IPTI Xtracts

Property Tax and Assessment News from Around the World

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Here's Where Property Taxes Are The Highest And Lowest

Buying a home is exciting, but it's also a huge commitment. And one of the responsibilities of homeownership is paying real estate taxes. How much you will end up paying can vary significantly depending on a variety of factors — from how much your home is worth to where you live.

To illustrate just how much variance there is in the amount of property taxes people pay, LendingTree looked at the median amount of real estate taxes paid in each of the nation's 50 largest metropolitan areas. In doing so, the online lending marketplace found that homeowners in some metros can expect to pay thousands of dollars more per year than homeowners in other parts of the country.

"Different county and state governments assess property value in different ways, which can contribute to why tax amounts vary so significantly across the country," says Tendayi Kapfidze, chief economist at LendingTree, explaining that individual areas also have different tax rates and offer different tax breaks to homeowners, which can also affect how much people are paying in real estate taxes.

Revenue generated from property taxes is generally used to fund local projects and services such as fire departments, law enforcement, local public recreation, education, street maintenance and sanitation.

The median real estate tax amount in Las Vegas — where homeowners pay the least in property taxes — is about $7,700 cheaper than in New York, where real estate taxes are highest.

Las Vegas and Birmingham, Alabama are the only two metros where median real estate taxes amount to less than $1,000 a year. The median property tax amount paid by homeowners is $696 in Las Vegas and $892 in Birmingham.

Besides New York, homeowners pay the most in property taxes in expensive cities like San Jose, California and San Francisco. The median amount paid is $8,400 in New York, $7,051 in San Jose and $6,181 in San Francisco.

"Despite these regional differences, how much homes are selling for in a given area is usually the most important factor in determining an individual home's value, regardless of where you live," says Kapfidze. "As a result, places where home prices are higher like New York and San Francisco are more likely to pay higher real estate taxes than other parts of the country, even adjusting for variations in tax rate or appraisal practices."

Real estate taxes are an average of $641 lower on homes without mortgages. Because property taxes are based in large part on home value and homes without mortgages tend to be worth less than those with mortgages, it makes sense why this is the case. Nonetheless, real estate taxes on homes without a mortgage can still be pricey, especially in areas like Salt Lake City and Seattle.

"I think it's fair to say that knowing how much you'll pay in property taxes is about as important as knowing how much your mortgage payment will be," says Kapfidze. "After all, both are things you have to pay in order to keep your home, and both can be significant expenses."

Many lenders will roll your property taxes into your monthly mortgage payments, and then use that money to pay your tax bill for you when it's due to the government.

"As a result, while you should always double check to be sure you're paying what you owe in taxes, you might only need to keep track of one payment a month," explains Kapfidze. "If you've paid off your mortgage, then you definitely have to keep a closer eye on property taxes as you'll likely no longer be able to count on your lender to keep track of them for you."

Commercial property owners gripe over Assessor's call to show how they've fared during pandemic

Orleans Parish Assessor Erroll Williams has requested that commercial property owners provide financial documents showing how well their businesses have fared as part of his work to create accurate valuations, a move that has irked some property owners.

The request, which was made in April, was sent to all owners of hotels, restaurants, retail outlets and other income-generating properties. The letter gave them four weeks to submit income and expenses from 2019 and 2020, either with summary documentation or via federal tax returns, to demonstrate how they were affected financially by the coronavirus pandemic.

The objective, the letter said, is to obtain "the most fair and equitable assessment for the upcoming 2022 tax year."

If property owners did not provide the data by May 15, their taxes would be assessed "from alternative methods" that might mean a big increase in next year's tax bill.

The move, which some owners said sounded like a demand more than a request, was the latest step taken by Williams to try and navigate property values during the pandemic. Last year, Williams made sweeping cuts to commercial property tax assessments in an effort to alleviate the economic hit to businesses — especially hotels, restaurants and bars — caused by the pandemic-related shutdowns.

Williams said he was required by law to make the cuts, a position backed up by a recent ruling from the Louisiana Tax Commission. But there's still been political fallout. City Councilmembers have questioned the move, and Williams was sued in March by the Southern Poverty Law Center, which accused him of favoring out-of-state companies at the expense of local residents, whose tax bills have gone up in recent years.

In the latest twist, Williams is now facing a backlash from some of the commercial property owners whose taxes were lower because of the controversial assessments.

Williams' office typically tries to assess the value of properties based on an educated guess as to what they're worth. However, in the effort to account for lost income to commercial properties when tourism spending dried up and lockdowns kept people at home, he made a guess as to how much their owners' incomes were hit last year when assessing the latest tax.

That resulted, for example, in cuts of 57% for hotels, 45% for restaurants and bars, 31% for small retailers to their 2021 assessments.

Williams has said that he saw those cuts as temporary and he intends to roll them back once the economy emerges from the pandemic.

But some property owners are now worried about how the documentation will be used. Several said they were concerned about the process, and lodged privacy arguments. None would agree to do so publicly, however, citing a fear of further scrutiny from the assessor's office.

"I don't object to sending them specific information showing how we were affected by COVID," said a lawyer who owns more than a dozen short-stay rental properties in the parish. "But I'm not convinced about how he is going to use the data."

One common worry was that the assessor would use the data not just to bring their taxes back into line but as leverage to slap on even bigger valuation increases.

Michael Sherman, a land use attorney who advised several commercial property owners when the assessor made last year's changes, said that it is "a perfectly reasonable request by the assessor to ask for voluntary income and loss statements." But he said that it is only one piece of a complicated puzzle that involve many different types of leases. Just adding income statements without adding other information could end up further distorting valuations.

The commercial property owners' concerns reflect long-standing gripes about the fairness and transparency of property tax assessments in general. Like residential property owners, commercial property owners have long complained about sudden hikes in property valuations, which result in soaring tax bills from one year to the next.

Williams has been in office for a decade and was the first parish-wide assessor elected. His mandate has been in part to address the chronic undervaluation of a tax which covers 45% of City Hall's annual income to pay for things like police, fire, schools and other amenities.

But like property taxes across the U.S., the Orleans Parish tax fosters widespread resentment because of what is seen as inherent unfairness. The tax is based on a theoretical valuation of an asset, and unlike income tax pays little heed to individual circumstances.

The commercial property owners echo the concerns of some residential owners in that they argue that even with the additional data requested, the assessor would see only and incomplete financial picture of the property.

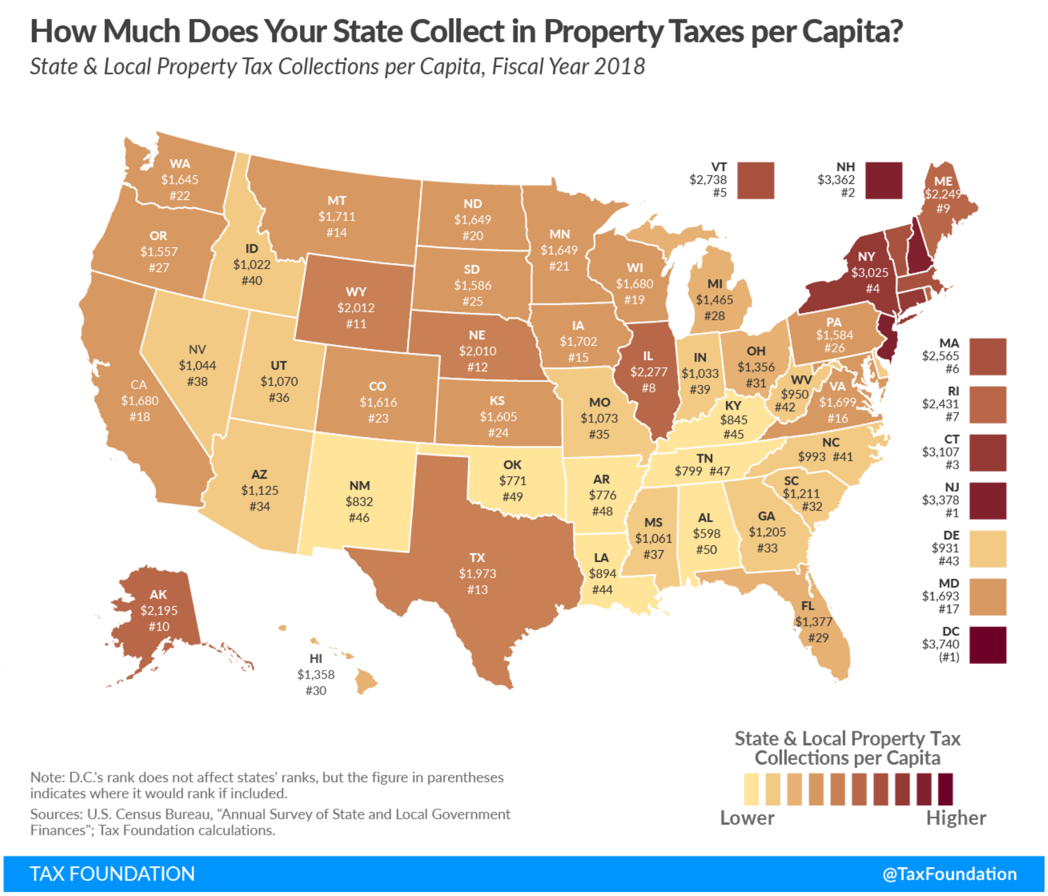
Williams' spokesperson, Devin Johnson, said the commercial owners are over-thinking the request. He said it is meant to make assessments more accurate, while they will retain the right to appeal any assessment they disagree with.

"We're really just looking for more and better data, that's the long and short of it," Johnson said.

How Much Does Your State Collect in Property Taxes Per Capita?

Property taxes are an important source of revenue for local and state governments. In fiscal year (FY) 2018 (the most recent year of data available), property taxes generated 31.1 percent of total U.S. state and local tax collections and 71.7 percent of local tax collections. Local governments rely heavily on property taxes to fund schools, roads, police departments, and fire and emergency medical services, as well as other services associated with residency or property ownership.

On average, state and local governments collected $1,675 per capita in property taxes nationwide in FY 2018, but collections vary widely from state to state. The highest state and local property tax collections per capita are found in the District of Columbia ($3,740), followed by New Jersey ($3,378), New Hampshire ($3,362), Connecticut ($3,107), New York ($3,025), and Vermont ($2,738). The lowest collections per capita are found in Alabama ($598), Oklahoma ($771), Arkansas ($776), Tennessee ($799), and New Mexico ($832).



This map can only tell so much, as property taxes vary not only from state to state but also within states. While those with high property taxes are not celebrating these payments, it's important to remember that property taxes are largely rooted in the "benefit principle," meaning that the amount of tax paid is roughly commensurate with the value of public benefits received. Police and fire services, for instance, are, among other things, protection against loss of property—and the cost of private insurance and security services rises as the value of the protected property increases. At the same time, good local public services can make municipalities more desirable, thereby increasing residential property value. As such, higher property taxes tend to be found in urban and higher-income areas.

Property tax collection practices also vary from state to state, and sometimes within states. While some jurisdictions impose a rate or millage on the fair market value of property, others impose property taxes on some percentage (the assessment ratio) of the property's fair market value, yielding an assessed value, with different assessment ratios for different classes of property (like residential, commercial, industrial, and agricultural). In some cases, moreover, agricultural and occasionally commercial property can be assessed on something other than fair market value, like the property's income-producing potential.

Pandemic-Driven Devalued Retail Real Estate Owners Should Seek Property Tax Reductions

Retail real estate has been one of the hardest hit markets by the COVID-19 pandemic. State shutdown orders and health guidelines, a shift in retailers' needs, and tenant bankruptcies have created the perfect storm for declined retail space demand. Landlords have also had to endure government-mandated rent deferrals and holidays geared at assisting tenants. Even non-paying tenants have gained significant bargaining power over rents. Retail rent collections were reported at 20% to 40% in the Summer of 2020, and U.S. mall reappraisals in 2020 showed an average 60% drop in value from several years ago. The bottom line: retail real estate values have declined.

With this decline in property values, owners of malls, shopping centers, restaurants, gyms, and other retail properties should consider applying for a reduction in their property tax liability.

California Property Tax Appeals Overview

On the Jan. 1, 2021, valuation date, California's Regional Stay at Home order was in effect and actively limiting the use and profitability of many retail properties.1 Therefore, retail taxpayers may wish to appeal the enrolled values of their properties, as the economic climate and government restrictions in place as of the Jan. 1, 2021, lien date clearly contributed to the decrease in these properties' market values.

In California, when the fair market value of a property declines below its assessed value on the assessment roll of the county where the property is located, taxpayers can, and should, proactively request the assessor to reduce the assessed value. This is often called a "Prop. 8 Request," referring to the proposition amending the California Constitution to require that assessed values be reduced to reflect declines in market value below the adjusted base year value.

For an informal review, some jurisdictions have a form by which such request can be made, but a simple letter will suffice. Be sure to identify the correct addressee to ensure your request does not go astray. Any such request should be supported by evidence of stabilized revenue, such as a 2019 income statement, as well as similar information for 2020, and budgets or proformas for 2021 and if possible, 2022. If an assessor solicits such information, provide it promptly. Assessors must finalize the tax roll by the end of June, so this request should be made as soon as possible, preferably before the end of April, to give the assessor time to process the request. Reductions in the 25% range seem to be emerging. Any such reductions are temporary.

Taxpayers should also strongly consider filing a formal Assessment Appeal Application for reduced assessment due to a decline in value with their local appeals board. This is so even if a Prop. 8 reduction is made, but such reduction is inadequate. Applications based on a decline in value must be filed during the regular assessment filing period for that county.2 If an appeal is not timely filed, the taxpayer generally loses the ability to contest the value later.

If the county assessor has elected to mail assessment notices to all owners of real property by Aug. 1, then the regular assessment filing period for all property is July 2 through Sept. 15.

If the county assessor does not elect to mail assessment notices to all owners of real property by Aug. 1, then the regular assessment filing period for all property is July 2 through Nov. 30.

The appeal must be based on the market value of the property as of Jan. 1 of the year in which the appeal is filed.

Colorado Property Tax Overview

Colorado assessors revalue properties every odd year, making 2021 a revaluation year. By May 1 county assessors will mail notices of valuation, which will show the change in valuation for this year.

For 2021, the 18-month base period (sometimes referred to as the data collection period) is Jan. 1, 2019 – June 30, 2020. Because hospitality-related properties were significantly affected during the base period due to shutdowns, restrictions, and revenue loss, hotel owners should consider protesting if the assessor's property valuation is higher than market value. Property tax protests must be filed by June 1.

New York Property Tax Overview

In New York City, real property is reassessed annually. Property owners must file a real property income and expense statement (electronically) by June 1 of each year showing income and expenses for the prior year that the NYC Department of Taxation and Finance will use to arrive at the assessment for the following January. The Department issues a Notice of Property Value with the tentative assessment by Jan. 15, showing the value it placed on the property as of the tax status date of Jan. 5. In order to protest the assessment, an Application for Correction must be filed with the New York City Tax Commission by March 1 for all properties other than one-, two- or three-family homes. Applicants to the Tax Commission with properties with an actual assessed value of $750,000 or more have until March 24 to file a Tax Commission Income and Expense statement updating the income and expenses for the immediate past year. The Tax Commission will hear and determine all applications within a year after filing. If an offer to reduce the assessment made by the Tax Commission is not accepted by the taxpayer, or if no offer is made, owners must file a petition with the New York State Supreme Court in the county in which the property is located by Oct. 24.

New York's Temporary Suspension and Modification of Laws Relating to the Disaster Emergency Executive Orders were issued after the Jan. 5, 2020, tax status date and did not enter into consideration of values for the 2020/2021 tax year. These will be considered in the valuations as of Jan. 5, 2021, as they clearly contributed to the decrease in these properties' market values.

