial real estate has been one of the few sectors not to receive direct government support in the relief packages that Congress passed in 2020.

The Treasury Department under Steven Mnuchin struggled to come up with a support program for the sector and rescuing rich property owners was politically untenable in Congress.

Despite the stress on the commercial real estate sector, it has proved to be relatively resilient so far. But policymakers are keeping a close eye on the potential for more problematic fallout as the pandemic persists.

Esther George, president and chief executive of the Federal Reserve Bank of Kansas City, said in a February speech that emergency lending and relief programs had largely kept rent payments flowing, preventing delinquency rates on bank loans secured by commercial properties from rising as high as some analysts had feared. However, she suggested that more might need to be done.

"A worrying scenario is that the economic impact of the pandemic outlasts the policy support programs currently in place," Ms. George said. "Should that occur, many renters and businesses could find themselves unable to meet their obligations, forcing banks to realize losses on existing loans and weighing on credit growth and broader economic activity."

Even some economists who have expressed skepticism about municipal aid have acknowledged that lost commercial property tax revenue is an area that could use some targeted shoring up. However, they remain concerned about Congress writing checks to cities that do not need the money with a blanket bailout.

"I'm actually quite worried about the commercial real estate sector," said Douglas Holtz-Eakin, president of the American Action Forum and a former director of the Congressional Budget Office who has advised Republicans. "I have no objection to there being some sort of support for that particular area."

Many in the real estate industry have been frustrated by the restrictions that cities and states have imposed on businesses because of the pandemic, blaming them for bankruptcies and plummeting property values.

Jacob Wintersteen, a real estate developer in Texas and the finance chairman for the Houston area for the state's Republican Party, said he feared local governments would continue with pandemic restrictions if they knew the federal government would prop them up.

"The only political solution I see is a political grand bargain of trying to bail everything out right now matched with immediately requiring every state to lift all restrictions and every municipality to lift all restrictions," Mr. Wintersteen said.

Although the lobbying efforts of the commercial real estate industry were unsuccessful, groups that represent municipalities are using the plight of the sector to push Congress for their own relief. In a letter to members of the House and Senate in February, the Government Finance Officers Association warned that property tax revenue was facing a cliff.

"The lack of growth and loss in property and sales taxes nationally will continue to have a chilling effect on the economic recovery from the Covid-19-induced recession," wrote Emily Swenson Brock, director of the Government Finance Officers Association's Federal Liaison Center. "Early investment in additional financial resources directed at shoring up state and local revenue streams will protect critical safety net services across the United States."

Ms. Brock said in an interview that Ms. Yellen had been receptive to her organization's concerns.

In the meantime, property owners are grappling with what to do with their unused space and businesses are trying to decide what they will need in the future.

Drew Levine, a senior vice president at the commercial real estate brokerage Colliers in Atlanta, said that some tenants were looking to buy out their leases, others were trying to sublease vacant space and many were just waiting out the health crisis if they can afford it. Few companies are signing contracts to rent new space, however, and big corporate clients have indicated that plans for their office portfolios over the next few years remain in flux.

"Office occupiers are not ready to take the risk of going back to the office for the most part," said Mr. Levine, who was working in a largely empty building in midtown Atlanta and has seen his commute across a city known for traffic congestion shrink to 10 minutes. "The streets are empty, I could park anywhere and jaywalk across Peachtree Street."

## ARKANSAS

### *Hospitality Owners Challenge Property Tax Valuations*

The owners of a string of Little Rock-area hotels and motels have taken a shared property tax grievance to Pulaski County Circuit Court that could have implications across the state.

The basic bone of contention is whether the value of a hotel franchise, the banner or flag under which it does business, is a tangible or an intangible asset. Under Arkansas law, intangible property isn't taxable for property tax purposes.

"They're making an argument that we don't agree with," said Joe Thompson, chief administrator at the Pulaski County Assessor's Office. "They're saying the value of their franchise is intangible and that we shouldn't be taxing that. If they set a precedent here, property owners in other counties will follow suit."

The plaintiffs argue the taxable value of their 13 properties sprinkled across Jacksonville, North Little Rock, Maumelle and Little Rock should be lowered because the assessor is wrongly including the value of their franchise. The group represents about 10% of the estimated 125 motels-hotels in Pulaski County.

The group's move to circuit court follows unsuccessful appeals to the Pulaski County Board of Equalization in August and County Judge Barry Hyde in December.

For now, the appeals are separated into 13 cases spread across the dockets of six judges: Herbert Wright, four; Mackie Pierce, three; Tim Fox and Alice Gray, two each; and Wendell Griffen and Patricia James, one each.

Pulaski County lawyers are attempting to get all the cases removed from court on constitutional grounds. They believe the appeals should be heard in another forum even though the Arkansas Constitution specifies circuit court as the next avenue for appealing property tax disputes.

"The new wrinkle is the county's allegation that this is unconstitutional," said Junius Cross Jr. of the Little Rock law firm of Newland & Associates, who is representing the 13 hotels.

The county's argument: Assessment of property is an executive function. Because of the separation of powers doctrine, it is not within the province of state courts to assess property.

Under the separation of powers argument, the judiciary is the wrong branch of government to consider the appeal despite the provision in the state constitution.

"This provision requires a court to affirm or deny a petitioner's alleged valuation," according to the Pulaski County counterclaim. "To affirm a petitioner's valuation requires the court to perform an executive function by assessing the value of real property."

The county claims the proper venue for the appeal is the Arkansas Assessment Coordination Division, which is "granted the full power and authority in the administration of the tax laws of this state to have and exercise general and complete supervision and control over the valuation, assessment, and equalization of all property for ad valorem tax purposes, except common carrier property.”

In its response and counterclaim to the 13 cases, the county is asking for a ruling to declare the provision regarding circuit court’s involvement in the property tax appeals process unconstitutional.

“It will be interesting to see what happens in court,” said Junius Cross, attorney for the plaintiffs.

## CONNECTICUT

### *GOP encourages opposition to proposed statewide property tax*

Connecticut Republicans have been rallying public opposition against legislation proposed by the top state Senate Democrat that would create a new, statewide tax on commercial and residential real property.

In recent days, the state GOP, as well as individual lawmakers, have ramped up their public resistance to the bill offered by Senate President Pro Tem Martin Looney of New Haven. The General Assembly's Finance Revenue and Bonding Committee is scheduled to hold a public hearing Monday on that and other tax-related bills.

“Democrats call this a ‘mansion tax.’ But in reality it’s another tax on middle-class families," the Connecticut Republican Party said in a mass email sent Saturday, urging supporters to submit testimony opposing the legislation.

The email warned that “money would go directly to the state, not to your town or city, and the state would distribute your tax dollars to places like Hartford and New Haven.”

Looney has proposed several local property tax reforms bills during this year's legislative session to address what he calls disparate and unequal local taxation across Connecticut. Under the bill up for debate on Monday, a new, one-mill statewide tax would be placed on commercial and residential property, with the first $300,000 of assessed value exempt from the extra tax.