Show Obsolescence to Help Achieve Successful Property Tax Appeals

Judith Viorst, author of the children's book Alexander and the Terrible, Horrible, No Good, Very Bad Day, had nothing on 2020. By virtually every metric, 2020 was a terrible, horrible, no good, very bad year.

Taxpayers quickly learned that while most states have some sort of catastrophe exemption for property tax tying an abatement or reduction to a defined disaster event occurring that year, the provisions and requirements in these statutes are state-specific. Few states had any authority to address whether physical damage to the property was required for the taxpayer to receive any relief.

Most states eventually concluded that some form of physical damage was necessary for property values to be reduced following a disaster. Other states went the other direction, concluding that their disaster statutes did not require physical damage, only that the property be inoperable due to a declaration of emergency by the governor. Accordingly, property values for the 2020 tax year could be reduced in those states due to COVID-19-related economic losses.

Fortunately, 2021 gives all taxpayers a fresh start. Most states use Jan. 1 as the "lien date" or valuation date for determining fair market value of property subject to ad valorem tax. For income-producing properties, taxpayers now have a full year's documentation of COVID-19 impacts, which more accurately demonstrates the fair market value of their properties in the current, COVID-19 economic climate. At a high level, such documentation may include financial statements with year-over-year and month-over-month comparison of revenues to expenses and profits to losses.

Drilling down, taxpayers should be able to demonstrate the source of these changing numbers, such as reduced employee hours, decreased production outputs and sales, unoccupied rooms, canceled conferences and the like. Comparable sales information should also now be available.

This information generally relates to economic obsolescence, which is a loss in value due to causes outside the property and which are not included in physical depreciation. Taxpayers also must consider whether their property exhibits functional obsolescence, or a loss in value due to the property's lack of utility or desirability.

Functionality is tied to a property's amenities, layout and current technology. A property's functional obsolescence is measured through reduced or impaired use. Taxpayers can quantify the lack of use in 2020 and compare it to pre-2020 capacity and usage in arguing for a reduction in taxable value.

Historical information is key to the taxpayer's case, as is evidence of adaptation to current market trends.

For instance, a year ago, who would have imagined that neighborhood and big box stores of all stripes would start delivering their products directly to customers' homes? Suddenly, abundant check-out lanes, wide aisles, sampling stations and sprawling parking lots became unnecessary. Drive-thru lanes and carryout spots are now de rigueur.

Hotels have been similarly affected. Traditional amenities such as atria, loud restaurants crammed with tables and small, sophisticated lounges are passé. Motels with open-air access are enjoying a renaissance.

Resourceful restaurateurs have figured out how to make street-side dining desirable. Patios are now essential. While many of these changes in use may only be temporary, some are expected to be longer-lasting.

Consider commercial office space: Prior to the pandemic, many office-using employers permitted only limited remote working, but working from home has now become the "new normal." Facility planners expect the traditional office environment to shift to a hybrid model, with expanded remote working, office-sharing and fewer in-person communications. Large conference rooms are out; state-of-the-art multimedia systems have taken their place.

These trends impact real estate values because they affect how property is used, or more importantly, not used. Commercial real estate developers will not be laying out offices the same way they used to, and hoteliers will not be building out the same large conference centers post-COVID. And the reality is that much existing buildout, furniture and equipment is going unused.

So for now, a replacement cost analysis is the most appropriate valuation method for those property types, because it reflects the functionality of the property and the fact that the property would not be rebuilt as-is.

Of course, as more and more businesses adapt to post-pandemic market trends, the lack of utilization may be deemed industry-wide rather than property-specific. At that point, the loss should probably be considered external (or economic) instead of functional.

In either case, taxpayers should be prepared to demonstrate the inutility of their property, and the cost of such inutility, to reduce taxable value.

This year may not turn out to be a wonderful, awesome, not bad, very good year. But at least taxpayers are now in a better position to present the sort of information that shows the adverse impact of a pandemic on fair market values. And if that translates to lower ad valorem tax liabilities, then this decade is off to a very good start.

ARIZONA

Arizona Court of Appeals Holds State and Local Property Taxes Assessed Against Permanent Improvements Located on Leased Trust Land Are Preempted

In a decision that impacts entities and individuals doing business in Indian Country, the Arizona Court of Appeals sided with the Taxpayer in its challenge to the state and county's power to tax property on tribal land in the case South Point Energy Center, LLC v. Arizona Department of Revenue, decided on April 27, 2021.

The Taxpayer in this case is a non-Indian entity that owns and operates an electrical generating plant (Facility) in Mohave County on land it leases from the Fort Mojave Indian Tribe. Under the terms of the lease, Taxpayer owns the Facility and all improvements, but is required to remove most of the above ground improvements and personal property from the leased land at the end of the lease term.

The Taxpayer had originally sued the Arizona Department of Revenue (Department) to recover property taxes it had paid over the course of several years. The Tax Court ultimately ruled that the Facility is not a permanent improvement exempt under § 5108, because the lease requires Taxpayer to remove the above-ground improvements at the conclusion of the term, and it granted summary judgment to the Department, holding that under *White Mountain Apache Tribe v. Bracker*, 448 U.S. 136, 151, 100 S.Ct. 2578, 65 L.Ed.2d 665 (1980), tribal sovereignty does not preempt taxation of the Facility.

On appeal, Taxpayer first argued that the Tax Court erred by failing to rule that property taxation of its Facility was per se preempted under 25 U.S.C. § 5108 and that it was therefore exempt from the property tax.

25 U.S.C. § 5108 provides, in pertinent part:

The Secretary of the Interior is authorized, in his discretion, to acquire, through purchase, relinquishment, gift, exchange, or assignment, any interest in lands, water rights, or surface rights to lands, within or without existing reservations, including trust or otherwise restricted allotments, whether the allottee be living or deceased, for the purpose of providing land for Indians. . . .

Title to any lands or rights acquired pursuant to this Act or the Act of July 28, 1955 (69 Stat. 392), as amended (25 U.S.C. 608 et seq.) shall be taken in the name of the United States in trust for the Indian tribe or individual Indian for which the land is acquired, and <u>such lands or rights shall be exempt from State and local taxation</u>.

(Emphasis added).

The Department had argued that, whether the tax is preempted is controlled not by § 5108, but instead by *Bracker*, a case that addressed a challenge to fuel taxes and motor vehicle licensing fees imposed on a non-Indian company doing business on trust land. *Bracker* applies a balancing test of the state, federal, and tribal interests at stake to determine whether, in the specific context, the exercise of state authority would violate federal law. The Court rejected this argument and distinguished *Bracker*, noting that "*Bracker* has nothing to say about property that is categorically exempt from taxation under § 5108."

The Department had cited to 25 C.F.R. § 162.017, a federal regulation issued by the Bureau of Indian Affairs, in support of its position that *Bracker* applies to permanent improvements owned by non-Indians on leased land. The Department argued that the "subject only to applicable Federal law" language in the regulation refers to *Bracker*. The Court dismissed this argument as well, stating that "[a]lthough we agree that *Bracker* constitutes "federal law," "federal law" also includes § 5108 and the cases applying that statute, including *Rickert*, *Mescalero*, *Chehalis*, and *Stranburg*."

Thus, applying the text of § 5108 and the reasoning of the several federal cases applying the statute, the Court concluded that a tax on any permanent improvements subject to the Lease is effectively a tax on one of the privileges of the Tribe's ownership of trust land, and therefore is barred by § 5108. Because § 5108 categorically exempts any permanent improvements subject to the Lease, the Court stated that it did not need to determine whether taxes imposed on those permanent improvements also would be barred under a *Bracker* analysis.

The Taxpayer also argued that the Tax Court erred by ruling that the entirety of the Facility is personal property, and not permanent improvements to which § 5108 would apply. The parties had agreed that the Facility contained both personal property and permanent improvements, but the Tax Court nevertheless concluded the Facility was entirely personal property, based upon the lease provision that requires Taxpayer to remove all above-ground improvements at the end of the term. The Tax Court had reasoned, "[i]f [Taxpayer] retain[ed] the right to remove an improvement, that improvement is by definition not a permanent improvement."

The Court noted, however, in making its ruling, the Tax Court disregarded the principle that federal law, not state law, determines whether specific property is a permanent improvement exempt from taxation under § 5108. Under federal tax law, whether an asset is a permanent improvement or personal property turns on six factors set out in *Whiteco Indus., Inc. v. Comm'r,* 65 T.C. 664 (1975). The factors are: (1) "Is the property capable of being moved, and has it in fact been moved?"; (2) "Is the property designed or constructed to remain permanently in place?"; (3) "Are there circumstances which tend to show the expected or intended length of affixation, i.e., are there circumstances which show that the property may or will have to be moved?"; (4) "How substantial a job is removal of the property and how time-consuming is it? Is it 'readily removable'?"; (5) "How much damage will the property sustain upon its removal?"; and (6) "What is the manner of affixation of the property to the land?" *Whiteco*, 65 T.C. at 672-73.

The Court noted that, under *Whiteco*, while the existence of a contract requiring removal of the property is relevant, it is not determinative, and accordingly held that the Tax Court erred by concluding that the Facility was "by definition" not a permanent structure without conducting a *Whiteco* analysis.

In sum, the Court concluded that 25 U.S.C. § 5108 establishes a categorical exemption for permanent improvements on Indian land held in trust by the United States, and because the tax court erred by concluding the Facility was entirely personal property without conducting the proper analysis, it vacated the Tax Court's grant of summary judgment to the Arizona Department of Revenue. The Court remanded the case to conduct a *Whiteco* analysis to determine which, if any, of the assets that make up the Facility are permanent improvements that, therefore, are exempt from taxation under § 5108. The Court then instructed the Tax Court to consider whether property taxes on the assets that are not permanent improvements are preempted under a *Bracker* analysis

CALIFORNIA

COVID-19's Impact on the Los Angeles Hotel Market

The Los Angeles hotel market, along with the rest of the world, experienced an unprecedented drop in demand in 2020 following the start of the COVID-19 pandemic. Hotel occupancy declined to 49% in 2020, compared to 80% in 2019, while average daily rate (ADR) decreased to $139 in 2020 from $181 the previous year. Overall, revenue per available room (RevPAR) decreased 52.6%, the largest decline in the history of the market. Based on the latest dynamics of supply and demand, below we present our latest forecasts for the recovery of L.A.-area hotels in 2021 and beyond. As with the rest of the industry, while occupancy is anticipated to recovery more quickly, ADR losses often take many years to recover. Our forecast assumes a recovery to 2019 levels after 2025, as illustrated in the following table.

Major factors contributing to our forecast are summarized as follows:

- Occupancy and ADR in 2020 both experienced deeper declines than originally anticipated by HVS in the forecast presented last year at this time. While the post-lockdown recovery in the summer of 2020 seemed promising, the start of the third wave of COVID-19 in the late fall resulted in a major setback for area hotels due to the reimplementation of strict government travel restrictions. These restrictions included guidance that hotels should only be open to essential workers and travel, as well as a mandatory ten-day quarantine upon arrival in the state. While the restriction on hotels has since been lifted, the quarantine still officially remains in place.
- As a world-class gateway market, international visitation has traditionally been a significant demand generator for the Los Angeles market. In the year-to-date February 2021 period, per the latest data available, international arrivals at Los Angeles International Airport (LAX) remained 85% below the level registered for the same period in 2020, as many international borders remain closed, illustrating the lack of recovery in international travel a year into the pandemic. As with most airports around the country, flights continue to be added on a monthly basis, primarily to domestic destinations. LAX has also made significant progress over the last twelve months on its $14-billion capital improvement plan. These upgrades are necessary, as the city plans to host several large events in the coming years, including the Super Bowl in 2022 and the Summer Olympics in 2028.
- L.A. lost a net total of 395,000 jobs in 2020, and unemployment soared to 10% by year-end 2020, compared to 4% in 2019. Of the job losses, 39% were in the leisure and hospitality sector and 9% were in the film sector. L.A. was disproportionally impacted by job losses in the hospitality sector given its reliance on tourism and international visitation. With the reopening of the economy in early 2021, we would anticipate a recovery in the local job market. Similarly, while filming activity remains low amid COVID-19 restrictions, total filming days have recovered quarter-over-quarter after reaching a low point in the second quarter of 2020.
- Hotels and submarkets throughout Los Angeles County have experienced uneven declines or recoveries, as the mix of demand and clientele can vary widely within the region. As an example, coastal hotels, which would have been expected to benefit from "drive-to" leisure demand, still struggled, as the client base is often international, while hotels located near industrial/warehouse/transportation hubs have nearly recovered all of their COVID-related losses.
- Los Angeles features 205 million square feet of office space. According to REIS, office vacancy increased from 14% in 2019 to 15% in 2020, while average asking lease rates decreased from $41 to $39. With more work-from-home flexibility provided by many companies, REIS forecasts that vacancy rates will increase through 2023, peaking at nearly 18%, with average asking lease rates remaining relatively flat throughout that period. With 2.1 million square feet of office space completed in 2020 and another seven million under construction with planned openings in 2021 and 2022, our opinion is that these vacancy and lease rate forecasts are optimistic in light of the major shifts occurring in the office space sector in urban locales. Nevertheless, with most workers expected to return to the office starting in the summer of 2021, we anticipate demand associated with business travel will also start to return to submarkets heavily dependent on corporate-related demand.
- Within Los Angeles, urban submarkets including Hollywood and Downtown Los Angeles have been the most affected over the last twelve months. Entertainment companies, such as Netflix, which generated a significant number or room nights for the Hollywood submarket, have significantly curtailed business travel. Downtown L.A. (DTLA), home to nearly 39 million square feet of office and the Los Angeles Convention Center, has been affected by a dearth of office employees and a complete lack of conventions. While the greater region has started to record occupancy levels in the 60% range, as of March 2021, occupancy levels in the most affected submarkets remained in the 30s and 40s.
- Although convention activity remains non-existent at the Los Angeles Convention Center and at the city's major meeting venues, in early April 2021, the State of California finally provided guidance related to how and when groups would be able to meet again. Effective April 15, large groups can meet

indoors or outdoors throughout California, and group sizes are limited to a maximum of 200 or 400 people, respectively, in the less restrictive tiers. According to our conversations with market participants, large-scale group activity is scheduled to return to L.A. and the convention center as early as July 2021. A recently released goal from the Governor of California to fully open up the economy by June 15 will further allow for larger groups and conventions to return.

- Major theme park attractions in the greater metro area are a significant driver of demand in the market. These attractions have remained closed since the start of the pandemic. However, on April 30 2021, attractions such as Disneyland, Universal Studios, Knotts Berry Farm, Six Flags Magic Mountain will be allowed to reopen with reduced capacity.
- Following a surge of exciting new hotel openings in 2019, including The Hoxton, SOHO Warehouse, Silver Lake Pool & Inn, Santa Monica Proper, and The West Hollywood EDITION, new openings maintained the pace in 2020 through early 2021. These new hotels included The Wayfarer DTLA, Hotel June, Hotel Mariposa, AC Hotel by Marriott Los Angeles South Bay, The Glenmark Hotel, and the Pendry West Hollywood. Notably, nearly all recent new supply comprises either independent hotels or soft/ lifestyle brands, marking a departure from traditional brands.
- New supply in 2021/22 will include some exciting and highly anticipated properties, including the Fairmont Century Plaza, Godfrey Hotel Hollywood, Caption by Hyatt Hollywood, Thompson Hollywood, and CitizenM Downtown Los Angeles.
- Despite new openings, as of February 2021, the Los Angeles submarket had experienced a 6.3% decrease in supply compared to the same time in 2020, before the start of the pandemic, reflecting the temporary or permanent closure of approximately 6,500 hotel rooms. As mentioned previously, the severe drop in demand in some submarkets, such as Downtown Los Angeles, has not warranted the reopening of some hotels, including the NoMad Hotel, the InterContinental Century City, The Mayfair Hotel, and The Standard DTLA, and it has caused the permanent closure of the Palihouse West Hollywood and The Standard West Hollywood.
- Following the peak of the pandemic in early January, restrictions began to be removed across the state and county in late January, and a full reopening has progressed gradually since that time. As of April, Los Angeles had the lowest case numbers since the start of the pandemic, and over 29% of the population had been fully vaccinated. The increase in vaccinations locally and across the country is providing individuals with the confidence to travel again.
- In terms of hotel transactions, 2020 was a unique year for the Los Angeles market. Nearly half of all hotel sales were acquisitions of mostly economy hotels by government entities seeking to house the homeless. A selection of 13 such transactions revealed that these assets sold on average at $175,000 per room. Aside from these atypical transactions, the remaining sales revealed derived cap rates of 7.2%, which can be considered slightly higher than the historical norm for this market. Some notable sales included the Viceroy L'Ermitage Beverly Hills ($840,000 per room), the Georgian Hotel Santa Monica ($744,000 per room), and the Renaissance Los Angeles Airport ($217,000 per room). Investor appetite for assets in L.A. and Southern California remains strong, all things considered, and at times appears unaffected by some of the latest dynamics of the industry.