Because property in Connecticut is assessed at 70% of market value, Looney's bill would apply to property roughly worth $430,000 or higher. For a home with a market value of $500,000, for example, that would mean an extra $50 assessment, while a homeowner with a $1 million house would pay about $400, he said.

The estimated $73.5 million in additional funds raised from the extra assessment would be distributed back to cities and towns through programs such as increased state reimbursement for tax-exempt property, such as hospitals, colleges and state-owned property.

“We are hampered in so many ways by those great disparities,” Looney said during a recent news conference. He gave the example of the town of Greenwich having a net grand list — the aggregate value of taxable property in the community — of $734,000 per capita compared to $50,000 per capita in New Britain.

"People who visit Connecticut are shocked at the extraordinary contrast in Connecticut that exists within such a very, very short geographical distance," he said.

Some real estate agents are already weighing in against Looney's proposal.

"While CT real estate has benefited by people leaving NY and NJ during COVID, this market will not last. We will soon return to families leaving CT to escape the high cost of living," wrote JoAnn Lambert Bredenberg, an agent in Southbury who submitted written testimony. "The added tax will simply instigate the exit of our reliable taxpayers and diminish the skill sets necessary to attract more business to CT."

## ILLINOIS

### *Heads up, Chicago property owners. It's reassessment year, and it won't be pretty*

Get ready, Chicago homeowners, businesses and apartment dwellers. You're next in Cook County's property reassessment process — a property valuation system that the new Cook County assessor, Fritz Kaegi, is trying to balance out. It won't be pretty.

Chicago property owners this year will begin to receive new valuations of their homes and businesses that will be part of their property tax formula. Commercial buildings could be hit hard. The reassessment cycle could mean higher property tax bills, and higher rents passed along, in a state with already too-high property taxes.

Just ask the north and northwest suburbs, which went through the process under Kaegi. The assessment corrections pushed up taxable values an average of 15%. The south and west suburbs have been completed too, and the hit on businesses has been substantial while homeowners are expected to see some relief. That's the only good news.

The property tax burden in Illinois is not a new problem. Politicians in Springfield have kicked the can for years on policy changes that could have decreased dependence on property taxes and made Illinois a more affordable and attractive state in which to live and work.

And voters allowed a lopsided tax system in Cook County to flourish under previous assessors. South suburban Park Forest and Ford Heights, for example, continue to pay the county's highest property tax rates — communities that can least afford it. Who pays the lowest average rates in Cook County? Property owners in Burr Ridge, Barrington and Glenview.

That doesn't mean wealthier suburban homeowners have smaller tax bills than homeowners in Park Forest; it means they pay less compared to their properties' overall worth. Low-income communities for decades have shouldered more of the burden than their wealthier counterparts.

But there is hope for Illinois to inch toward a better system. Voters elected Kaegi in 2018 to right wrongs in the assessment system. He seems to be doing it. And with former House Speaker Michael Madigan — a property tax attorney whose firm made millions from the broken system — out of the statehouse, it is possible lawmakers will be willing to move in a new direction.

Where to start? With the reintroduction of a bill Kaegi pushed and Madigan squashed that would require certain income-generating properties to disclose their income and expenses to the assessor's office. That way, the assessor can better assign an accurate value.

Commercial owners don't want to do that, however. For one, they see it as a government intrusion into their private territory. Yet they already are required at the second level of the tax appeal process to turn over that information. Kaegi just wants it sooner.

They also don't want to expose themselves to even higher tax bills, which is understandable.

But to that we ask: Have commercial property owners pushed for meaningful pension changes at the state and local levels that would reduce the property tax burden? Called for less government spending? Did they fight for government consolidation, including school districts, that would reduce the number of taxing bodies? Did they lobby for pro-business reforms that would make Illinois more attractive to employers, thus spreading out the tax burden?

Or did they hire a clouted tax attorney, get their bills lowered, make the appropriate campaign donation and wait for the next round? That was the only game in town for years. To survive, many business owners did play the game. But it did nothing to get at the root of government spending.

We all have an interest in lowering property taxes in Illinois. There's a right way, and a wrong way, to do it.

## INDIANA

### *Lawmakers weigh freezing property assessments after successful appeals*

Indiana lawmakers are considering legislation that would freeze property tax assessments for four years when a property owner wins an assessment appeal.

House Bill 1166, authored by Rep. Ed Soliday, R-Valparaiso, would apply to residential, agricultural and commercial properties.

The Senate Tax and Fiscal Policy Committee on Tuesday discussed the bill, which says if a property assessment increases and the property owner wins an appeal at the county level or with the Indiana Board of Tax Review or any subsequent appeal, an assessor could not increase the assessed value of that property for four years unless something changes on that property, such as zoning, improvements or new use.

“When the court has spoken, they have spoken for four years unless there's a change in use,” Soliday said.

Soliday said the legislation is aimed at protecting property owners who win appeals, because some assessors have essentially ignored those rulings and increased the assessments again shortly following the appeals.

“You’re just wasting money to go to court,” Soliday said.

He said the assessment should be frozen for four years because that’s the typical cycle for how often new assessments occur.

But some senators are concerned that the measure would treat property owners unfairly, because if two parcels are identical and adjacent, and only one property owner successfully appeals the assessment, then the taxes for that property would be locked in for four years, but taxes could increase for the other one.

“We’re trying to find a solution that’s going to work,” Sen. Travis Holdman, R-Markle, said. “But right now we’re just concerned about that issue.”

Sen. Tim Lanane, D-Anderson, said he’s also worried about big companies deciding to appeal all of their property assessments, because there’s at least a chance they could get their taxes frozen for four years.

Soliday said he didn’t think that would happen, though, and if it did, it shouldn’t clog the appeals system because some companies are already appealing assessments every year and the measure would prompt those appeals to transition to every four years.

“I think that’s subject to debate,” Lanane said. “The incentive is there now.”

Valparaiso-based C.L. Williams & Companies, the Indiana Apartment Association and the Indiana Farm Bureau all testified in support of the bill.

But Allen County Assessor Stacey O’Day said she believes the current appeals system is working and that most counties have an appeals rate of only 1%.

“We’re hitting our target 99% of the time,” O’Day said. “I think we’re hitting the market maybe more than we get credit for.”

Indiana Association of Counties Executive Director Dave Bottorff said he’s concerned about property values increasing even when nothing changes on a specific property. For example, if a restaurant opens next to a parking lot and then starts leasing that parking lot, the value for the parking lot parcel would increase even though the property use is the same and no improvements were made.

“There are other factors that can change the value of a parcel,” Bottorff said.

The Senate Tax and Fiscal Policy Committee did not vote on the bill. Holdman, chairman of the committee, said he wants to work on some of the issues raised during the hearing.

The bill passed the House 71-22 last month. The deadline for the committee to send the bill to the Senate floor is April 15.

## IOWA

### *Most BV County Residential Assessed Values Expected to Increase*

Buena Vista County residential property owners will begin receiving notices of assessed value changes beginning March 31st, according to a news release from the County Assessor's Office.

Most residential property owners will see higher assessed values this year despite the pandemic due to low interest rates, reduced inventory, and higher demand.

The amount of change will vary dramatically based on location. The average increase for residential classed property will be 12-percent. Assessor Kathy Croker states that a 12-percent increase in assessed value will most likely NOT result in a 12-percent increase in actual taxes.

The Assessors Office conducted a review of over 250 sales in the county last year, which shows the median assessment level was 85-percent. The state law mandates a 100-percent assessment level, but allows assessors a five-percent margin when setting assessments.

The new assessed values were estimated by the Assessors Office using a Computer Assisted Mass Appraisal software. The system contains important information on arms-length sales, including the size, age, condition, and quality of the structure.

The process to determine the assessed valuation starts with estimating the current replacement cost of each structure, and then removes depreciation amounts based upon the age and condition. The depreciated structure value is then added to the estimated land value to arrive at a preliminary assessed value. That preliminary value is then compared to sale prices in over 90 different neighborhoods across the county. If indicated by the sales, a further reduction is made to align assessed values more closely with recent prices in each of the respective neighborhoods.

Owners wishing to do research on their assessed value, or look for comparable sales that would support a change in the assessed value, should go to www.bvcountyiowa.com and click on "Property Search/GIS on the home page.

The 2021 assessed values will be used in the calculations for the tax bills which will come due in September of 2022.

### *Revaluation likely to hit pocketbooks*

*Increase in assessed property values coming; April 30 last day to file appeal*

Jackson County property owners will receive some news next week that may impact their pocketbook.

Most property owners will see an increase in their assessed property values this year — an average increase of 8%, according to Jackson County Assessor Larry "Buck" Koos.

"Due to low interest rates, reduced inventory and higher construction costs, many residential property owners in Jackson County will see an increase in their assessed values this year," Koos explained.

The new assessments apply to all urban and rural residential properties in the county, not agricultural or commercial properties, Koos said.

Property owners should begin receiving assessment notices at the end of March. These notices will state the new assessed value as of Jan. 1.

Pocketbooks won't be affected until the tax bill arrives in the fall of 2022 and spring of 2023. (Property taxes are paid one year in arrears.)

Local governments and school boards use that assessed valuation to determine property taxes.

Owners can review their property and assessment information on the assessor's website at beacon.schneidercorp.com.

Property owners can appeal the assessment in April.

Three driving forces

Residential value changes are based on the location of the property and the prices at which similar properties in that area have sold, Koos said.

The assessed value is the amount of money that comparable houses are selling for in the same area as of Jan. 1.

The average increase countywide will be about 8%, but individual property increases will vary. Koos said he and assessors across the state anticipated a drop in home sales when the coronavirus pandemic hit, "but it went completely different," instead sending housing values up.

Fewer houses on the market, historically low interest rates, and a spike in building material costs fueled the assessment increase, according to Koos.

"The market is hot. It's definitely been a seller's market in Jackson County," said Koos, who sees every property sale before it gets recorded. He knows where the sales are.

Bellevue, Maquoketa, LaMotte and Preston are prime spots for selling houses in Jackson County.

"They're the hot spots, I call them," Koos explained. "They're where the sales are happening."

Factoring the change

The Department of Revenue compares the market value by dividing the assessed value of a property by its sale price and does that for every property sold in the county in the past year. If the middle number in those sales is above 105% or below 95%, the department will issue an equalization order if the county does not address it.

Jackson County's middle number was about 88% based on 2020 residential sales, according to Koos.

The result? Most but not all Jackson County residential assessments are going up, but the amounts will vary.

The assessments implemented by the county assessor's office this year should bring that middle number to about 95.7% — still within the state's guidelines, Koos said.

However, the Iowa Department of Revenue has the final say. If the department thinks the revaluation is not enough, it can issue an equalization order, and property owners won't like that, Koos said.

“We here in the county know where the sales are and where the value needs to be adjusted. If the state comes in, they’ll raise everyone’s valuations by the same percentage, and that’ll be to 100%,” Koos explained.

The Department of Revenue has until about Oct. 1 to issue an equalization order.

In Dubuque County, for example, the assessment increases are expected to range from 7.4% to 12.4% in the city of Dubuque, and by an average of 8.2% outside of the city, according to a report in the Telegraph Herald.

Assessment appeals

Property owners may request an informal assessment review between April 2 and April 25.

They also may file a formal petition with the county Board of Review between April 2 and April 30. Petitions to the Board of Review are available in the assessor’s office at 201 W. Platt St., Maquoketa, and the Iowa Department of Revenue’s website .

## KANSAS

### *'Dark store' theory tops discussion for local intergovernmental meeting*

Riley County’s counselor and appraiser both say officials should continue to pay attention a pair of bills floating in the Kansas Statehouse related to “dark store theory.”

During a meeting with local officials from various agencies Monday, county counselor Clancy Holeman and appraiser Greg McHenry gave a virtual presentation on dark store theory, legally referred to as hypothetical leased fee valuation.

Under this theory, real estate owners — big box retailers in particular — have appealed their property valuations by arguing their stores should be valued in comparison to vacant, or dark, stores in the area, instead of having a traditional fair market valuation. Retailers who have successfully used this theory have been able to reduce their valuations and property taxes by as much as half in some cases.

Holeman said there are two identical bills in the Kansas Legislature, HB 2402 and SB 222, that would eliminate the theory’s use.

“What these bills do is make it clear that fair market value in Kansas for property tax valuation does not include this hypothetical value,” Holeman said.

The proposed bills have not yet moved on to subcommittee review. Holeman said this represents a clarification to the law, and that he and others are concerned about any potential fallout to come with implementing the dark store theory on a wider scale. With property values in the millions of dollars, any reductions in valuations would add up to hundreds of thousands of dollars in lost revenue for local entities funded by property tax revenue, like local governments and school districts.

“The biggest single issue of dark store theory being applied to commercial properties, is we create a special class of properties not held to market value,” McHenry said. “Everyone else ends up getting to share the burden that those dark store cases get rid of.”

McHenry said the injection of hypothetical values into the appeals process is a recent thing and will continue as more tax appeals garner favorable rulings toward the big box retailer. He said attorneys for the large retailers will claim a property should be valued not by its current use, but by its estimated value at the end of its usable lifespan.

“In effect they’re telling us we should ignore everything that’s going on currently, with the location and physical condition of the property … and use dark store theory, that the true value of a building can only be achieved at the end of its economic life,” McHenry said.

## MICHIGAN

### *Federal judge rules on lawsuit over property tax appeals in Detroit*

A federal judge has dismissed a class-action lawsuit against the city, Wayne County and state officials that argued Detroit property owners were "illegally" prevented from appealing property tax assessments.