Without a doubt, 2020 was an extremely difficult year for the L.A. lodging market. While the dynamics of supply and demand remain in flux and ever-changing, L.A.'s geographical, natural, and scenic attributes remain constant and make it a unique destination in the United States. From the entertainment industry to the tech sector, from trade and manufacturing to the array of outdoor and leisure attractions given the favorable year-round climate, the area's economic drivers are deep and robust and will assist the market in the upcoming recovery. This continues to drive a deep optimism among market participants that the worst period for the lodging industry in L.A. is behind us and only recovery lies ahead. We agree that the local lodging market has officially embarked on a recovery. However, the performance of the market over the last year and thus far in 2021 reveals that the road to recovery is likely steeper and longer than most market participants have anticipated since the start of the pandemic. Nevertheless, L.A. and Southern California are expected to reach the forefront of innovation, industry, trade, commerce, and leisure once again, as they have over many decades, which should benefit the hotel sector during the recovery.

HVS regularly consults throughout California, with Consulting & Valuation offices in Los Angeles and San Francisco. Luigi Major, MAI, and his team are available to assist you with any consulting needs. Follow Luigi on LinkedIn or Twitter or message him directly at lmajor@hvs.com.

Los Angeles County's COVID-19 Guideline Highlights (as of April 15, 2021)

- Los Angeles County remains in the Orange Tier (the second out of four tiers in California's Safe Reopening Plan), reflecting "moderate" community transmission levels.
- Movie theaters, restaurants, churches, museums, zoos, and aquariums can operate at 50% of indoor capacity, while gyms can operate at 25% of indoor capacity.
- Theme parks can operate at 25% capacity, and outdoor live-event venues can operate at 33% capacity.
- Large group events are limited to 15% capacity for venues that can host 1,500 people (200 people max), and 10% capacity for larger venues (2,000 people max), if all attendees are tested for COVID-19 or show proof of vaccination.

May a city impose a special tax on a property owned by a religious institution?

Facts: Property owners in a city approve a special property tax to cover the cost of paramedic services within city boundaries. The special taxes becomes a lien on all property within the city, including property used to operate a religious institution. The owner of a property used as religious institution pays the amount of special taxes due then demands a refund for overpayment as exempt from property taxes, which the city denies.

Claim: The property owner claims it is exempt from all property-related taxes including the paramedic tax since the property is used for religious institutional purposes.

Counterclaim: The city claims the property is not exempt from liability for the voter approved special tax since the tax is not an ad valorem property tax from which religious organizations are exempt.

Holding: A California appeals court holds the property owner is not entitled to a refund since the religious institution exemption from property taxes does not extend to voter approved special taxes. [Valley Baptist Church v. City of San Rafael (March 2, 2021) _CA6th_]

COLORADO

Colorado Supreme Court: School districts can raise property taxes without voter permission

Public school funding that partly relies on property tax revenue has suffered for years, largely because of TABOR

The Colorado Supreme Court gave its blessing Monday on a proposed tax change that would bring in hundreds of millions in additional annual revenue for school districts and wouldn't rely on voter approval.

The court said in an opinion that HB21-1164, a Democrat-led bill headed to Gov. Jared Polis, is legal because voters had already consented to what is being proposed. The opinion runs contrary to previous guidance from the state Department of Education.

Starting July 1, the bill allows school districts to gradually raise property taxes without voter approval, which is a workaround to the Taxpayer Bill of Rights (TABOR). Cash-strapped school districts could see a projected $91 million extra next fiscal year, with the statewide total creeping up annually to a peak of $288 million over the next 19 years.

Currently, the state picks up the tab for roughly two-thirds of the $7 billion cost of running K-12 schools in Colorado; the balance will swing a bit in taxpayer's direction, should Polis sign the pending bill.

Supporters of this bill say it would cure an inequitable funding scheme in which wealthier districts where property values have risen but property taxes have fallen get more money from the state. In many cases, poorer districts have been stuck paying higher tax rates.

Arvada Democratic Sen. Rachel Zenzinger, a bill sponsor, said schools are "dramatically underfunded" and this bill won't really change that. Rather, she said, it "allows us to make quicker progress" toward higher per-pupil school funding.

She and other supporters of the bill have argued that it would merely correct a longstanding error, as voters in 174 of 178 school districts already voted to allow their districts to ignore caps on spending.

The court said much the same in its opinion: "(S)chool district voters previously approved waivers of the applicable TABOR limits … (but) the school districts did not implement those waivers." The justices added that the bill to "eliminate the tax credits at issue" does what voters approved.

"In these circumstances, the court perceives nothing in TABOR requiring further voter approval," the justices said.

The House passed the bill early in the session and senators had been waiting to take action since March, when it asked for the high court's opinion. On Monday, Republican Sens. Don Coram, Kevin Priola and Bob Rankin joined with all 20 Senate Democrats to give the bill final approval.

"I think this is one of the biggest steps forward around school finance in recent memory," said House Speaker Alec Garnett, a Denver Democrat who was a sponsor of the bill. "I think this is an opportunity to help make sure there's more dollars in the classroom, and us balancing out probably the most broken part of the system, which is the (inequity) between the districts. It's a pretty historic day."

One Supreme Court justice, Brian Boatright, dissented Monday, saying "property owners will pay more taxes from one year to the next. That is the very definition of a tax increase under our constitution. Therefore, in my view, this bill violates our constitution by raising tax rates without voter approval."

Eagle County property value notices sent out

Latest notices won't reflect market activity in the second half of 2020

With the notices of value sent out property owners have the rest of this month to file appeals of those notices. Those appeals can be filed online, mailed or dropped at drop boxes in Avon, Edwards, Eagle and El Jebel.

Eagle County's property value notices have been mailed out. Values went up, for the most part, but won't reflect the run-up in prices the county's seen since the summer of 2020.

In Colorado, county assessors' offices every two years determine the value of all taxable property. That valuation is based on sales of comparable properties. According to state law, months of research into values is distilled to a "snapshot" of values as of June 30. Taxing districts from schools to towns to cemetery districts then use those values to determine their mill levies, which set the tax rate.

The values set on the snapshot date in 2020 will apply to taxes levied in 2021 and payable in 2022.

While the current value notices don't account for the current inflation in the market, Eagle County Assessor Mark Chapin said that, on average, values in the measurement period increased by 0.5% to 1% per month.

But value increases depend in large part on location.

"We saw a range from no change to (significant)," Chapin said.

One of the bigger unknowns is new construction and property remodels. Some of those values could jump by as much as 60%, which isn't common.

With the notices of value sent out, Chapin said property owners have the rest of this month to file appeals of those notices. Those appeals can be filed online, mailed or dropped at drop boxes in Avon, Edwards, Eagle and El Jebel.

Once the appeals are adjudicated by the Assessor's Office, property owners can appeal in August to the Eagle County Board of Assessment Appeals.

Tax impacts still unclear

The exact impact of those value increases depends on how districts set their mill levies, or tax rates, near the end of this year. There are more than 80 districts in the county that collect property taxes, but no one pays taxes in all those districts. Those districts can range from school districts, into which virtually everyone pays, to towns and more specialized districts which use tax revenue for everything from local cemeteries to recreation to individual metropolitan districts.

Eagle County Schools takes the biggest share of valley residents' property tax dollars, almost 39%. Eagle County's general fund takes just less than 7% of the collections. Towns, on average, take just more than 5% of a property tax dollar.

Still, many will be paying a bit more in 2021 taxes.

Chapin used the example of a townhome in Gypsum valued at roughly $300,000 in the 2020 valuation. That home grew in value by just more than 12% between the 2018 and 2020 notices. If that home's property tax mill levies remain constant, the owner of that home will pay about $150 more in property taxes in 2021 than in 2020.

Those increases will come because voters in a number of local taxing districts, including the school district, agreed to remove those districts from the revenue limits imposed by the 1992 Taxpayers Bill of Rights amendment to the Colorado Constitution. Voters in the state in 2020 also removed some of the restrictions imposed by the state's Gallagher Amendment, passed in 1982 by state voters.

Changes in the law

Given those changes, longtime local Realtor Mike Budd said he expects future property tax rates and collections to be more proportional with value increases.

Budd, who lives in Singletree, said his home's value has increased significantly since he bought it in 1997. But values have also ebbed and increased given the state of the valley's economy.

Still, Budd said, people coming to the valley from its traditional feeder markets of Texas and Florida may not be disturbed by tax rates in Colorado.

While Texas and Florida don’t have state income taxes, they do have relatively high property tax rates. So do other feeder states including California, Illinois and New York.

“All of those are horrible tax states,” Budd said.

While tax bills are expected to increase somewhat this year, “The good news I’ve got two more years of reasonable taxes before (the next value increase) hits,” Budd said.

How it works

County assessors set values for property taxation purposes.

Those values are set every two years.

This year’s value notices reflect 2020 market conditions.

Those values will be applied to taxes for 2021 that are payable in 2022.

Increased tax bills expected for most El Paso County property owners, assessor says

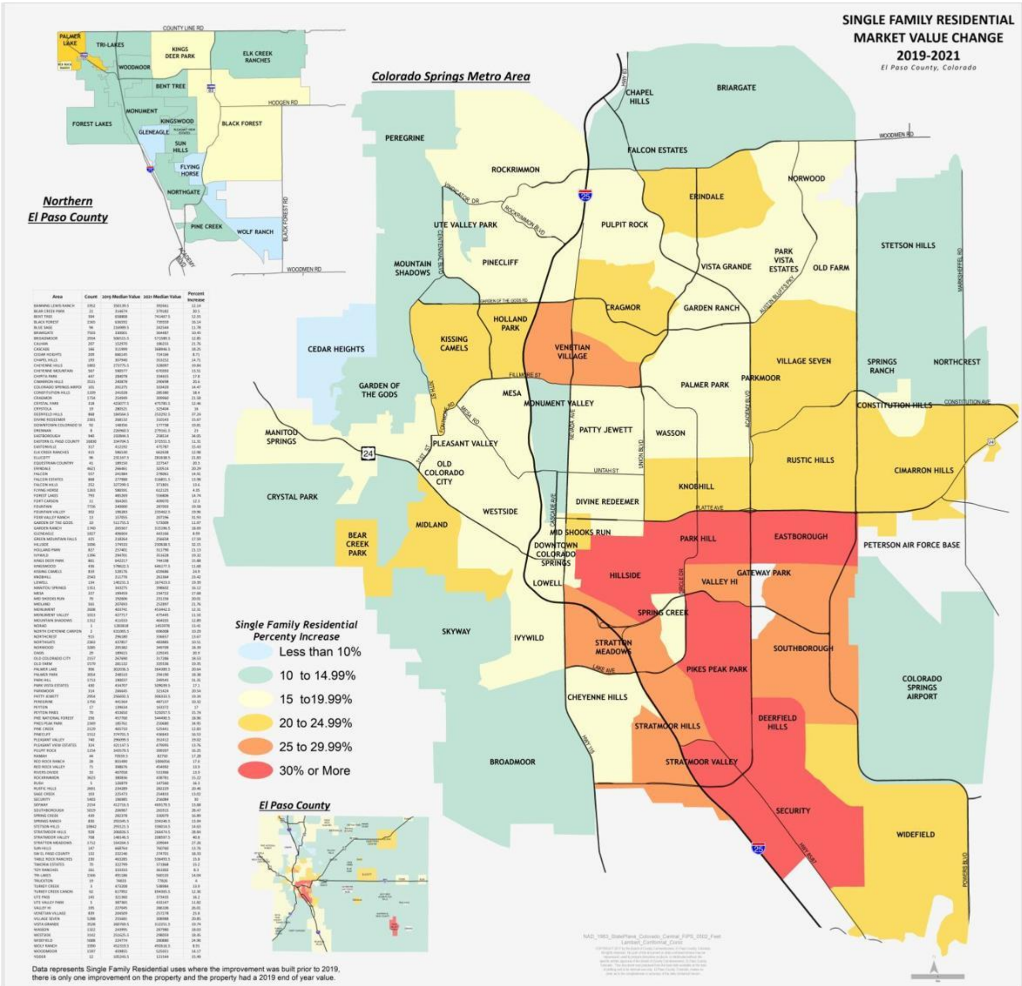
Residents who have been smiling about skyrocketing property values in El Paso County will get confirmation of that soon, but it comes with a price — larger tax bills.

The El Paso County Assessor’s Office will mail updated tax value notices to the county’s more than 300,000 property owners Friday, and most will see increased tax valuations. Across the county, 98% of single-family residences and most commercial and industrial properties, vacant and agricultural land, multi-family housing and new construction increased in value since the last reappraisal was completed in 2019, according to a county news release detailing the changes.

The value of single-family homes in El Paso County increased on average by 15% to 20% between July 1, 2018, and June 30, 2020, Assessor Steve Schleiker previously said. In that same period, the county saw a record 49,757 sales — most of which were single-family homes, he said.

The largest increases in single-family home values — 25% or more — were largely in the southeast portions of Colorado Springs, south of Platte Avenue and east of Colorado 115, according to a map released by the El Paso County Assessor’s Office.

2021 El Paso County reappraisal (single family residential) neighborhood value increase map



This map, which shows the 2021 reappraisal single-family residential neighborhood value increase, shows the highest increases — 25% or more — were largely in the southeast portions of Colorado Springs, south of Platte Avenue and east of Colorado 115. (Courtesy of the El Paso County Assessor's Office)

To complete this year's appraisal, Schleiker's office analyzed more than 40,000 sales, as well as costs and income for vacant land and commercial properties, according to the news release. Real estate sales during that 24-month period from 2018 to 2020 were used to determine property values for 2021 and are reflected in 2022 property taxes, the release states.

The notices to property owners will include the previous assessment value, the current value and the net change. They will also show the assessment rate — this year 7.15% for residential property and 29% for commercial and vacant land — in compliance with voters' partial repeal of the Gallagher Amendment in November. The amendment froze property tax assessment rates.

Property owners who do not agree with the valuations can file an appeal between Friday and June 1, Schleiker has said.

These Denver neighborhoods are getting the biggest property tax hikes

Let’s dive into assessment data, shall we?

You got a letter from the city assessor this week if you own a home in Denver. Inside, you probably saw that your property is officially worth more than it was last year. A lot of homes rose more than 15 percent from their last assessment in 2019, and that is no small thing.

For some, that might be nice news! But there are residents in this city who are none too happy that they’ve got to pay higher property taxes next year.

We dug into the numbers on this biannual valuation to bring things to the neighborhood level. According to our analysis, which was spot-checked by Denver assessor Keith Erffmeyer, neighborhoods on the city’s west side saw a lot of big jumps in value. Barnum tops the list, with a median growth rate around 15 percent. University Park and University Hills, in south Denver, ranked second and third, respectively. We went knocking on some doors to see what people thought.

But first, here’s how assessments work.