U.S. District Court Judge Nancy Edmunds on Friday granted a request from the defendants to dismiss the case and its claims of due-process rights violations, saying the federal court lacks jurisdiction since "there is a state remedy that is plain, speedy, and efficient."

Detroit Assessor Alvin Horhn, in a statement, said the case never had merit.

"We’re pleased that the judge recognized how quickly the city provided a simple and efficient solution to make sure every homeowner that wanted to appeal their assessment had the time they needed to do it," Horhn said. "In fact, Detroit has the most robust process in Michigan for homeowners to appeal their assessment if they feel they are inaccurate.”

Rami Naji Fakhouri of the Chicago law firm Goldman Ismail Tomaselli Brennan & Baum LLP, which filed the lawsuit last year, said in an email that the firm was still in the process of connecting with its clients and had no immediate comment.

Activists, experts and city officials gathered in February 2020 to announce the lawsuit and urged reforms to compensate tens of thousands of overtaxed Detroit homeowners.

The lawsuit said all homeowners in Detroit were mailed their tax assessments in 2017 too late to have a reasonable chance to file a tax appeal. The failure to timely mail tax notices, the lawsuit claimed, violated homeowners' constitutional rights.

The class action represented owner-occupants who got “deficient” property tax notices in 2017 and sought to allow residents to appeal their 2017 assessments and recover damages. They also wanted the county to halt foreclosures of any properties that did not get proper notice to appeal.

In 2017, the city completed an $8.4 million citywide property reappraisal. The effort was ordered by the state after a Detroit News investigation in 2013 highlighted overassessment problems.

Officials, at the time, admitted the notices did go out late but that the window to appeal was extended by two weeks so homeowners had the same amount of time to file.

The lawsuit also alleged "unjust enrichment" by Wayne County, which has oversight of Detroit's property assessments. A spokesman for the county could not be immediately reached late Friday.

In 2016, the ACLU of Michigan and the NAACP Legal Defense and Education Fund sued the Wayne County Treasurer to stop the tax auction, noting the city's inflated tax assessments. Those claims were thrown out when a Wayne County Circuit judge ruled the Michigan Tax Tribunal had oversight, not the court.

The Detroit News published an investigation in January 2020 that found City Hall overtaxed homeowners by at least $600 million between 2010 and 2016 after officials failed to accurately bring down property values in the years following the recession.

Detroit Mayor Mike Duggan has acknowledged past overassessments but said he cleaned up the practice and lowered values after he took office in 2014.

## NEW YORK

### *New York must set a single standard of assessment that is enforced statewide*

Two decades ago, the system of taxation in the Hilltowns was badly skewed. Hilltown residents burned their tax bills in front of the Knox Town Hall. The Hilltowners were as hot as the flames in their burn barrel. Some were paying more than their fair share and they weren't going to take it anymore.

There was an uprising when an outside firm was hired to set property values. Farmers were particularly upset that their land was going to be appraised at building-lot prices. Town hall meetings in Berne and Knox were packed for many months. When election time came, some board members lost their seats.

But some courageous and sensible town officials stayed the course. Property revaluation was completed in Berne, Knox, and Rensselaerville. Westerlo, however, has not revalued properties for decades. The state-set equalization rate for Westerlo is less than 1 percent of full-market value; this leaves newcomers with an unbelievably unfair tax burden.

Unlike most states, New York has no law requiring revaluation at certain intervals — international standards say there should be a review every six years.

Coming out of the pandemic — with an unprecedented infusion of support for state and local governments from the $1.9 trillion American Rescue Plan — New York State has a chance to rebuild its dysfunctional property assessment system in a way that is better.

Local village, town, county, school, and public library budgets all rest on the foundation of property taxes. They should be assessed fairly. Currently, the state has a patchwork of assessment systems and methods with no coherent oversight or teeth to ensure compliance.

Turning our local lens on Guilderland this week, reporter Sean Mulkerrin has covered the latest in a court battle between the town of Guilderland and Crossgates Mall, which is seeking to reduce its assessment by nearly half.

Crossgates has gotten the town to agree to a confidentiality pact; the judge overseeing the case has yet to sign off on the protective order.

The pact would ensure that either side could designate as confidential any documents filed or testimony given in connection with the case and, after the conclusion of the proceeding, the town and Pyramid would have 60 days to destroy all the confidential information shared between them.

Crossgates, beginning in 1993, has repeatedly sued the town to lower its assessment but the matter has taken on more urgency with retail losses caused by the pandemic.

Crossgates' secrecy about its worth is a perfect example of why the state needs a law with enforcement teeth.

Guilderland completed a town-wide property revaluation in 2019, the first since 2005. Guilderland, in 2017, had experienced a huge drop in its state-set equalization rate, which resulted in steep tax increases for residents on the edges of town with property in other school districts.

We commended the town on this page in 2017 for appealing the equalization rate. The assessor at the time, Karen VanWagenen, said she pursued the appeal because the dramatic drop hurt the town's most vulnerable residents — those who get age, agriculture, veteran, and business exemptions.

While the town's appeal was unsuccessful, it laid bare the problems with the current state system.

At the 2017 hearing, each of the three members on the state's Office of Real Property Tax Service Board conceded the state's system was flawed.

Guilderland was represented at the hearing by Laurence Farbstein, president of Industrial & Utility Valuation Consultants. He argued that assessments should be made countywide and that the current system of small, random sampling can lead to inaccuracies.

Guilderland's commercial sample in 2017 was based on just five properties: Stuyvesant Plaza, the Hampton Inn, and three apartment complexes.

"There is a disconnect," Farbstein said. When regional trends show a 1-percent adjustment factor, he said, it makes no sense that Guilderland's commercial properties were valued at $935 million in 2015 and $1.26 billion in 2017 — an increase of 35 percent. "Either the trend bears no relationship to what's happening in a community or … the selection process and the way the properties are chosen have skewed the numbers," Farbstein said.

In responding for the state, Paul Miller noted that the town of Guilderland includes Crossgates Mall. He said that, at one time, "20 percent of retail in the Capital District was going through that mall." Miller said further that, since the owner of that property won't provide data, "we have to select other property."

To ignore Guilderland's major commercial center simply because the owners of Crossgates Mall won't cooperate, clearly highlights the problem: New York needs a state law with enforcement teeth.

Steve Beals, director of the Valuation Service Data Bureau, responded, "We don't have the resources to do appraisals every single year. That's why we do trending. Again, it can cause issues."

Beside the problem of no enforcement mechanism, the state needs a common requirement for full-value assessment. Miller said that having New York allow each individual municipality to set its own assessment level was a "nightmare scenario."

"We have 1,000 jurisdictions," said Miller. "We let them set their own assessments. Most states have a single standard of assessment."