State law tells Colorado assessors how and when to tally property values, which are the basis for your yearly property taxes. Every two years, beginning on June 30, they process all sales in their cities over the last 24 months. This data is the starting point for their new assessments.

Erffmeyer said his office feeds all of this information into a computer program that tries to group different types of properties into neat categories, then assign standardized prices to homes and lots. If you had two homes on the same block that were identical, for example, they should be priced about the same. If there was one more house next door with one extra bedroom, the algorithm would assign a higher value based what people were generally spending for extra square footage. If another house is identical but in worse condition, it might get a lower value. Et cetera.

Since these valuations are based on actual transactions, higher demand in certain neighborhoods can translate to higher assessments. Here’s another over-simplified example: Imagine two identical houses on identical lots, but one is in Barnum and one is in Mar Lee. If buyers were more likely to get into bidding wars in Barnum, the home there will be priced more than its counterpart a few miles south.
Erffmeyer told us the city’s assessment process is “a herculean effort,” especially since they verify the characteristics of every single building sold in the city. He said that process makes their valuations more accurate than figures you might see on Zillow.

Finally, the city and state use Erffmeyer’s numbers to calculate what you owe in property taxes. Denver has a base rate, and directs most of those collections to Denver Public Schools. You may also live in a special tax district, like one that collects extra fees for RTD, which will add to your bill.

Neighbors we spoke to in University Park were OK with the jump.

Samuel Ventola built his home on Monroe Street in the 1990s, and he’s watched bigger houses go up around him. Two of his neighbors bought two lots each and built massive homes covering both parcels. He said an older woman who long lived across the street finally sold her small, whitewashed bungalow for the value of the land beneath it – about $850,000. It’s already got a demolition fence surrounding it.

Many of the homes around his block saw sharp value increases this year. He wasn’t exactly thrilled when he learned Erffmeyer’s office bumped his property up by 20 percent, but he said it also wasn’t the end of the world.

"This is a substantial portion of my theoretical wealth. On the other hand, if I'm not moving it doesn't help me," he said. "If you're not selling, it's just higher taxes."

Sometimes, he said, he thinks about cashing out and buying something bigger and cheaper in another town. He said it feels "irrational" to stay in a place that keeps getting more expensive. Then again, he likes where he lives – the neighborhood is quiet and close enough to downtown – so he'll stick it out.

A couple blocks away, Marc Carpenter said he's pretty much accepted the rising rates. His ranch home on Adams Street also got a 20 percent jump this year.

"We've been here for 30 years. We're not selling. We're not moving out. And it's just one of those things I don't lose sleep over, like death and taxes," he said, chuckling.

Carpenter said something else has given him comfort.

"We're blessed by having the financial ability to absorb those taxes," he said. "And also, paying more taxes is OK. The money's got to come from somewhere."

But budgets are tighter in Barnum, and tax hikes raised old fears of displacement.

Many of the blocks that saw the biggest property tax hikes in 2021 were also the most affordable. Erffmeyer said this is partially a mathematical thing, but it also has to do with the market.

"A lot more people can afford, and would like to purchase, lower priced properties," he said, "so these areas tend to have a lot of demand (even bidding wars) when properties come on the market."

On Irving Street in Barnum, Anna V. (who declined to give her last name), said higher taxes can have dire consequences. Her parents have lived on Denver's Northside for decades, long before it became known as "the Highlands," and she said rising taxes have the potential to oust them from a neighborhood they love.

"I think it's going to push them out," she told us. "They could sell their house for a half million, easy. Buy a house in Thornton, half price. Get the extra cash. But this is a neighborhood that they've bene in for so long. It's home. Why would they move somewhere else?"

Denver does offer tax relief for some residents, including people 65 or older. Taxpayers can also appeal their official valuations.

On Julian Street, just south of 1st Avenue, Fawn Meyer answered the door at the home she bought in 1996. The property's value, and her taxes, have grown a lot since then, so she was ready for the assessor's letter.

"Two years after I bought the house, I couldn't afford to finance it," she told us. "In less than ten years, it doubled. And I mean, this is a small house."

Like everyone we spoke to, Meyer said she'd pay up, no matter how painful it might be.

"I planned for it, because I had to retire a while ago," she said. "It won't kill me, but I'm not happy about it."

FLORIDA

2021 Property Tax Valuations Being Determined

All around Florida, the elected county Property Appraiser in each of our state's 67 counties is starting to determine 2021 valuations for property tax assessment purposes. Property tax valuations are ultimately published in a Truth In Millage (TRIM) notice that is mailed to individual property owners in August of each year. However, the valuation is determined as of January 1 of every given year – so a valuate date of January 1, 2021, for this year's assessments.

Almost always, senior housing projects are valued based on the income approach to value (Florida Statutes require that the Property Appraiser consider the income, market/comparable sale, and cost approaches to value, but the greatest weight is usually afforded the income approach). This means that calendar year 2020 data is instructive for a January 1, 2021 valuation date.

Every year most Property Appraisers will also send out income and expense surveys in the spring to gain information for the purpose of ultimately determining that year's valuation. While we don't often advise sharing that income and expense information (rule of thumb says only about 10-20% of the surveys are filled out), this year may be different because of the COVID-19 impact on 2020 income streams.

If you have received an income and expense survey for 2021, consider whether the information you can provide would be helpful in lowering your 2021 assessment. If so, consider whether that information can also be used in increasing your assessment for 2021 or future years. Data can be a double-edged sword.

IDAHO

Property tax law shouldn't affect local cities

House Bill 389 is expected to impact Idaho's largest cities

Blaine County cities like Bellevue shouldn't be too heavily impacted by House Bill 389, according to Bellevue Mayor Ned Burns and other local leaders.

While cities in Idaho's fast-growing Treasure Valley have made headlines for lamenting the potential impacts of a new property tax law on their city budgets, local leaders in Blaine County say they don't anticipate drastic changes resulting from the measure in the next few years.

House Bill 389, a wide-ranging piece of legislation quickly passed in the final days of the Legislature's 2021 session, introduces, among other things, new caps on the amount of valuation available to local governments to tax new construction and annexation. Taxing districts will be limited to taxing 80% of what they would normally tax on new annexation and 90% of what they would normally tax on new construction from the previous year. The new law also includes an 80% cap on taxing the value of all properties in expiring urban renewal districts and an 8% limit on yearly property tax budget increases.

In Bellevue, where a building permit for the new residential Strahorn development was approved just last week, the cap on revenue from new construction may be "limiting" for the city this year, Mayor Ned Burns said.

"I think in periods of growth it's going to be challenging [for the city] to provide service," Burns said. "But then that new construction money will turn into regularly assessed money. We'll be able to grow our budget a year after construction happens.

"In the immediacy, I think it will be challenging. But I hope over the long run it won't be a big budget pinch."

Ketchum City Administrator Jade Riley similarly said he didn't anticipate the law having devastating impacts on Ketchum's city budget in the near future—unless, he said, the city were to annex a "very significant" amount of property in any given year.

The greater expected impact on Ketchum's budget comes from the cap on value created by an expiring urban renewal district, Riley said. When the local district sunsets in the late 2020s, he said, local taxing entities will be capped at 80% of the district's properties' value. Under previous statute, there was no restriction on the share of that value.

In the city of Sun Valley, it's too soon to know how the local budget might be affected, Mayor Peter Hendricks said.

"We'll need some time to study it and figure out how it will affect us and our budget," Hendricks said.

Burns said he sees some things to like in the sweeping piece of legislation, including a homeowners exemption increase from $100,000 to $125,000.

"That's a definite plus," he said.

But Burns said he would like to see the Legislature take a more "thoughtful" approach to another property tax-related program: the Property Tax Reduction program, also known as the "circuit breaker." The program provides reduced property taxes to elderly, disabled and widowed taxpayers, and the state makes up the difference for local government property tax revenue that would otherwise be lost.

Rather than put limits on city budgets, Riley said, he would have preferred that lawmakers address other factors tied to rising property taxes, such as indexing the homeowners exemption to more evenly distribute the burden of property taxes among residential and commercial property owners.

"It's residential valuations versus commercial valuations and other dynamics that people didn't address [that are causing the increase in property taxes]," he said. "I think people will not see significant property tax relief."

INDIANA

It isn't property assessment that's gross

Gross assessed value may be the best indicator of economic progress for a neighborhood, city, county, or state.

We don't have good numbers on the market value of real estate. Sales disclosure forms may not do the trick, if they are not audited. The Gross valuations of county assessors can be challenged by property owners. No one challenges when the assessments are too low. So these Gross assessments are a minimal statement of value.

The GAV of the property we own is listed with our property tax bills. It changes as the market value of homes in our neighborhoods change, if there are a minimal number of home sales in the neighborhood. Assessors follow a manual from the Indiana Department of Local Government Finance (DLGF),so there should be statewide uniformity.

DLGF's data base provides the Net assessed value of property, but those figures are the result of political fiddling with presumably objective values to lower the taxes of selected groups of property owners.

Homeowners and farmers are the primary beneficiaries of our property tax practices. In a state that pretends to treat all persons the same, persons with a mortgage on their primary residence get a $3,000 deduction in their assessed value. Plus, every such homeowner gets a standard $45,000 deduction.

Then there's the granddaddy of deductions. An assessment under $600,000 drops by 35 percent (25 percent over $600,000). That's a whopping $35,000 on a $100,000 home.

Thus, a home with a GAV of $100,000 has $83,000 in deductions, leaving a Net taxable value of just $17,000.

We're not done yet. The legislature has designated part of the flat-rate local income taxes to reduce local property taxes. They also bamboozled Indiana voters into putting a constitutional cap on property taxes.

For homeowners' primary residences, that cap is one percent of the GAV or $1,000 on that $100,000 home. Indiana's median property tax rate in 2020 was $2.04 per $100 of assessed value, or $347 in property tax on that home with the $17,000 taxable value. Since the tax ($347) is less than the $1,000 cap, the homeowner gets no value from the constitutional amendment and pays $347.

With homeowners getting lower assessments, the costs of local functions do not decline. Hence, lower assessments require higher tax rates to come up with the funds supporting public services.

However, legislators have instituted controls on property tax rates and made local governments dependent on state funding or special tax referendums. Thus did our state legislators get their desired control over the local governments they consider inferior, if necessary, creatures.

Confused? Thank a legislator. If GAV approximates market value, why not just use GAV times a lower tax rate to raise the necessary funds for localities? Want smaller government, then simplify government practices.

IOWA

Talk fast: Polk residents get 2½ minutes to protest their new tax assessments. Is there a better way to do this?

Brett H. Nelson walked into the Polk County Administration building one recent morning, paperwork in hand, ready to protest his latest property tax assessment, as he had many times before.

But the 58-year-old Saylor Township man said he was a bit taken aback by what he experienced this time.

Instead of meeting with five Board of Review members in a small room to make his case, Nelson faced 10 people in a big conference room. Sheriff's deputies lurked about, as if they were "ready to pounce on anyone who got lippy," he said.

The woman managing the hearing told him he had 2½ minutes to contest the county's latest assessment for his longtime home on Northwest 43rd Avenue.

After Nelson spoke briefly, he handed a deputy some paperwork to give to the board members. But no one looked at it.

“Then this guy who spoke for the group said, ‘We’ve already reviewed the property and the assessment should stay as is,' ” Nelson recalled.

“I’m very disappointed,” Nelson said he told the board member. “Can I have my paperwork back?”

Nelson contacted Watchdog out of concern that those inexperienced with tax protests might get flustered by having just a couple of minutes to challenge the county's assessment of their home's fair market value.

It turns out the fast, revolving-door hearings he experienced this spring are the result of the county trying to better follow state law guiding how the protest hearings are conducted.

In the past, Polk’s 10-member Board of Review would split into two five-member panels: one to decide residential assessment protests and the other for commercial property protests.

But board Chairwoman Jane Viggers said members learned from the Iowa Department of Revenue this year that the full 10-member board should meet to hear and vote on each protest.

“We did not know until this year that we were not allowed to do what we have been doing,” Viggers said.

County Assessor Randy Ripperger said he and his deputies learned of the problem when they attended a training webinar on the law.

"It was really meant to make you think through some of the procedures that are being done by the (Board of Review) in your jurisdiction," he said. "It was a real eye-opener for all of us."

Afterward, "We were concerned that splitting the (Board of Review) into two groups of five to act on protests potentially violated the open meetings law," he said.

The problem: The full board wasn't discussing each case as a group, instead letting the separate panels consider them. Also, the board wasn’t voting on each case after each resident’s protest hearing.

"We ... felt the public, including the petitioner, had a right to be present when the BoR made their decisions on the protests, which didn't happen in the past."

They consulted the Polk County Attorney's Office, which agreed, he said.

Iowa's open meetings law requires that all discussions and actions of governmental bodies at meetings be conducted and executed in public, and that the votes of each member also be made in public.

In other Iowa counties, one Board of Review with three to five members is sufficient to hear all the appeals after new assessments are completed every other year.

But Polk County hears thousands of protests, so Viggers said having the 10-member board hear each case is taking much more time.

Residents who appear in person, like Nelson, are told they have 2½ minutes to argue their case. The board relies on an analysis from an assessor of each protested property, but members come to their own decisions, Viggers said.

“Some people don’t feel like they have the full attention of the board like they used to,” she conceded.

Protests unexpectedly sparse, despite big assessment increase

Though Polk County home values rose 8.5% this year, thousands fewer homeowners have protested their 2021 assessments than anticipated.

“We were kind of surprised,” Ripperger said. “We had just over 5,000 protests, but we were anticipating 7,000 to 8,000. In 2019, we had 7,800.”

However, compared to years past, more owners of commercial properties — bars, restaurants, hotels, theaters and retailers — contested their assessments, he said.

“They got hit pretty hard during the pandemic,” Ripperger said.

The new assessments mailed to property owners this spring go into effect in September 2022 and March 2023.

Ripperger says about half of the roughly 5,100 property owners who formally protested their assessments to the county’s Board of Review requested in-person hearings.

Polk’s board is larger than any other because the city of Des Moines and Polk County used to have separate assessors and separate five-member boards of review. They merged in 1997, Ripperger said.

"The law was changed to allow in situations like this, to expand the (Board of Review) to 10 members if the jurisdiction chose to do so," he said.

The board, made up of private citizens who have other jobs, has had to switch from half days to full days to get its work done, Viggers said. The county also had to get an extension from the state so it could wrap up its work in July instead of May, she said.

The group has been meeting in the Board of Supervisors’ large conference room to maintain safe social distance.

As challenging as this year has been, Viggers said she believes the changes haven't affected the outcome of the hearings.

Watchdog listened to 11 cases over an hour on Thursday afternoon. Seven property owners were successful in getting their assessments reduced, often aided by the analysis of the appraiser who reviewed the case.

Some of the property owners said very little after board members agreed a lower valuation was warranted. Others wound up discussing their case longer than 2½ minutes.

By state law, a county’s new valuation of property has to be between 95% and 105% of true market value for each class of property.

“We track sales all the time, so we can have an accurate idea of the value,” Ripperger said.

If a county’s assessments aren’t within that window, the state orders that they be adjusted in the fall.

“But when the (revenue) department does it, it’s an across-the-board change,” Ripperger said. “So after the Board of Review adjourns in July, you want to be between 95 and 105%”

Though home sales took a hit when the COVID-19 pandemic arrived in Iowa last spring, they have been strong since last summer, Ripperger said. There is also high demand for multi-family dwellings and warehouses, he said.

Those who don't agree with a local board of review's decision can appeal to the Iowa Property Assessment Appeal Board or district court.

By 2023, the next time counties announce new valuations, Polk’s Board of Review hopes to secure whatever changes are necessary so it can go back to having two panels, Viggers said.

KENTUCKY

Act Now to Reduce Your Kentucky Real Estate Taxes

Businesses and individuals owning real estate in Kentucky valued at $1,000,000 or more for tax purposes should act now to reduce their Kentucky real estate tax bill. Long-term lessees obligated to pay property taxes should also take action.

It’s Now or Never! Request a conference with the Property Valuation Administrator (PVA) for the county in which your property is located before the “open inspection” period ends on May 17, 2021. Although, in Kentucky, the County Sheriff sends out property tax bills for real property in the fall, the time to dispute “overvaluations” of real estate is now. The process is the same throughout Kentucky, whether your real estate is located in Jefferson County, Fayette County, Boone County or any other Kentucky County. The PVAs’ position is that the request required by statute for a PVA conference must be filed with the PVA before the end of the inspection period; otherwise, the right to appeal is lost.

More Properties Are Being Reassessed in 2021! In 2020, many PVAs postponed reassessing properties; so, they are reassessing many more properties in 2021. That property could be yours!

But, I Didn’t Get a Notice?! While each PVA is required to give property owners notices of changes in their assessment values, the PVAs generally only send the notice by first class mail, which in 2021 is highly unreliable. Also, the PVA generally does not send a notice when no change in value is made. Even so, an owner may dispute the value of their real estate, even if they do not receive a notice. For most counties, you can check the tax assessment value of your property on the PVA’s website.

Income Producing Properties Present Reduction Opportunities! The tax assessment value of many leased commercial properties are affected by the potential to produce income, like hotels, office buildings, retail centers, apartments, etc. The challenges of 2020 may provide an opportunity to reduce the property tax assessment value of your real property. Note that many tenants of such properties often have the ability to appeal the tax assessment themselves under the terms of their lease agreements, so lessors of commercial property should investigate this tax savings opportunity as well.

Is It Worth It? The savings can really add up. For example, in Jefferson County (Metro Louisville), a reduction of $100,000 in value will typically result in an annual decrease in real property tax of approximately $1,300, and a reduction of $1,000,000 in value will result in an annual tax decrease of $13,000. The results are similar in other Kentucky Counties. This can add up over multiple years.

Can I Do It Myself? Although many choose to represent themselves in disputing “overvaluations,” at the PVA, many pitfalls and traps exist for those unfamiliar with the process. The conference with the PVA is just the first step in a multi-step process, and failure to request or to go through any given step will preclude an appeal to the next required step, such as an appeal to the County Board of Assessment Appeals or to the Kentucky Board of Tax Appeals. Another consideration is getting off on the right foot, and experience helps. It is generally more prudent to involve an attorney on the front end, who knows the process and property tax law.

Don’t wait, May 17, 2021 will be here before you know it.

LOUISIANA

Hitting back at critics, Orleans assessor says City Council OK'd millions in commercial tax cuts too

Orleans Parish Assessor Erroll Williams isn't the only elected official slicing big chunks off the property taxes of the city's big commercial property owners.

The city's 2021 property tax appeal report shows that the City Council — including some of the most vocal critics of Williams' decision last year to cut valuations for hotels, restaurants and other businesses — voted to approve cuts to commercial property valuations that translate to millions of dollars in lower property taxes.

The cuts were approved through the city's property assessment appeal process, which allows property owners to petition the City Council if they aren't happy with the assessor's valuation. After a series of steps, including the issuance of a consultant's report analyzing the property's value, the council gets the final say on whether to approve the lower valuations.

Last October, the City Council approved appeals to about 3,000 valuations, totaling cuts of about $217 million in assessed value, for the 2021 tax year. Most were residential properties, but 361 were commercial properties. Of the commercial properties, Williams is appealing 31 of them totaling $80 million to the Louisiana Tax Commission.

The council's ten largest commercial property valuation cuts alone accounted for $45 million in lower valuations. They include properties owned by big out-of-state companies like Extra Space Storage, a $20 billion publicly-listed Salt Lake City-based corporation, and The Lightstone Group, a multi-billion-dollar investment fund whose subsidiary owns the Hyatt Place hotel near the Ernest N. Morial Convention Center.

Others who benefited from some of the biggest cuts were local developers, including Gordon Kolb and Darryl Berger.

None of the owners of the properties responded to requests for comment about why they sought and received lower assessments, which in several instances exceeded 90% of the valuation Williams had put on it, according to the appeals report.

Williams said he wanted to highlight those cuts in response to the sharp criticism from councilmembers and other residents for his decision in October to make across-the-board valuation cuts on commercial property tax assessments for Orleans Parish businesses.

His cuts, Williams argued, were required by a Louisiana state law and came as businesses were suffering mightily amid the pandemic. They included valuation cuts of as much as 57% for hotels, cuts of nearly one-third for shopping centers and a 5% reduction for supermarkets, among other reductions.

Criticism was particularly vocal from City Councilmembers Helena Moreno and Jay Banks, both of whom wrote to the Louisiana Tax Commission saying that Williams' cuts were unfair and asking that they be reversed.

"The City of New Orleans cannot afford to grant massive tax breaks based on inaccurate assessments," Banks wrote to the commission in January.

Moreno's letter to the commission in December echoed criticisms made a month prior by five advocacy groups, including Greater New Orleans Housing Alliance and the Louisiana Fair Housing Action Center. Both Moreno and the advocacy groups accused Williams of valuing commercial properties way too low, which they said would result in millions of dollars in lost tax revenue for the city.

"Assessor Erroll G. Williams has overstepped his role in assessing property by arbitrarily deciding the 'winners' and 'losers' in New Orleans' real estate market and at a time when the COVID-19 pandemic has drastically impacted everyone's livelihood and budgets," Moreno wrote.

In January, the chairman of the state tax commission, Lawrence Chehardy, effectively dismissed their criticisms by referring their complaints back to Williams. Chehardy said Williams had made his assessments as required by law.

At the end of March, the Southern Poverty Law Center sued Williams' office, arguing the cuts were made unfairly and benefited big out-of-state corporations, and asked the court to reverse them. The case is still pending in Orleans Parish Civil District Court.

Williams said he is fed up with the attacks, which he argued are aimed at deflecting from the City Council's own responsibility.

He noted that apart from the millage rates, the City Council has the power to change property tax rates through its ability to grant exemptions, or in its role as the review board with oversight on appeals brought by property owners. He said it was hypocritical of council members to attack his legally-mandated cuts while they approved substantial tax cuts for businesses at roughly the same time.

"It's absolutely fair to question the extent to which property taxes are equitable, [but] anything else is just political showmanship with no real substance," Williams said.

Assessed property values are used to determine the amount of property taxes paid by a property owner. By cutting them for commercial properties, Williams and the council effectively slashed the tax bills for many of the city's commercial properties.

Property taxes account for around 45% of the city's revenue, and cutting them for commercial properties shifts the property tax burden to residential property owners, who have to pick up a larger percentage of the tab for police, fire, public schools and other government services.

Moreno, who Williams noted in his letter to the tax commission didn't attend when the council met to approve the cuts, declined to comment.

Banks, who along with the rest of the councilmembers in attendance voted to approve the cuts, said that the council relies heavily on an outside consultant to make a detailed assessment of appeals. They typically approve the consultants' findings unless any specific cases are brought to individual council members' attention.

Other council members didn't respond to requests for comment on the vote.

Banks said it wasn't his intention to direct criticism at Williams' office so much as it was to highlight inequities in the system itself.

"This is not political in that I've got a problem with Erroll, it's with the system," Banks said. "I'm one of those who believe the system is broken."

Williams was elected to his current office in 2010 as the first parish-wide property tax assessor, when the former fragmented system was consolidated into one in order to combat widespread abuses.

Jaye Calhoun, a tax lawyer at Kean Miller and professor in tax law at Loyola University, said: "When I first started there were seven assessors [for Orleans Parish] and everyone knew that you could go in and talk to them and chit chat over a cup of coffee and they'd shave some off and you'd get a lower bill."

But in trying to address some of the issues, particularly the undervaluation of residential properties in areas dealing with gentrification and higher home prices, Williams stirred up a hornets' nest of controversy.

While the big increases in residential property taxes have been the most contentious issue in the last few years, the pandemic-related cuts for businesses has rekindled long-smoldering resentments about the equity of property taxes in New Orleans as a whole.

For example, thousands of properties representing billions of dollars of value are owned by non-profits that don't pay any tax.

Stacy Head, who was president of the City Council for five years until 2017, said that focusing the blame on the assessor's office is wrongheaded.

"To blame the assessor is absolutely ridiculous," Head said, describing his role as "ministerial," meaning he has to operate within strict rules. It is up to the politicians to change the law if they think the tax system is unfair, she said.

Resentment is also caused by a fundamental difference in the way residential and commercial properties are valued.

Williams' office tried to take into account the economic effect of the pandemic on broad classes of businesses like hotels or restaurants, but it was done by broad category and didn't differentiate by individual circumstances. Meanwhile, residential property owners don't get that kind of consideration. Their valuations are set based on how much the assessor thinks their property is worth, regardless of their income.

"It is patently wrong to only factor in economic realities on the commercial side," said Banks, who notes that a house on his street recently sold to someone who could afford to pay $450,000, which might push up property taxes for a neighbor even if his wages haven't changed.

Calhoun, the tax law professor, noted that it is notoriously difficult to fix issues with property taxes, pointing to the long-running battle in California, where they voted in the late 1970s to cap ad valorem property tax and limit the yearly increases. But it stymied the housing market and has led to dozens of amendments and challenges.

For his part, Williams said that his job is to be as fair and transparent as he can be within the rules set by the state.

"Whether a system reliant on property taxes is fair or not is a legislative responsibility," he said. "I'm happy to work in good faith with anyone towards building a more just system of taxation."

MAINE

Pandemic exposes property tax fairness problems

The pandemic's rapid and topsy-turvy impacts on property values, assessments, and more have prompted plenty of problems, as reported in a number of recent News Tribune articles.

But also opportunity.

On the home-sales front, the rise in working remotely has meant being able to work — and live — pretty much anywhere, even places that once were strictly vacation spots. Think New York or Twin Cities wages in a Duluth or North Shore setting and cost of living. The demand for residential properties, including here, has exploded. Houses are being sold before they're on the market. Buyers are offering more than asking prices and are forgoing inspections to beat other purchasers. Unheard of, but suddenly not anymore.

At the same time, the demand for office space has plummeted. To head off the spread of the coronavirus, many businesses closed their doors to the public and sent their staffers to work remotely. Nonetheless, "many owners of commercial properties saw little reflection of hard times in the assessed values recently assigned to their holdings by St. Louis County," as the News Tribune's Peter Passi reported this month. Commercial assessments in many cases held steady or even increased — even though demand for commercial properties, a good gauge of true value, decreased.

In Carlton County, a property value assessment problem of another sort has emerged. The oil transportation company Enbridge successfully argued in court that its state-assessed property value was too high. With the Minnesota Supreme Court expected to offer a final ruling later this month, officials from the county, school district, and elsewhere already have been working to lessen the impact on other property taxpayers who'll be called on to make up the difference. They'll be on the hook for millions, as Cloquet Pine Journal writer Jamey Malcomb reported in a story last week that was published also in the News Tribune.

It actually could be "tens of millions … to address a problem (county, school district, and other property owners) had no part in creating," as Tiffany Gustin, associate director of the Minnesota School Board Association said in the story.

Since that hardly seems fair, Carlton County and others threw their support this legislative session behind a bill to put the burden of the Enbridge refunds on the state. After all, it was the state's assessments, done by the Minnesota Department of Revenue, that were successfully challenged as inaccurate.

These problems as a result of the pandemic are just a glimpse when it comes to property values and property tax assessments. They're failing to keep pace with reality, as rapidly shifting as reality has been. How they're determined has shortcomings exposed by a year-plus of economic upheaval and altered work- and home-life behaviors.

A big part of the reason was captured in this comment from Sandy Hoff, president of F.I Salter Co., a Duluth-based property-management firm: "Market value and the assessments are based on historical sales data," he said in the May 8 News Tribune. "So, in a sense, they're a rearview-mirror analysis."

That traditional rearview-mirror approach is suddenly leaving far too many property owners in a lurch and with unfairly bigger bills to pay.

So here's the opportunity: Post-pandemic, find a better way to evaluate and re-evaluate property values, market values, assessments, and more. Work together with a goal of ensuring, and then also maintaining, fairness and accuracy — all the time and in something closer to real time.

Pandemic-fueled real estate boom threatens property tax hikes as much as 30% for Maine homeowners

Long-delayed revaluations promise to shift some tax responsibility from business to residential property owners; one South Portland woman is considering selling her plasma to cover the costs.

Diane Romano shocked South Portland residents recently when she told the City Council that she might sell her plasma to cover an impending 10 to 30 percent property tax increase predicted by municipal officials.

Romano and her husband, Dan, live in the desirable Willard Beach area, which is at the center of statewide unrest over ongoing property revaluations and rising tax assessments amid a pandemic-driven homebuying boom.

From Biddeford to Westbrook to Millinocket, "crazy" home prices paid during the last year, often by people moving to Maine from other states, have put market-based tax assessments "out of whack" and undermined the way municipalities raise money for budgets that are being finalized now.

Home sales blew up last year near Willard Beach – a onetime working-class neighborhood at the edge of Casco Bay that has been hot for a decade – with some buyers paying $50,000 to $100,000 over the asking price without any contingencies.

Romano, who is an accounting clerk, worries that the annual tax bill on her 1920 bungalow, currently assessed at $288,800, could increase as much as 50 percent, or about $2,500, to about $7,600. Which is why she's telling people she might sell her plasma. Her best friend does it twice a week, Romano said, earning $50 per visit, or as much as $400 per month as a second income.

"I'm seriously considering that option," Romano said after the April council meeting. "It can't be the long-term solution, but until we know how bad it's going to be, that's on the table."

Across Maine, homeowners, municipal officials and others are seeing the impact of a pandemic-fueled real estate boom that's putting pressure on even recently updated residential assessed values and promising to send some tax bills skyrocketing. Tensions are higher in cities and towns where significant business sectors have not seen a corresponding increase in commercial property values, threatening to shift a greater portion of taxes onto residential property owners.

Frustrated homeowners are asking assessors and other city officials to delay revaluations and take other steps that essentially would break laws grounded in the Maine Constitution. Recent efforts to put off the inevitable have failed so far, including a bill calling for a moratorium on property revaluations during a state of emergency, which Maine has been in for a year under continuing orders of Gov. Janet Mills.

A revaluation is a community-wide update of assessed property values that are tied to market values and are the basis for annual tax bills. In general, property owners whose new assessed values have increased more than the average will see their tax bills go up, while property owners whose values have increased less than the average will see their tax bills drop.

In communities such as South Portland and Portland, where commercial properties have gained value but haven't kept up with the residential frenzy, ongoing citywide revaluations are expected to shift some of the tax burden onto homeowners, many of whom say they can't take another punch among many landed by COVID-19.

Both cities put long-delayed revaluations on hold last year because of the pandemic. Neither has updated property values citywide for 15 years. Now, their overall property assessments have fallen below 70 percent of market value, a major legal trigger for revaluations.

Portland's assessments are down to 66 percent of market value, and South Portland's are at 68 percent, despite slight increases made in certain neighborhoods in 2017 and 2018. But even communities that went through recent revaluations have seen their assessment-to-market ratios tumble in the last year. In Westbrook, which went through a revaluation in 2019, overall assessments are now 83 percent of market value, said Jim Thomas, who is the assessor in Westbrook and South Portland.

The state constitution also says revaluations must be done at least once every 10 years – a law that isn't generally enforced – and it requires property taxes to be apportioned and assessed equally according to just value, which the courts have determined is market value.

As a result, Portland and South Portland officials say they must complete their revaluations this year despite the continued bad timing. Otherwise, they risk sending out tax bills based on outdated property values that could be challenged successfully during the abatement process or wind up in court. Then they could be forced to return tax dollars, undermining revenue projections for budgets they're building now for fiscal 2022.

"So many municipalities are going through this," said Portland Assessor Chris Huff. "Almost every property (assessment in Portland) is going up. The residential increase is certainly going to be greater than the commercial increase. The question is, what is that shift going to be?"