"You raised some good points," said Matthew Rand, referring to Guilderland's arguments. Rand chaired the board conducting the 2017 hearing and concluded, "Everyone acknowledges it's a flawed process but it's the process we have right now in place … No one's got the exact value of any of these properties, so it's a little bit of a cat-and-mouse game as far as what should the value of those properties be."

If the state board charged with hearing challenges from municipalities believes the process is flawed, it is past time for a change.

The state must do away with the “nightmare scenario” and must set a single standard of assessment that is enforced statewide. This will reduce the burden for the state workers who now deal with 1,000 different standards. It will save residents from skewed tax rolls and unequal burdens. It will take the heat off of local officials who, as in Westerlo, have not made the commitment to fairly assess property. In the end, it will guarantee that residents across the state are each paying their fair share of taxes.

The 5-year phase-in has been a tremendous problem here, exactly as the article states. Assessed value doesn’t align with real time market issues.

## *If Property Values Are Down, Why Are Property Taxes Up?*

When property values go down, it’s only natural to expect your property taxes to go down as well. But when New York City’s Department of Finance (DOF) sent out its tax assessment notices on Jan. 15 for the upcoming 2021-22 fiscal year, many co-op boards were in for an unpleasant surprise: Despite declines in the market value of their properties, their property taxes are going up.

Even given the city’s endlessly confusing property tax system, the numbers just don’t seem to compute. First, because the DOF isn’t working with current data – there’s a time lag of two years – its determination of market rates is somewhat arbitrary. But a more important reason for the disconnect is something that’s buried in your annual property tax bill. It’s called Transitional Assessed Value. Simply put, a fraction of the increase or decrease in a building’s assessed value from the previous year is factored into its assessed value for the current year; the assessed value for any given year also reflects the five previous years of ups and downs. In an up market, it’s possible that this Transitional Assessed Value will increase for five consecutive years. Because of that five-year spread, any decrease in market value – that is, replacing just one of those yearly jumps with a minus charge – won’t be immediately reflected in your current tax bill.

Bottom line: Don’t assume you’ll catch a break in 2021-22 because of the 2020 downmarket. “There are going to be situations where the DOF will say, ‘Look, we dropped your actual assessed value by a million dollars,’ ” says Paul Korngold, a partner at the law firm Korngold Powers. “And people are going to think, ‘Well, my taxes are going down.’ But you’re not likely to get that full million-dollar reduction. And in many cases, buildings that get a reduction in their market values may still end up paying more in real estate taxes.”

For Class 2 residential properties – which includes co-ops and condominiums – with 11 units or more, a byzantine formula is used to arrive at your property tax bill. The first step is determining market value. Because co-ops are considered rental buildings, their market value is determined by their income-earning potential based on similar rental properties. Second, multiply market value by 45% to arrive at your actual assessed value. Step 3, however, is where the calculations get tricky. The law mandates phasing in 20% of the change in your assessed value each year over a five-year period, which yields your Transitional Assessed Value. Whichever is lower, the assessed value or the transitional value (minus exemptions), is your building’s taxable value. Finally, multiply that amount times the tax rate to get your property tax bill.

The Transitional Assessed Value system, which dates back to 1983, benefits building owners in an upmarket by essentially evening out five years of normal market gains, thereby lessening the tax pinch when actual assessed values keep rising. If increases take place year over year, only 20% of those increases are felt in any given year. And because transitional value phase-ins are just one-fifth of assessment increases, the transition will usually lag behind assessed value, Korngold says, adding, “People are all too happy to pay on it, since it’s almost always less than the assessed value.”

All that, however, is turned on its head when property values decline, as they have during the pandemic. “Even if your assessed value suddenly drops, you may still be getting an increase in your Transitional Assessed Value because that amount just keeps accumulating from the previous years when your actual assessed value was higher,” Korngold says. In other words, there would have to be a significant drop in property values in any given year to offset the multiple transitional assessment phase-ins that have already gotten baked into your annual tax bill. "The system," Korngold says, "is very cruel in a downmarket."

### *Another Reason to Reform City's Property Taxes: They're Racist*

Nationwide data shows that from 2006 through 2016, inaccurate valuations gave the least expensive homes in New York City an effective property tax rate three times higher than the most expensive homes. In Baltimore it was more than two times higher, while in St. Louis it was almost four times higher, according to a report from Bloomberg.

These inequities are tucked deep inside America's system for funding its local governments, tilting property taxes in favor of wealthy homeowners even before any exemptions or abatements. And they carry a jarring implication: The residential property tax, which raises more than $500 billion annually to pay for public schools, fire departments, and other local services, is, in effect, racist.

Since the 1990s New York City has periodically tried to overhaul the property tax system, with fitful and unsatisfactory results. In 2013, a group called Tax Equity Now New York (TENNY) sued the city to force reforms, claiming that the current system favors single-family homes in well-off neighborhoods – as well as co-ops and condos – at the expense of homes in less-affluent areas and rentals.

Some jurisdictions, including New York State, impose caps that limit how much any home's taxable value can increase in a year, distorting valuations. Studies have shown that the complex cap system in New York has benefited owners of high-priced homes disproportionately. And a high percentage of the owners of those high-priced homes are white.

As the final year of his mayoralty got under way, Mayor Bill de Blasio recently vowed to revive the stalled effort to reform the city's arcane and inequitable system of levying property taxes. De Blasio claimed the coronavirus pandemic had "derailed" his administration's reform efforts, the Real Deal reported, but he vowed to get them back on track before he leaves office at the end of this year. "We've got to restart this engine," he said. (Any reforms must be approved by the state Legislature.)

Martha Stark, TENNY's policy director, isn't buying the pandemic excuse. "Blaming his inaction on the pandemic shows the mayor's lack of leadership, courage, and commitment to doing what he could to make New York City's property tax less of a tale of two cities," she said. "He had six years to make the property tax system fairer for those who were also hardest hit by the pandemic: Black and brown people, the working class, small businesses, and renters."

### *NY should use Biden Bucks to give restaurants and retailers a tax holiday*

Good news: After the horror of the past year, New York's budget crisis isn't as bad as it could be. Now, Team Biden is sending even more billions our way. Gov. Cuomo, Mayor de Blasio and lawmakers should use part of this money to support restaurants and retailers through the most direct way possible: a sales-tax holiday.

A recent report by city Comptroller Scott Stringer found that Gotham likely will end this fiscal year in June with a surprise surplus, nearly $400 million. It isn't because de Blasio has cut spending. Overtime has continued to soar, and Hizzoner never achieved the labor savings he promised. Spending is actually $500 million higher than the mayor said it would be.

Rather, tax revenues are coming in better than expected. Personal-income and business taxes will be $900 million higher than the mayor estimated in January.

When the pandemic set in last year, the city projected a double-digit decline in personal-income taxes, but these revenues are looking to fall by just 2.3 percent in the year that's just ending. This one tax source, at $13.7 billion annually, made up about one-fifth of the city's $64.4 billion in taxes, pre-COVID.