Currently, residential property owners carry 56 percent of the tax responsibility in Portland and 54 percent in South Portland.

State law allows Maine Revenue Services to impose unspecified "administrative sanctions" on municipalities that fail to conduct timely revaluations, Huff said, but cities and towns generally update assessed values to ensure they will withstand scrutiny. The state also reduces reimbursements to municipalities for property tax abatements when their assessment-to-market ratios fall below 90 percent. Portland passed that funding loss on to residents in fiscal 2021, when its ratio was 77 percent, reducing the Homestead Exemption that residents received from $25,000 to $19,250, Huff said.

Exactly whose tax bills will go up following the revaluation is also unclear. In both cities, notices of new assessed property values will be mailed in the coming weeks, along with instructions for the appeals process when property owners may contest new values. Tax bills will be mailed this summer with new values and a lower tax rate, adjusted downward to account for an overall increase in property values. If a city's valuation increases 25 percent, the tax rate will decrease 25 percent.

Assessors say the old precept about revaluations will hold true: About one-third of tax bills will go up, one-third will go down and one-third will stay the same. However, the first category likely will be mostly homeowners given the recent spike in residential market values.

In South Portland, for instance, even in less tony areas, 55 percent of homes sold for more than the listing price, according to Redfin.com. A home in the Willard Beach area that sold for $400,000 in 2018 went for $585,000 two years later – a 46 percent increase – while a home in the Cash Corner neighborhood, where Broadway crosses Route 1, sold for $275,000 in 2019 and again in 2020 for $407,100 – a 48 percent increase. Neither house had been significantly improved, Thomas said.

Which is why Scott Morelli, South Portland's city manager, sent a letter to property owners in late March and posted a notice on the city's website warning of the impending shift and potential impact on residential tax bills.

"While commercial property sales have also been competitive, they have been outpaced by the residential market," the notice says. "Residential property owners will bear more of the property tax burden. Once this revaluation is finalized later this spring, it will not be uncommon for residential property owners to see tax bill increases of 10 percent, 20 percent, 30 percent or more even if the city budget were to remain flat."

And South Portland's proposed budget for fiscal 2022 is nearly flat, set to increase 1 percent to $96 million for municipal, school and county services combined. The amount of taxes to be raised is up 1.4 percent, or nearly $1 million, to $69.2 million. And city officials are still looking for ways to trim costs, boost other revenue sources and ease the tax responsibility for all property owners.

One thing that can't be discounted is Maine's scorching residential market over the last 12 months, although some have tried.

Single-family home sales increased more than 9 percent in 2020, and the median home price increased nearly 14 percent, to $256,000, according to the Maine Association of Realtors. Home sales were especially hot in coastal communities, but even inland counties saw substantial increases that have continued into 2021, driven in part by an influx of buyers moving here from more populated parts of the Northeast and beyond.

Sen. Jim Dill, D-Old Town, sponsored the revaluation moratorium bill, which effectively died in the Legislature's Taxation Committee last month. Dill represents a stretch of towns north of Bangor, from Veazie to Millinocket in Penobscot County. Houses there might cost less overall, but the median home price still increased nearly 10 percent last year, from $154,600 to $170,000.

"I was hearing from constituents that their taxes haven't gone up in 10 to 15 years and now they're going up 30 percent," Dill said. Assessed values doubled on some houses that hadn't been substantially expanded or improved during that period, in one case increasing from about $40,000 to $80,000, he said.

"This is going to keep happening because so many people are fleeing to Maine," Dill said. "I gave it my best shot, but I don't have any other ideas on how to solve this problem."

About one-third of Maine home sales last year went to out-of-state buyers, up from one-quarter before the pandemic, according to the Realtors association.

The Maine Municipal Association opposed Dill's moratorium bill, largely on legal grounds, after its 70-member Legislative Policy Committee voted overwhelmingly against it. South Portland's Morelli was one of few who voted in favor of it, reflecting the City Council's sentiment. Kate Dufour, the association's director of state and federal relations, testified before the Taxation Committee.

"Local officials believe this change could do more harm than good and unnecessarily subject communities to penalties associated with the breach of a contract for revaluation services," Dufour explained. After the hearing she added, "The more you put something off, the more difficult it becomes to do."

Portland City Manager Jon Jennings and Mayor Kate Snyder, both members of the MMA legislative committee, also opposed the legislation.

"Portland made the decision last year to not implement our revaluation process due to the pandemic," Jennings said. "These decisions should be left to the individual communities to make instead of a mandate from the state."

Unlike South Portland, Portland officials haven't raised the alarm about the revaluation and a pending residential tax shift, even when Jennings pitched a $212 million municipal budget proposal last month.

In her written budget message, Snyder said Portland's fiscal 2022 spending proposal was "built within the context of the first-in-15-years revaluation that – good news! – will adjust and update Portland's property values to reflect real values – but that will, for about a third of our property owners, mean an increased tax bill."

Snyder later explained what she meant by good news.

"We're getting ourselves in line," she said. "We know our values are rising. For many homeowners, this is going to be an extremely stressful situation." Followed by a difficult appeals process that could lead to abatements and court challenges.

Snyder said she'd like to avoid similar consternation in the future by having revaluations every five years, especially since technology makes it easier to update property values as they change, though the politics related to a shifting tax base won't evaporate. She said she intends to submit a resolution seeking a commitment from the City Council to have more more frequent revaluations.

"I would like to keep up with values as much as we can," Snyder said.

Biddeford is in the midst of a two-year revaluation that is showing increased residential assessed values, especially multifamily homes. Its last revaluation was done in 2014, according to Maine Revenue Services. Now, overall assessed values that were reported at 98 percent of market value in 2019 have fallen into the 70s and could be below 70 percent of market value next year, said Mayor Alan Casavant.

Residential property assessments are being updated this spring, Casavant said, and likely will be again next year because prices are increasing so fast. And commercial prices likely will be adjusted downward through that period as limited sales data become available, he said.

Casavant warned residents of impending tax bill impacts in a budget message last month, explaining that the goal is to ensure homeowners pay "their fair share" of property taxes and that exemptions are granted at full value.

"Revaluations are a state remedy to create fairness, so that everyone contributes based upon the actual value of their property," Casavant wrote. "(And) because the differences between sales of property in Biddeford and assessed value are so out of whack, if a revaluation is not done, individuals who receive Homestead or Veterans exemptions on their homes would not be able to receive 100 percent funding. There are incentives to making sure the city's assessed values match the sales prices in the marketplace."

Casavant said Biddeford is considering hiring experts to help reassess the commercial sector in the absence of widespread sales.

Portland paid Texas-based Tyler Technologies $1.3 million to conduct its revaluation over the last few years. South Portland is doing its revaluation in house, led by City Assessor Jim Thomas. He says no one home sale determines market value and he can eliminate extreme outliers.

"Some of them are just crazy," Thomas said. "I've never seen anything like this before. I'm interested in the sales in the middle."

Thomas and other municipal officials also express concern about the impact of delaying a revaluation on the commercial property owners, who make up a significant part of the tax base in some cities and towns.

In South Portland, the Maine Mall, the city's largest taxpayer, and surrounding big-box stores were already struggling against rising internet sales before the pandemic made online shopping a daily activity for many people, he said. Area restaurants and hotels have felt similar blows.

About 40 businesses in South Portland shut down last year and sought property tax abatements, Thomas said. And the Portland Pipe Line Corp., formerly the city's fifth-largest taxpayer, sought an abatement in 2017 because its 23 storage tanks and pipeline to Canadian refineries have been largely shut down. Since then, its assessed value has been reduced from $44.7 million to about $30 million, Thomas said.

Failing to rectify inequitable property assessments could increase pressure on commercial enterprises and the loss of more businesses would accelerate the tax shift to homeowners, Thomas and other officials say.

Residential property owners aren't so worried about business owners.

During a City Council meeting in April, South Portland residents pleaded with Thomas and councilors to avoid updating property values based on a real estate bubble. Why not exclude 2020 home sales if they're such an anomaly? Or base the assessed value on the appraised value instead of the selling price? Maybe gradually phase in assessment increases over time?

Colleen Kinsella questioned why homeowners should subsidize a flagging commercial tax base, especially in a system measured by market drivers and rooted in capitalism. Kinsella is an artist and college administrator who lives in the waterfront Ferry Village neighborhood with her husband and teenage daughter.

"I would hope we can prioritize people over property values," Kinsella told the council. "This is not going to end. This is only going to get worse."

Kinsella said the system has broken down "because so many people have lost their jobs, and if they haven't lost their jobs, they can't afford a huge increase in property taxes." And it's a system that disproportionally hurts people of color and low-wage workers, many of whom have already been forced to leave South Portland or cannot afford to move here, she said.

"People keep saying, 'This is the way we always do it,' but if ever there was a time to stop saying that and find another way, this is it," Kinsella said.

Dan Romano, Diane Romano's husband, also urged the council to stave off the revaluation, saying that he and his neighbors are on the verge of a revolt. He said his adult children cannot afford to buy homes in the city where they grew up because of increasing gentrification he blamed on out-of-state people fleeing the pandemic.

"Find a way. Stand up and say, 'We're not going to do this,'" said Romano, a self-employed radon and water-quality inspector. "This is going to create hardship. People born and raised in South Portland don't have a prayer of living in South Portland."

South Portland councilors heard and shared residents' concerns and complaints, then moved toward mitigating the financial impact of the revaluation by possibly reducing the budget, promoting hardship abatements and expanding the Senior Property Tax Relief program to serve residents age 62 and up. It's currently for homeowners age 68 and older.

While it wasn't exactly the action sought by residents, Thomas offered some perspective gained over many years as a municipal assessor.

"I've never heard anyone say it was a good year for a revaluation," he said.

MICHIGAN

Defending Tax Appeals

Now that Notices of Assessment have been issued and March Boards of Review have been completed, Townships should start preparing to defend 2021 property tax appeals. This E-Letter (and our May Webinar) will address the "what," "when," and "how" for Townships to be prepared to receive, handle, and defend property tax appeals that are filed with the Michigan Tax Tribunal for tax year 2021.

In this E-Letter, we discuss important dates and deadlines associated with property taxes and the MTT, as well as the appeals process for both the Small Claims and Entire Tribunal divisions. Additionally, we will provide a brief update on recent court decisions, including the Menard, Inc v City of Escanaba case, which have important implications for townships in assessing property and defending appeals.

The Michigan Tax Tribunal

The Michigan Tax Tribunal ("MTT") is an administrative court with exclusive jurisdiction over property tax appeals. It is made up of two divisions – Small Claims and Entire Tribunal. The Small Claims division hears residential, principal residence exemption ("PRE"), poverty and agricultural exemption appeals, along with other disputes involving less than $100,000 and special assessments involving less than $20,000. Small Claims proceedings are informal and are generally conducted by a hearing referee. The Entire Tribunal hears all other appeals. Entire Tribunal proceedings are formal and are conducted by a Tribunal Member or Administrative Law Judge ("ALJ"). Parties to an Entire Tribunal proceeding are generally represented by attorneys. Townships are responsible for assessing real property and collecting taxes, as well as defending appeals in both MTT divisions.

MTT Deadlines & Important Dates

There are several deadlines and other important dates related to property taxes that townships should be aware of:

"Tax Day" – Tax Day occurs on December 31 and is the day that property values are set for the upcoming tax year.

Notices of Assessment – Notices of Assessment must be sent at least 14 days before the March Boards of Review meet.

Appeal Filing Deadlines – The deadlines and requirements to file for an appeal vary based on the classification of the property at issue.

Agricultural: July 31
Commercial: June 1*
Developmental: June 1*
Industrial: June 1*
Residential: July 31 and must attend March Board of Review
Timber-Cutover: July 31

*The statutory deadline of May 31 is Memorial Day (a state holiday), so the deadline is the next business day pursuant to MCL 205.735a(8)Boards of Review – Boards of Review meet in March, July, and December of each year.

March – March Boards of Review hear taxpayer appeals regarding the taxable value of residential property. They have no authority to make corrections to a prior year's assessment role.

July & December – July and December Boards of Review correct qualified errors and consider appeals regarding principal residence exemptions ("PRE"), qualified agricultural exemptions, and other specific exemptions.

Appeals Process

The Small Claims appeals process begins when a property owner files a petition. The MTT then assigns a docket number, which places the township on notice that it must file an answer within 28 days. The MTT provides a notice of hearing, including the date, time, and location, at least 45 days prior to the hearing. If either party plans to introduce evidence at the hearing, it must submit the evidence to the MTT and provide copies to the opposing party at least 21 days before the scheduled hearing date. After the hearing, the MTT will issue an opinion and judgment, which typically occurs within 90 days. The opinion and judgment may be appealed by either party to the Michigan Court of Appeals within 21 days.

The Entire Tribunal appeals process is similar but includes additional steps with a more formal process. Like a Small Claims appeal, the process begins when a property owner files a petition. After service on the township, the 28-day period to file an answer begins. The MTT will also issue a docket number. The parties may then conduct discovery, including interrogatories, depositions, and requests for production of documents. The Tribunal Member or ALJ overseeing the appeal will provide notice of a prehearing general call, which includes deadlines for discovery, the exchanging of valuation disclosures (which may include appraisals), and a prehearing conference with the judge. At the prehearing conference, the Tribunal Member or ALJ will discuss the dispute with the parties in preparation for the hearing. When the case is deemed ready for hearing, the MTT will provide notice of the time, date and place of the hearing to both parties. After the hearing, the MTT will issue an opinion and judgment, which typically occurs within 90 days. Like a Small Claims appeal, the opinion and judgment may be appealed by either party to the Michigan Court of Appeals within 21 days.

Recent MI Court of Appeals Decisions Impacting Property Tax Exemptions

The Michigan Court of Appeals has recently reviewed several MTT cases relating to property tax exemptions. Specifically, Stirling v. County of Leelanau, 2021 WL 1149197 (Mich. Ct. App. 2021), addressed a claim for a Principal Residence Exemption (PRE), while Salvation Army v. Addison Township, 2021 WL 1149192 (Mich. Ct. App. 2021), and USA Hockey Foundation v. Plymouth Township, 2021 WL 1042999 (Mich. Ct. App. 2021), considered whether properties were exempt as "charitable institutions." These cases are laid out in more detail as follows. The MTT has also issued a summary of recent cases, which can be found at the following link: https://www.michigan.gov/documents/taxtrib/MTT_Newsletter_MTT_2021-6_4-12-21_722005_7.pdf

Stirling v. County of Leelanau

In Stirling, a Michigan landowner's wife owned rental property in Utah and claimed a residential property exemption on it under Utah law. Distinguishable from Michigan's PRE, which requires that the person claiming the exemption both own the property and occupy it as a principal residence, Utah law allowed a landowner to claim an exemption for property used as a principal residence either by the owner or by a tenant. Only a single exemption may be claimed in either state.

The couple disclosed the Utah exemption on their Michigan application for a PRE, and the MTT granted the PRE on the grounds that the Utah exemption was not "substantially similar." The Court of Appeals disagreed, reasoning that the standard of "substantial similarity" does not require exactness, the main characteristic of both states' statutes is to grant a primary residence exemption, and "the primary character and substance of both statutes is providing an exemption for a homeowner's primary residence that is occupied as a primary residence." Therefore, the Utah exemption was substantially similar to the Michigan PRE. Townships should take note of the fact that a landowner may only claim a single Principal Residence Exemption or similar exemption.

Salvation Army v. Addison Township

In Salvation Army, the Salvation Army operated a not-for-profit camp facility called Echo Grove Camp and Retreat Center. It employed a camp director, site and facilities manager, and program director, each of whom resided in houses on camp property (at no personal expense) as a condition of their employment. For the 2018 tax year, the Township changed the status of the parcels on which these employees resided from tax-exempt to taxable; however, the MTT found the parcels to be tax exempt. Section 70 of the General Property Tax Act (MCL 211.70) creates a property tax exemption for charitable institutions, so long as they meet the following test established in Wexford Medical Group v. City of Cadillac, 474 Mich. 192, 199 (2006): (1) the property is owned and occupied by the claimant; (2) the claimant is a nonprofit charitable institution; and (3) the property is occupied by the claimant solely for the purposes for which it was incorporated.

The dispute in this case concerned the third requirement – whether the properties in question were occupied solely for the purposes for which the Salvation Army was incorporated. The Court of Appeals noted that "incidental residential use of property where such use is necessary to further the charitable purposes for which the institution was incorporated does not defeat the exemption." The Court held that the parcels used by the camp director and site and facilities manager met the requirements for the exemption, as it was necessary for those employees to live in close proximity to the camp, and therefore the use of the parcels as residences directly benefited the charitable activities of the Salvation Army. The Court remanded with respect to the program director's residence, as it was used as a pastoral retreat house (not as the residence of the program director) on the 2018 Tax Day. Townships should be aware of the exemption for charitable institutions, along with the fact that an incidental use that is necessary to further the charitable purposes of an institution will not disqualify the landowner from the exemption.

USA Hockey Foundation v. Plymouth Township

In USA Hockey Foundation, the property in question was an ice-hockey arena owned by Plymouth AC, LLC ("Plymouth") and occupied by USA Hockey Foundation ("USA Hockey"). In 2018, Plymouth Township assessed the property, and USA Hockey appealed to the MTT, claiming that the charitable institution exemption applied. USA Hockey claimed that it was the sole member of Plymouth and was a non-profit entity. The MTT utilized the Wexford Medical Group test and determined that neither USA Hockey nor Plymouth satisfied the first element, because neither entity both owned and occupied the arena. It also found that neither USA Hockey nor Plymouth satisfied the second element, as a contrary finding would require combining Plymouth's ownership with USA Hockey's non-profit status and occupancy. Because it did not satisfy these elements, the MTT found that USA Hockey was not exempt as a charitable institution.

The Court of Appeals affirmed the decision of the MTT. It refused to accept USA Hockey's argument that because it was the sole member of Plymouth, it "owned" the arena and could therefore extend its tax-exempt status. Townships should keep in mind the fact that the charitable institution itself, not a subsidiary must hold legal title to and occupy property in order to qualify for the charitable institution exemption.

Menard, Inc. v City of Escanaba

Probably the most well-known issue in property tax law in the last decade has revolved around the valuation of "big box" stores. Big box stores are retail stores that take up a large amount of space and generally offer a wide variety of products, such as Home Depot, Lowe's, and Menards. Taxpayers have argued that these stores are built and tailored specifically to their owners' purposes, so they have less value as shown by sales to "non-big box" stores. This has led to disagreement as to how big box stores should be valued for tax purposes.

History of the Case

In Menard, Inc. v City of Escanaba, the owner of Menards challenged the City of Escanaba's property valuation for purposes of its property tax assessment. Escanaba's assessor utilized the cost approach to valuation to calculate the true cash value ("TCV") of the property to be around $8 million and utilized that value on the assessment role. Menards utilized the sales-comparison and income approaches to valuation and claimed that the property's TCV was only $3.3 million. The Michigan Tax Tribunal found Menards' valuation persuasive and valued the property near the $3.3 million TCV figure.

The Michigan Court of Appeals reversed this decision, finding problems in both parties' valuation approaches. Specifically, the Court of Appeals noted that the sales-comparison approach used by Menards failed to account for the fact that several of the comparable sales contained deed restrictions that impacted the value of those properties, but that a deed restriction did not exist for Menards' property. Further, the Court of Appeals explained that the Tax Tribunal should have considered the cost-less depreciation approach, which is an appropriate valuation method where the market for comparable properties is limited. The case was sent back to the Tax Tribunal to consider additional evidence regarding the effect of deed restrictions and the cost-less-depreciation approach.

Valuation on Remand to the Tax Tribunal

On remand, the Tax Tribunal explained that a big box store should be valued based on its "value-in-exchange" as opposed to its "value-in-use." This reflects the idea that a big box store's value is dependent on its fair market value, rather than its value to the current owner. The Tax Tribunal did note, however, that the existing use of a property can be indicative of its highest and best use.

The Tax Tribunal also found that deed restrictions may not affect the sale price of a property and therefore can have a "neutral market affect." However, the Tax Tribunal explained that an appraiser should consider the individual transaction and whether adjustments should be made for deed restrictions. The Tribunal found the best valuation approach in determining True Cash Value was the cost-less depreciation approach, recalculated the depreciation and obsolescence of the property, and found that the property was "over-assessed." Ultimately, the Tribunal found that the correct TCV was $5 million, which is approximately $3 million less than the original value on the assessment role. In September 2020, Escanaba appealed the Tax Tribunal's decision. The case is, once again, pending before the Court of Appeals. The parties recently filed briefs. An amicus curiae brief was filed on behalf of the Michigan Municipal League and Michigan Township Association. Fahey Schultz Burzych Rhodes PLC will continue to monitor the evolution of this case.

NEBRASKA

Property values on the rise in Scotts Bluff County, assessor explains why

Property owners across Scotts Bluff County are in for a June surprise when they learn their newest property values. To keep up with Nebraska's market trends, property valuations in Scotts Bluff are expected to rise by anywhere from 4% to 23%, County Assessor Angela Dillman announced Monday.

Dillman says valuation adjustments are required every year to reflect market values across the State of Nebraska. Per the latest adjustments, residential property valuations are expected to rise by 4% in Scottsbluff, 5% in Gering and Mitchell, 12% in Morrill, and 23% in Terrytown. Rural acreage will rise by 10%, and rural subdivisions by 9%.

"Nebraska is a market valued state. So, every year, we are required to review the previous three years worth of sales," Dillman said. "We don't set the market, we follow the market."

In order to stay compliant with the state, residential property valuations must sit anywhere between 92% and 100% of market property values, Dillman said. The upcoming valuation hikes will bring Scotts Bluff's residential properties into compliance, at 93% of market values.

Agricultural land instead has a required range of just 69% to 75%, allowing ag land prices in the area - now at 71% of market values - to remain the same.

Though the hikes aren't out of the ordinary, Dillman says assessors always expect to see some pushback. The most common concern - rising property taxes.

"Unfortunately, there's no way to predict what will happen with taxes," Dillman said. "The values go up, and if the levies were to go down, your tax amount would stay exactly the same. It just depends on the various entities and the budgets that they request...But we won't know that until around the end of September."

The assessor's office says it will mail out valuation change notices on June 1st. The deadline to file an appeal is June 30th.

NEW JERSEY

W*hy is the tax assessor coming after Jersey City's nonprofits?*

On Wednesday, Ken Freedman got some good news.

For about a year, Freedman, the station manager of WFMU, had been locked in a dispute with the Jersey City tax assessor over the nonprofit radio station's property tax exemption. But after a public outcry from listeners of the longest-running freeform station in the country, the assessor backed off, Freeman said, effectively saving the station roughly $60,000 a year.

"Thank you to our listeners for coming through to WFMU once again," WFMU's Twitter account wrote.

But not everyone in the city was as lucky. WFMU is among at least a handful of Jersey City nonprofits that, within the past two years, have battled the city's tax assessor over property tax exemptions.

"I don't know why we're targeted," said Diane Dragone, the founder and executive director of Jersey City dance nonprofit The Kennedy Dancers. "But we are."

Dragone has been in a dispute with the assessor over the nonprofit's tax-exempt status since the fall of 2019. The agency contacted the Kennedy Dancers during their regular application for an exemption, Dragone said, when the nonprofit "got a few calls" from the assessor. But it wasn't until July of last year that Dragone received a letter telling the studio "we are no longer property tax-exempt," she said.

She was given various reasons, she said: the assessor took issue with the fact that the dance company paid its staff, charged for tickets, filmed a TV program in the building, and had a live-in caretaker who does not pay rent.

Dragone — whose nonprofit includes professional and pre-professional teen dance companies, and offers a wide array of classes — has hired lawyers to appeal the decision. If they fail, she said, the Kennedy Dancers will have to pay roughly $20,000 more a year in taxes.

“It’s a lot of money,” she said. “Would we close? I don’t know. I’d give up my salary.”

WFMU’s experience matched Dragone’s “almost to a T,” Freedman said. Roughly a year ago, after sending their regular application for the renewal of their property-exempt status, the station received a notice from the tax assessor’s office, informing them that their application was incomplete. Not long after, Freedman said, the office began billing the radio station for property taxes.

The assessor, first accused the station of renting space in their Exchange Place headquarters to a tenant, Freedman said. When it became clear that there was no such tenant, “they changed their tune,” he said, and claimed the station was not tax-exempt because it was not educational.

“We just thought it was a bureaucratic misunderstanding,” Freedman said. “We thought like, ‘Oh, we’re late, we forgot this one form, we’ll fill out the form and everything will be OK.’ And then we filled out the form and it still wasn’t OK.”

On a fundraising webpage for the nonprofit Ukrainian National Home of Jersey City, a description signed by Igor Kolinets, the nonprofit’s president, outlines a similar situation.

Kolinets described the organization as “a non-profit civic organization, founded in 1918, and dedicated to serving the needs of The Ukrainian-American Community.”

“In 2019 we received a bill from Jersey City tax assessor to rewalk our property tax exemption,” the fundraiser reads. “Since (then) we have hired a lawyer and put together a team of volunteers that have been working every day to resolve this issue.”

But, Kolinets wrote, “It is taking longer than anticipated and our funds have run out.”

So far, the page has raised $1,180, out of a desired $10,000. A representative for the nonprofit could not be reached for comment.

Edward Price, the president of Jersey City’s Christ Our Savior Lutheran Church, said the church tangled with the tax assessor roughly two years ago, after decades with no problems. An inspector had attempted to get the church to pay property taxes on the attached pastor’s house, Price said.

“We had to get a lawyer to prove that we were tax-exempt,” Price said. “We’ve always been tax-exempt.” The case was settled after “a couple months,” he noted.

The Jersey City tax assessor’s office referred comment to the city. A city spokeswoman said the tax assessor is licensed by the state, and “does not report to the city government directly with regards to his job function.”

“(Jersey City Mayor Steve Fulop) thinks the city’s tax assessor does a good job overall and is dedicated to Jersey City, but the mayor is not a supporter of the tax assessor’s focus on re-assessing these vital city nonprofits,” city spokeswoman Kim Wallace-Scalcione said.

Jim Kennelly, a Hudson County spokesman, said the county tax board had approved changes in nonprofits' tax status last year upon the request of the Jersey City tax assessor.

Data provided by the county shows that the tax board removed the exemptions of nine nonprofits in 2020, including WFMU and the Kennedy Dancers. Those nonprofits include four churches, the Polish Army Veterans Association of America, and the Felician Sisters of North America, who own property on Danforth Avenue.

Wallace-Scalcione said Fulop "has articulated to those impacted that he would include letters of support to the nonprofits if they appeal."

On Wednesday, after an uproar over the threat to WFMU's tax exemption, the assessor backed off, the station announced.

"Many thanks to the hundreds of listeners who sent us emails of support in our efforts to keep real estate tax exemption with Jersey City," the station posted on Twitter.

But Dragone is still fighting the assessor over the dance studio's status. She has given tours of the property to tax inspectors and has responded to repeated requests for financial information, she said.

"We send them everything," she said. "I don't know what more we can say."

NEW JERSEY

Our self-inflicted fiscal crisis opens the door to statewide property tax

The upcoming elections are the perfect opportunity to take the governor and legislators to task for potentially adding to the state's crushing tax burden

While Gov. Phil Murphy proposed a budget to increase spending by 7.2% above this year, bipartisan legislative concern is brewing over the self-inflicted crisis that lies ahead. Democratic Sen. Paul Sarlo, chair of the Appropriations and Budget committee, echoing comments made by legislative Republicans, warned that reliance "on federal aid with a limited lifespan and on long-term borrowing" may trigger a "fiscal cliff" once that revenue disappears. Senate President Steve Sweeney expressed remorse about agreeing to borrow $4.3 billion, which he now calls "regrettable," for adding to the debt burden. He previously called the state's penchant for borrowing a "financial death spiral."

The legislative leadership fully understands that unless these concerns translate into action to reduce debt and curb spending, the state faces limited options as we stare down this inevitable crisis.

But in spite of the state having enormous cash available from both federal aid and robust revenues of our own, early repayment of the $4.3 billion is not an option; these bonds were issued as noncallable, meaning they cannot be refunded until they mature in 13 years.

On the spending side, the administration has increased the state budget nearly 30% since coming into office in 2018, with no inclination toward slowing down, and the party-aligned Legislature has gladly agreed to that breakneck pace of spending.

The Garden State Initiative was among those warning, as Murphy and the Legislature authorized $4.3 billion in borrowing, that the offering documents to investors contained provisions guaranteeing repayment based on revenue generated by the state's sales tax or from a statewide property tax. What Sens. Sweeney and Sarlo both understand is that sales-tax revenues are fully consumed by escalating spending and growing unfunded retirement liabilities. That inevitably leads us back to a statewide property tax, which Trenton insiders dismissed last year as only "boilerplate" language and not a realistic possibility.

Keep an eye on Connecticut

Look no further than Connecticut, which currently stands on the cusp of enacting a first-in-the-nation statewide property tax.

Under a bill introduced by that state's Senate President Martin Looney, a new statewide tax would be placed on commercial and residential property, with the first $300,000 of assessed value exempt from the tax. Given 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.

While the first year of this tax is expected to raise $73.5 million, a small fraction of that state's $22 billion budget, Connecticut has opened the door for a statewide property tax that has no upper limit. It offers a "new" tax-revenue source for states like New Jersey that have failed to address their structural deficits and continue to live beyond their means. Many New Jersey homeowners refer to their local property-tax bills as a second mortgage, since the burden often rivals or exceeds the monthly payments on their home purchase. With Trenton's inability to manage our state's fiscal affairs, taxpayers may well end up with a third mortgage in the form of a statewide property tax.

A review of New Jersey's modern history of taxes shows citizens should rightly be concerned.

Our sales tax, created in 1966, has more than doubled from 3% to the current 6.625%.

NJ's 'ignoble distinction'

Our state enacted a personal income tax in 1976 to support public schools and provide property-tax relief. The tax began with a simple two-rate structure consisting of a 2% rate on income below $20,000 and a 2.5% rate on income above $20,000. In 45 years, eight brackets have been introduced without any substantive update to account for inflation, making this more burdensome over time. The only meaningful change has been to establish a new top rate of 10.75%, the third-highest in the nation. All the while, property taxes grow each year; New Jersey holds the ignoble distinction of burdening its homeowners with the highest-in-the-nation property taxes of over $9,000 annually.

Just last year, the governor and Legislature reneged on a commitment to sunset a temporary surcharge on the state's corporate business tax, a decision leaving New Jersey's 11.5% rate as the highest and only double-digit tax rate in the nation.

What all our legislators also understand is that both personal and business income taxes are now almost entirely used to offset the constrained property values in our urban areas which do not generate adequate funding for their own schools or municipal services. Yet these same legislators passed a $14 billion economic-incentive package without demonstrating how this will lead to improved urban centers, growth in their property values and good jobs and the creation of what we all desire — vibrant and self-sustaining communities. Without showing how New Jersey's economic future will be measurably better for everyone in our state, how could we believe anything else that's said?

An election year in which the governor and every member of the Legislature is on the ballot is the right time for residents to ask those seeking our votes where their real intentions lie as to economic development of our urban centers and a statewide property tax, as well as how they intend to address this self-inflicted fiscal wound.

NEW YORK

NYC property tax reform advocates call for DOJ intervention

After slow progress at state level, Tax Equity Now New York places hopes in Biden admin

After more than a year of frustrated efforts in the state court system, Tax Equity Now New York's latest attempt at property tax reform is an appeal to the federal government.