It has held up remarkably well, considering that, as of December, 560,000 New Yorkers, or 14 percent of the pre-COVID workforce, were still unemployed. For the upcoming fiscal year, which starts in July, the city faces a $1.4 billion deficit, one that will be easily closed by the largesse Washington is showering on states and cities, including $5.6 billion to Gotham.

Similar dynamics are playing out with the state budget, which is even more dependent on income taxes than is the city budget.

Why the disconnect? Income taxes are already highly progressive. In 2018, the top 1 percent of New Yorkers — 38,714 households — paid 42.5 percent of city taxes. This group hardly makes up the city's restaurant, entertainment and retail workers, who have suffered the brunt of lockdowns.

As of December, "only" 6 percent of finance workers had lost their jobs, which isn't nothing. But half of leisure and hospitality employees, including restaurant workers, were still out of work.

For all of the local governing class' talk about massive tax hikes on the rich to redistribute some of this money, there is a pragmatic way to redistribute some of that money now, without driving (more of) the rich away: Cuomo and de Blasio should use some of the expected federal relief funds coming New York's way for a sales tax holiday for restaurants and retailers, via state legislation (the state controls the city's sales tax).

Consider: In a normal year, restaurants in the five boroughs would do about $27 billion in annual business, according to a report by the state comptroller. The tax take of that is about $2.4 billion, roughly split between state and city. But this is nothing like a normal year: Much of that business is gone, anyway, no matter what the tax rate is.

The city and state simply wouldn't "lose" very much money, then, by declaring a summerlong restaurant sales-tax holiday on meals under, say, $200, starting in May, when it's warm enough for people to eat outside again.

Effectively giving people a near-10 percent discount on their meals is a good way to get them eating out again.

And it won't take away from future business. Eating a meal you wouldn't have eaten otherwise in May doesn't mean you will forego eating out in December, if the mood strikes you.

In fact, a sales-tax break now may bring in more revenue to the state and city, in the long term, by keeping some restauranteurs afloat. Other localities are free to ask Albany to do the same for them, as well.

Plus, a tax holiday would get more restaurant workers back to work, meaning they would once again pay income tax.

The state and city should also consider a smaller sales-tax break for struggling retailers, as well.

Gotham and the Empire State still have long-term budget problems, sure. The city's biggest long-term problem is that its property-tax revenues are still falling, creating deficits in future years.

But property taxes are falling because the value of the property is falling - and that's partly because of so many vacant restaurant and retail spots. A closed restaurant or store brings in no sales taxes - and less property and income taxes over time.

## NORTH CAROLINA

### *Property Tax Revaluations During the COVID-19 Pandemic*

The COVID-19 pandemic continues to apply pressure to already cash-strapped local governments. Even before the pandemic, many counties across North Carolina were grappling with budget deficits and mounting debt. Now, as counties across the state enter the second year of the pandemic, leaders are working to put together budgets that meet their community's needs during these challenging times. The chief funding source for all local government budgets is revenues derived from property taxes.

In 2021, twenty-two North Carolina counties are revaluing all of their property for ad valorem tax purposes. The counties conducting revaluations in 2021 include:

Caldwell
Chatham
Cleveland
Columbus
Currituck
Dare
Davie
Forsyth
Greene
Harnett
Haywood
Jackson
New Hanover
Orange
Person
Polk
Stanly

Stokes
Surry
Swain
Transylvania
Washington

The new property values will remain in effect for between 4 and 8 years, depending on your particular county's revaluation schedule. In Forsyth and Orange County, a revaluation is done every 4 years. In other counties, the next revaluation may not take place for another 8 years. This is important because that means your tax valuation will be locked in until the county's next revaluation. If you do not appeal during the revaluation year – within the prescribed timeframe – you will be stuck with the county's new assessed value until the next revaluation.

Counties send out their notices of revaluation within the first couple of weeks of January. The revaluations are sometimes incorrect, and it is critical that you understand the process of how to contest the revaluation of your property.

First, you should review the notice of revaluation to ensure it's accurate, and that the revaluation reflects the fair market value of the particular property. The fair market value is the most probable price a property would be exchanged for in a competitive and open market. If the county's revaluation of your property does not reflect fair market value, you should initiate the informal appeal process by contacting County Assessor staff. Many local government employees are working from home, so it is incumbent upon taxpayers to diligently contest the property tax revaluation and follow up with the County Assessor's office. Often, at this stage, a taxpayer's value submitted to the County may later be used against them by the County. It is important to understand that the value that a Taxpayer puts on a property at this stage may adversely affect later proceedings.

If the County Assessor's office doesn't revise the assessment, you must file a formal appeal to the County Board of Equalization and Review (Board of E&R). This review board is a special county board appointed to handle property tax appeals from taxpayers. Boards of E&R are required under state law to (i) hold their first meetings by the first Monday in May and (ii) adjourn by July 1. Taxpayer appeals submitted after July 1 will not be heard by Boards of E&R.

This level of the appeal is more formal, with the taxpayer being allotted a specific amount of time to present his or her case and the county also having time to present its side. The Board of E&R may choose to decide the appeal immediately or choose to delay its decision and deliberate further. Currently, some Boards of E&R are conducting hearings in person, but others are electing to conduct hearings virtually pursuant to the authority granted by the General Assembly in Section 4.31(a) of S.L. 2020-3.

If the Board of E&R does not reduce your property's value to your satisfaction, you then may appeal to the North Carolina Property Tax Commission. The Commission is similar to a trial court. Like any trial court, it is required to follow the North Carolina Rules of Evidence. When a taxpayer appeals, the taxpayer has the burden of proof. Taxpayers may present their own cases before the commission, but are encouraged to hire an attorney. Currently, the Commission is exclusively conducting hearings virtually. The Department of Revenue has not indicated when hearings before the Commission will return to being conducted in person.

When filing both informal appeals and formal appeals to local Boards of Equalization and Review, having legal representation is beneficial, because often attorneys have developed relationships with county assessors and attorneys and are also aware of statutory and administrative nuances in the law.

## OHIO

### *Franklin County homeowners not rushing to contest values*

Despite a big jump in Franklin County property values last year, homeowners aren't flooding the county to challenge their tax assessments.

As of Tuesday, 1,337 homeowners had appealed their values with the Franklin County Board of Revision. That number is expected to rise before the March 31 filing deadline.

While the number of appeals is up from the previous valuation, when 882 homeowners challenged their property values, it is dramatically down from the 6,202 homeowners who challenged their values in 2017, the last time the auditor reassessed all property in the county.

In last year's reassessment, Franklin County Auditor Michael Stinziano's office found that home values rose about 20% from 2017 to 2020, far more than during the previous reassessments.

Among Franklin County municipalities, homes rose from a low of 15.1% in Dublin to a high of 24.4% in Whitehall. Because of the way property taxes are calculated, a 20% rise in home value does not mean property taxes rise 20%.

While such a sharp rise in home values would ordinarily lead to a rise in challenges, Stinziano believes that hasn't happened this year for a few reasons, including his office's Know Your Home Value campaign last year.

"We conducted a lot of outreach to try to educate property owners. We think that helped," he said. "I also think property owners in Franklin County understand this is a very hot market."

As an extension of the outreach, the auditor's office encouraged property owners to ask the county to review their new home values, sort of a preliminary Board of Revision process. Of the 4,284 county homeowners who asked that their values be reviewed, 38% had their values changed.

Homeowners were able to file those review requests electronically, a process prompted by COVID that Stinziano plans to make permanent.

"I think the ability to submit electronically was absolutely a benefit for homeowners," he said.

Stinziano retained the electronic filing process for the Board of Revision.

Homeowners also may be challenging their values less because many understand their home is worth more than the auditor's estimate.

That's true for two reasons. For starters, the county's values last year are meant to be an average of the three previous years, not the most recent (and highest) year.

Secondly, home values have skyrocketed in the year since values were applied. The median sales price of a Franklin County home last year was $205,100, up 12.7% from 2019, according to the auditor's annual report on home sales. Prices are escalating at a similar pace so far in 2021, according to the auditor's real estate dashboard and other sources such as Columbus Realtors and Zillow.

Property owners who are contesting their assessed values must provide evidence that their home is valued too high. Evidence could include surrounding home sales, incorrect information about the home or an independent appraisal.

## PENNSYLVANIA

### *Raising property tax is better than raising other taxes*

*Why do we fear rising real estate values if they are a more reliable way to support services and schools?*

The job of the City Office of Property assessment is to determine the value of land and improvements — the basis for levying real estate and related taxes that support schools and municipal services. It should be simple: rising land and real estate values are a fundamental sign of success. It means that residents and employers want to stay and grow here, that businesses owned by Black and brown people are beginning to expand, and that new people and firms are moving here. By contrast, real estate values fall when people and jobs depart, leaving behind unemployment and a diminished tax base to support our schools and public services.

Falling values mean that low- and moderate-income families lose equity in their biggest investment: their homes. This limits their ability to pass on generational wealth to their children — one of the most vicious downward cycles of poverty. Falling values also mean that Philadelphia has had to rely far more than any other large cities on wage and business taxes and this has driven away jobs and people.

Philadelphia lost 255,000 jobs and 430,000 residents in the last three decades of the 20th century, leaving us with the highest poverty rate of America’s ten largest cities. By contrast, prior to the pandemic, we were a city that added 93,000 jobs and 56,000 residents since 2010. Even then, however, we were growing more slowly than 24 other U.S. cities and were failing to add sufficient family sustaining jobs.

For years, we have been hearing that our high-wage and business taxes deter job growth. Now, we are seeing the huge downside of depending so much on wage and businesses taxes to support local services. Instead of reaping the benefits of stored value in real estate, we are watching remote-work drain city coffers.

So why do we fear rising real estate values if they are a more reliable way to support services and schools? Why have we ignored recommendations from two tax commissions, urging us to depend less on taxing things that easily move — wages and business income — and to rely more on fixed assets like land and improvements — especially when cities that count more on real estate taxes have smaller deficits to fill?

We have created this problem because we fail to make proper distinctions between the value of real estate and how we tax it. The assessor’s job is to establish accurate values based on sales, rents, and the best computer technology. Philadelphia has not always done that well, so there are huge inequities. We need to fix that problem with professional staff and state-of-the-art technology.

But then, don't shoot the messenger. The job of the mayor and city council is to translate accurate values into equitable tax burdens — by setting rates as well as determining the types of properties to exempt and the groups who may warrant protection, such as fixed- and low-income property owners.

*Paul R. Levy is president and CEO of the Center City District.*

## SOUTH CAROLINA

### *SC Realtors and SC Chamber of Commerce release study on property tax system*

The SC Realtors and the South Carolina Chamber of Commerce (SC Chamber) unveiled a first-of-its-kind analysis of South Carolina's property tax system in a study completed by the Lincoln Institute of Land Policy (Lincoln Institute).

The purpose of the analysis is to initiate conversations with stakeholders and policymakers and develop proposals that will ultimately change the state's property tax system for the better. The report describes South Carolina's property tax system as complex, inequitable and uncompetitive.

"It is critical for our state to consistently review and restructure our tax system to provide better opportunities for our citizens," said Nick Kremydas, Attorney and CEO of SC Realtors. "This study gives an important glimpse into how we can develop a property tax structure that would offer a more than minimally adequate opportunity for all South Carolinians."

"While we have known that South Carolina's property tax system is burdensome on so many property owners, this study takes a deeper dive into a diverse group of counties to understand how it is flawed and gives options for reform," said Swati Patel, Interim CEO of the SC Chamber. "It's conclusion that our tax structure is uncompetitive, inequitable and complex amplifies the need for critical reforms to improve the business climate in South Carolina."

As part of its analysis, the report explores South Carolina's Act 388 and how it has affected the property tax system since it was first enacted in 2006. The law shifted property tax burdens from homeowners to business and renters. This increased the disparity in property tax rates, making South Carolina's property tax system of extremes an anomaly in comparison to the rest of the U.S.

"It was a great pleasure to have the opportunity to gather a team of tax experts associated with the Lincoln Institute to analyze South Carolina's unique property tax system," said Daphne Kenyon, Resident Fellow in Tax Policy, Lincoln Institute of Land Policy.

The report also lays out three critical key findings within the South Carolina property tax system:

South Carolina's property tax system is an outlier compared to the rest of the United States.
South Carolina's disparate property tax rates are both unfair and inefficient.
South Carolina's property tax system lacks transparency because of fragmented property tax administration, inconsistent language and varying land use codes.

## TENNESSEE

### *Some Shelby County homeowners see more than 50% hike in property assessments*

*Assessor plans to ask the Shelby County Commission to change reappraisals to every two years, versus every four.*

Sticker shock - that's how some Shelby County homeowners are feeling about their latest Shelby County property assessments.

Every four years, the county assessor re-assesses property values, and this time around, property values in some parts of town are sky rocketing.

Some homes have shot up by more than $100,000 in value.

When people are going to their mailbox, many are finding appraisals have gone up tens of thousands of dollars, and they fear that will turn into a large tax increase.

"When we opened it up it was a full 27%," said Dale Franklin, a Bartlett homeowner.

Franklin couldn't believe how much his Shelby County appraisal went up. His Bartlett home was appraised at $191,500. His new county appraisal $267,000.

"Really, if I could sell my house for what they appraised it for, I would sell it in a heartbeat," said Franklin.

In January, the Shelby County assessor office estimated property values in Bartlett would go up 25%. It estimated Arlington would rise 29%, Collierville 17%, and Germantown 15%.

The final appraisals in some of those neighborhoods went up even more than that.

"What we are seeing is in the outlying areas is where we are seeing the largest jump - in Collierville, Arlington, Lakeland, and Germantown," said Javier Bailey, Chief Administrator

The Shelby County assessor's office said it was anticipated the city of Memphis would see a 17% increase, but some neighborhoods are much higher than that. For example, some homeowners near the University of Memphis have seen appraisals go up more than 30%.

Places like Raleigh and Frayser are also going up.

"The reasons for the increases in those areas is primarily because of the large number of out-of-town investors that are picking up those properties, and they are paying exorbitant prices for them," said Bailey.

Bailey said the increase is the result of several things:

- The market is correcting itself from the foreclosure crisis more than a decade ago.
- The Memphis area is considered a "hotspot" for investors.
- Inventory is in short supply.

Together Bailey said it has caused prices to rise.

Bailey said state law prevents counties from cashing in during reappraisal years, so the county commission would have to lower the certified tax rate.

"They are going to be required to lower that tax rate to such that there is not a windfall of revenue coming into the county," said Bailey.

Wednesday, the assessor plans to go before the county commission asking that reappraisals be changed to occurring every two years, so homeowners don't end up with huge price hikes.

"In cities like Houston, Dallas, LA, and Chicago, they reappraise every year, so you get an accurate reflect of what the market is doing."

## TEXAS

### *Texas Senate Bill Would Tie Property Tax Disaster Loophole to 'Physical' Damage, Excluding Pandemic*

The pandemic brought to light a loophole in 2019's Senate Bill 2 that legislators are now hoping to close.

The loophole in state code that allowed cities and counties to increase property taxes above the new 3.5 percent increase limit would be substantively closed by a new bill filed in the Texas Senate.
State Sen. Paul Bettencourt (R-Houston), the chief architect of 2019's Senate Bill (SB) 2 that reformed Texas' property tax code, introduced legislation to tie the disaster loophole to physical property damage — as the legislators had intended when the bill was passed.

A section of SB 2 allotted slack to localities in the case of natural disasters, bearing in mind Hurricane Harvey and its mostly regionally focused devastation. If a city or county is within an area in which a disaster had been declared, they would no longer be tied to the 3.5 percent limit and could increase property taxes up to the old 8 percent limit without voter-approval during that tax year.

But the code has neither a stipulation for a specific kind of disaster or for its scope. And so, when Governor Greg Abbott declared a statewide disaster for the coronavirus, the entire state became subject to the loophole. Some places, like Houston, took advantage of it, while others, like Dallas, declined.

Bettencourt, along with SB 2's House sponsor Rep. Dustin Burrows (R-Lubbock), mounted staunch opposition to these loophole increases — arguing, chiefly, that the provision applies to physical damage, and not the economic damage caused by the pandemic.

The two lawmakers suggested a penalty for localities that take advantage of the loophole, but during the interim settled ultimately for concentrating public pressure on local officials to dissuade them from using it.

But this session, the pair has maintained resolve to close the backdoor within their marquee legislation from the last session. Burrows' House Bill (HB) 3 provides indirect recourse against a locality that uses the loophole, but Bettencourt's SB 1427 is more direct.

The Houston senator stated of his bill, "The disaster provisions provided for in SB 2 and HB 492 from the 86th session was meant to aid taxing entities when they sustained physical property damage from a disaster like a hurricane, flood, or a tornado."

"Unfortunately, there were a number of taxing entities that attempted to use the pandemic to increase their taxpayer's property tax bills at the worst possible time," he added.

By distinguishing between physical and economic damages, the loophole will be more closely tied to its legislative intent.

But this year even without the continuous pandemic disaster declarations, the loophole would still be triggered by the winter storm that knocked Texas' lights out during which Governor Abbott also declared a statewide disaster.

However, this bill would prevent another situation unfolding that occurred last year when the northward unemployment rate and across the board strained pocketbooks were met with large property tax increases courtesy of city and county officials.

## WEST VIRGINIA

### *Martell reintroduces vacant building tax*

*Increased funds for code enforcement, economic development a possibility*

A wide range of issues facing the city could be dealt with in-concert depending on how Portsmouth City Council votes in future sessions on a tax proposal mentioned by 5th Ward Councilman Edwin Martell.

During Monday night's City Managers session, Martell reintroduced the tax proposal for vacant buildings and storefronts. Money raised through the tax could go toward funding code enforcement and attracting businesses to the area, issues that are of high importance and needing funds.

Multiple cities across the country have enacted these fees with varying caveats, the one Martell supported being a flat fee as enacted in Oakland, California.

"We really need to do something about the blighted and vacant buildings," he said, describing the tax not as a penalty but as an encouragement. "This is just a way for us to actually do and accomplish all of those things."

2nd Ward Councilwoman Charlotte Gordon was in agreement with Martell, calling for the dots to be connected between a pressing need for affordable homes and the high amounts of empty residences.

"This may be the fire that lights it," she said describing the proposal's possibility.

City Solicitor John Haas added that the prevalence of vacant homes, 2015-2019 U.S. Census figures showing a owner-occupied housing unit rate of 46.7% in the city, is partially due to past inaction by the city.

"The list of properties that need to be torn down that have been condemned is as long as both of my arms," he said, where the city has been more flexible in giving opportunities to fix these dilapidated buildings over the years. "There really is no teeth in telling somebody you're going to get your house torn down."

The solicitor feels a reversal of this attitude, where the city starts tearing down more of these buildings, could alleviate part of the issue and encourage more proactivity by residents.

"I think if you start tearing down houses that others might get the idea that if I don't keep mine up, mine is going to go down," he said.

Martell, later in the session, agreed with Haas and asked if the proposal would be required to end up on the ballots in November. It is not known whether the city will be exempt from the tax as the topic remains a discussion item.

"If we continue to sit and allow people to sit and wait, all that does is continue to hurt the city," he said, the ballot question depending on how the proposal is structured. "It continues to bring property value down, it continues to keep businesses from popping up."

Lack of funding has limited code enforcement especially, where out-of-state violators have been able to evade punishment. The matter has been of particular attention recently, the office adding former Portsmouth City Health Department environmental director Andy Gedeon earlier this month.

In earlier discussion in the March 8 meeting, 1st Ward Councilman Sean Dunne said the time has to come to hold out-of-state owners accountable for violations. As revealed during the session, City Manager Sam Sutherland said Gedeon had reported that six of the nine homes he inspected for violations March 8 were owned by out-of-state residents.

"We have an issue where people with repeated infractions can continue to buy up property," he said, where he's not sure what punishments if any can be applied to prevent repeat offenders from purchasing the property.

Education, just as drunk drivers are required to take courses, Dunne also feels could change or lessen the frequency in which these violations occur.

Why these violating owners have been of a particular challenge says City Solicitor John Haas comes down to how deep the city's pockets are. Servicing expenses also depend on how far away the owner is, saying the work is much more feasible when in West Virginia when compared to California.

"The City has not proceeded on those cases because it's expensive," said Haas, adding that a lack of manpower also contributes to its ability. "To get service on someone from out-of-state has been the big issue."