In a letter sent Thursday, the coalition implored the Department of Justice to challenge the city's tax structure under the Fair Housing Act.

The plea comes eight months after the New York Court of Appeals tossed out a TENNY suit challenging the constitutionality of the city's property tax laws, citing a lack of a "substantial constitutional question."

At the time, a TENNY spokesperson vowed that the group would continue fighting in state court. But since then, reform has gained some renewed attention at the local level.

In February, Mayor Bill de Blasio pledged to revive his administration's efforts to address property tax reform more than a year after releasing a series of recommendations as part of a preliminary report on the topic, blaming delays on the pandemic. Public hearings finally resumed this month.

In the letter sent Thursday, TENNY policy director Martha Stark asked the Justice Department to consider the discriminatory nature of the city's property taxes, citing as precedent the "key role" played by the department in resolving "longstanding discrimination in Nassau County's property tax system" two decades ago.

Communities of color, Stark argued, are taxed at higher rates than majority-white areas as a result of a "dizzying array of valuation methods, caps, adjustments, abatements, and other features."

Will the Department of Justice answer the call? Stark is reluctant to predict the future.

"I've given up my betting life," she told The Real Deal.

But a new White House administration could be of help.

President Joe Biden specifically addressed the topic in a January memorandum on discriminatory housing practices, calling out the "persistent undervaluation of properties owned by families of color" and committing to reexamine the Trump administration's repeal of an Obama-era rule that compelled local municipalities to take steps to remove barriers to affordable housing.

There's also precedent for the case, which Stark outlined in the letter. In 2000, the Justice Department challenged Nassau County's property tax laws on the basis that higher rates in Black and Latino neighborhoods violated the Fair Housing Act.

Stark said she'd be satisfied with a similar outcome to the one in Nassau County — where the county agreed to abide by Justice's recommendations — provided the federal agency outlined aspects of the city's property tax law that conflict with the Fair Housing Act.

"We need judicial intervention to actually get these changes made," Stark said. "The legislature has had ample opportunity to make them and they have not."

After restarting public hearings with the city's commission on property tax reform this month, the de Blasio administration intends to use the findings to issue a second report by the end of the year, coinciding with the end of his term.

But any changes to the law would need to go through the legislature, and it's unlikely lawmakers would take up new proposals before a new mayor comes in, Stark said.

The hearings are also occurring in the final weeks before the city's mayoral primary election, which Stark believes will steal a good bit of their limelight.

"But you know, they're scheduled, and I do think the commission is interested in what the public has to say," she added.

A virtual hearing for Staten Island was held on May 11. Brooklyn's hearing is next, on Thursday, May 27.

NYC tax reform group demands feds step in to fix broken city tax system

The group that's pressed New York City to reform its complicated property tax system for years is taking its case to the feds.

In a letter sent to the U.S. Justice Department and the city's Congressional delegation last week, Tax Equity Now New York is demanding that the federal government step in to address what it calls "the inequitable and discriminatory impact of the city's property system."

"As a result of New York City's actions and inactions, majority-minority communities within the city are overassessed by billions of dollars and overtaxed by hundreds of millions of dollars annually," the group's policy director Martha Stark wrote in her letter, which was obtained by the Daily News.

"Despite acknowledging the fundamental flaws of its own property tax system for decades, the city has done little but sanction a series of commissions, which lack any authority to take any action beyond reaffirming the existence of the problem," the note reads.

Under the city's property tax system in its current form, working and middle-class homeowners often pay more in property taxes than those who own more valuable homes in more exclusive neighborhoods.

Mayor de Blasio — who, as the owner of two Park Slope homes, has benefited from the current system — promised early in his administration that he would reform it. But little has changed since 2014, when he assumed control of City Hall.

De Blasio has noted that state lawmakers will have to provide their own assistance to make any meaningful changes to the system. His administration's Property Tax Commission has issued a report laying out the problem and plans to issue a second report before the end of his final term.

"It will be the roadmap to solving the problem," said de Blasio, whose term ends in December.

In 2017, Tax Equity Now decided to sue to force the city and state to reform the system. That part of the group's efforts is still underway. After a state appellate court rejected its lawsuit last year, TENNY is planning to appeal its decision in the state Court of Appeals. "They will lay out specific solutions, and then it's up to the legislature, of course, to act on them. We look forward to that."

In her recent letter, Stark compares the city's current situation to Nassau County more than 20 years ago, when the Justice Department filed a lawsuit to address racial disparities in its property tax system.

"While the Department of Justice's suit played a key role in resolving longstanding discrimination in Nassau County's property tax system, New York City continues to maintain a property tax system that similarly discriminates against minority communities and on a much larger scale," Stark wrote.

A Broken System

New York's property-assessment regime fuels a tax-grievance cycle in suburban counties.

The IRS extended the filing deadline for income tax returns this year, but in New York, another tax season is currently in high gear: local tax-grievance time. Between now and mid-June, New York State homeowners will file for reductions in their property assessments, deluging local assessment-review boards in Nassau, Suffolk, and Westchester Counties with appeals—many promoted by a tax-grievance industry unknown in most of the country. The thousands of assessment challenges are part of a statewide property-tax assessment mess that is at its worst in New York City's suburban counties.

Real estate taxation, the main source of revenue for local governments across the United States, rests on the technical and arcane—yet crucial—process of property reassessment. When property assessments are out of date or inaccurate, so are property owners' tax bills, with repercussions for both personal finance and municipal revenues. A recent University of Chicago study of property-tax-valuation practices across the country chose to emphasize the impact of unchanged assessments on minority homeowners, who are more likely to live in lower-priced homes. In fact, out-of-date assessments skew property taxes for *all* homeowners. As the Tax Foundation points out, "the combination of infrequent reassessment with rate increases shifts the property tax burden away from those whose property has been appreciating onto those whose property values have been declining."

Up-to-date valuations limit inequities. For example, when Proposition 2½ capped growth in property taxes in Massachusetts 40 years ago, it also mandated annual reassessments. Unsurprisingly, the Chicago study found that property assessments in Suffolk County, Massachusetts, which includes Boston, matched industry evaluation standards and were less regressive—that is, less skewed against low-priced properties—than the national median.

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

Outside Nassau County and New York City, property assessments are determined by hundreds of individual cities and towns. To accommodate county governments, which cover multiple municipalities, and school districts, which can cover pieces of several towns, the state calculates an "equalization rate" reflecting the total assessed value of properties in each municipality divided by the same jurisdiction's total market values based on sales. A rate of 25, for example, means the municipality assesses property at an average 25 percent of market value.

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

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

A sad legislative history put the Empire State in this fix. In the landmark 1975 case *Hellerstein* v. *Islip Assessor*, New York's highest court ruled that localities needed to abide by a long-ignored state law requiring property assessment at full value. But the *Hellerstein* decision was effectively nullified by a 1981 state law that created separate property-tax systems for New York City and Nassau County, where property is divided into four different classes taxed at four different fractions of market value.

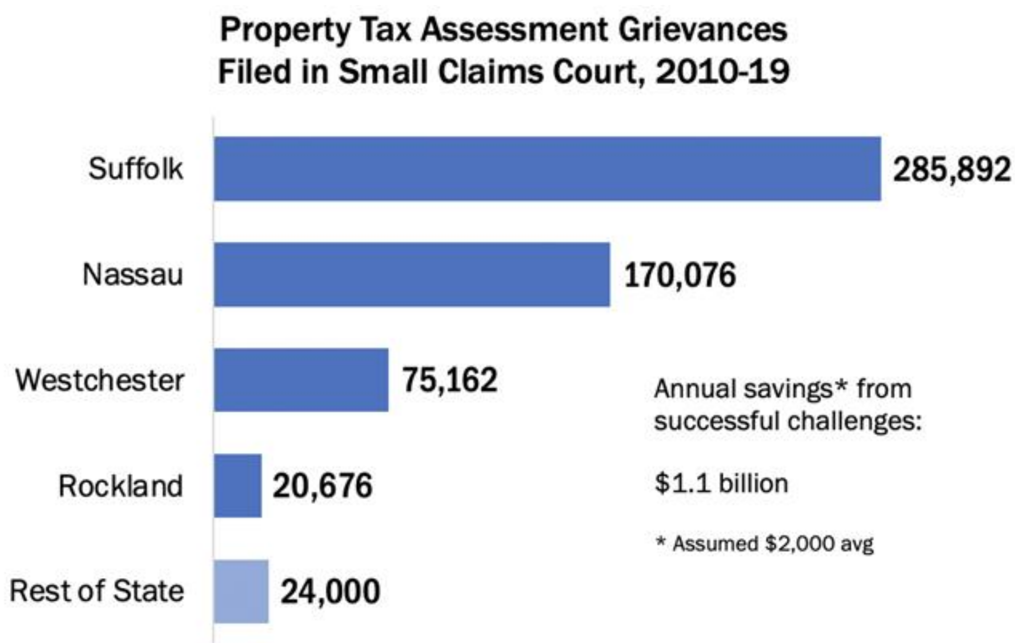
As a result, New York localities often go decades, indeed generations, without reassessments. New York City, where assessments are regularly adjusted, has a better system: those living in expensive neighborhoods will, over time, see appropriately higher bills than homeowners in lower-value neighborhoods. But New Yorkers who might wish to flee for inner-ring suburbs in Westchester, Nassau, Suffolk, and Rockland Counties will confront property tax chaos.

In an exemplary Westchester locality (where one of us sits on the local Board of Assessment Review), assessment rolls were last updated during Richard Nixon's first term in the White House. Thus, homes that were highly valued a half-century ago but are now outdated remain stuck with stratospheric tax bills. In counties where median property-tax bills are among the highest in the country—typically exceeding $10,000, with $100,000-plus bills not impossible—the consequent inequities can be enormous. A ranch house that was expensive and in style in 1965 can still be taxed as if it's in high demand, though preferences have changed.

The lack of consistently updated assessments means that most suburban tax rates, and thus individual tax bills, get determined by that arcane "equalization" process. The state compares a sample of home sales in all of a county's cities and towns to determine what share of county and school district property taxes each should pay. If homes in your town sold for increased prices compared with neighboring communities, your county and school rate increases—even if the market value of your own property decreased.

No wonder that local boards of assessment are hit with a tsunami of grievances, many filed by older homeowners living on fixed incomes in homes whose value has declined, yet who now must pay higher taxes. Annual tax "grievance days" occur in Suffolk County on May 18 and Westchester County on June 15. In the absence of regular reassessments, a shadowy and parasitic group of grievance-filing firms has flourished. Often billing themselves as "real estate consultants," these firms are the property-tax equivalent of ambulance-chasers—charging fees up to half a homeowner's first-year tax savings for filing challenges with local tax-appeals boards.

Grievance firms build business by stuffing suburban mailboxes with promotional flyers that promise results. Incredibly, the overwhelming majority of assessment challenges filed by and on behalf of homeowners are successful—not at the local level but in an obscure judicial venue called the Small Claims Appeal Review. Data from the state's Department of Taxation and Finance show how extensive and lucrative this obscure "industry" is:



Data: New York State Department of Taxation and Finance (Chart: E. J. McMahon)

The numbers for the past decade are staggering: nearly 500,000 assessments were appealed to the courts in four downstate suburban counties, with Long Island being by far the most active source of grievance. By comparison, the total grievance count was far smaller in the rest of the state, where local residential assessments generally are more up-to-date and more likely to reflect current value. In New York City—where taxes on one- to three-family homes are much lighter, market values are more accurately estimated, and assessed-value increases are capped—very few residential assessment challenges go to court.

The state does not report how many assessment-grievance cases lead to tax reductions, but assessors at the local level do. In 2019, in Westchester County's Rye, 78 percent of small claims property-tax appeals were successful, leading to tax reductions of $522,000—an average savings of more than $3,000 per property. Assuming very conservatively that property-tax grievances throughout the metropolitan New York suburbs saved homeowners an average of $2,000, the ten-year total savings came to $1.1 billion. And assuming that most of those cases were filed by grievance firms, the industry's total take was in the neighborhood of $500 million—most of it, again, on Long Island. When one homeowner's tax bill goes down, the bills of others go up to ensure that the full tax levy is raised. That keeps the grievance gravy train rolling.

When jurisdictions try to break the cycle, furor can ensue, as happens in Nassau County, the lone New York suburb with countywide assessment. A few years ago, Nassau restarted its first full reevaluation of property since 2003. Republican officials looking to score points against county executive Laura Curran, a Democrat, actually encouraged homeowners to file grievances. Curran responded with a mailer advising property owners of their right to challenge assessments. Looking ahead to a reelection campaign, she has now frozen assessments for a year to avoid having assessments reflect sharp increases in home-sale prices driven by the pandemic.

The common practice of assessing properties at a tiny fraction of their full value also fuels the grievance cycle. For example, a Nassau County home worth $500,000 might have a total assessment of $500, subject to municipal and school-district tax rates calculated on a "per $100 of value" basis. This makes a murky system even less transparent.

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

The Return of the Tax Abatement in New York City

New York City has revived the tax abatement to encourage development and stimulate the economy in the wake of the pandemic. Erin Sykes of Nest Seekers highlights what is available and how the abatements work.

Don't call it a comeback—nothing can hold New York City down. As the revival momentum builds, developers will amend building usage to jive with the new-normal and the city will incentivize new construction to woo buyers back. We expect to see retrofitting of current office space for condo use, to support the continued work-from-home economy.

The reinstatement of 421a and 421g tax abatements is starting. Landmark buildings like 15 Broad and 123 Washington Street emerged post-9/11 from similar efforts. The 421a tax exemption program encourages the development of underutilized or vacant property by dramatically reducing taxes for developers and end-users for a set period whereas the 421g tax incentive program is a tax exemption and abatement for the conversion of commercial buildings, or portions of buildings, into multiple dwellings. Similarly, the less-often used J-51 abatement incentivizes renovation of an existing building by freezing the assessed value at the level before construction started, thus decreasing property tax on a dollar-for-dollar basis.

421a abatements were by far the most widely used in the past, and likely will be in the future as well. There are four variants of the 421a abatement—10-year term (Code 5110, 5117), 15-year term (Code 5113, 5118), 20-year term (Code 5116) and 25-year term (Code 5114). The longer the term of the abatement, the larger the savings you receive during your period of ownership. The post-construction tax benefits phase out over time based on a set schedule, and the property becomes fully taxable upon expiration of the abatement.

421g abatements are newer than 421a and have previously been focused in areas of lower Manhattan, particularly below Murray Street. Abatements under 421g lasted 12 years for non-landmark buildings and 13 years for landmark buildings, with all 421g variants expiring by 2020. These abatements were helpful in encouraging development in the aftermath of the Sept. 11, 2001 attacks. In the period after the tragedy, millions counted New York down for the count, saying it would never recover, and they moved to the suburbs in droves. Some of the additional incentives that lured business to lower Manhattan at that time included:

- Rent subsidies of $5.00 per square foot for the first 750,000 square feet of office space leased at the World Trade Center site and $3.80 per square foot for the first 750,000 square feet at 7 WTC.
- Commercial rent tax exemption for WTC tenants and retail businesses below Murray Street and a reduction for businesses within the wider Liberty Zone.
- Sales tax exemption on build-out costs in the financial district.

The J-51 program is a combination of a tax exemption and a tax abatement and is thus more complex. It is emerging as a choice tool in developing the outer boroughs that were previously focused on commercial manufacturing. At present, most incentives and new construction is focused on these boroughs, primarily Queens and Brooklyn. Long Island City is the developer's darling, offering gorgeous new towers and rich amenities alongside reduced taxes.

There are additional green-building abatements for buildings that feature solar panels, vegetative roofs, and general LEED (Leadership in Environmental and Energy Design) standards. 550 Vanderbilt, linked below is a prime example of a LEED building that is also eligible for a 421a tax abatement.

Examples of New Developments Eligible for Tax Abatement:

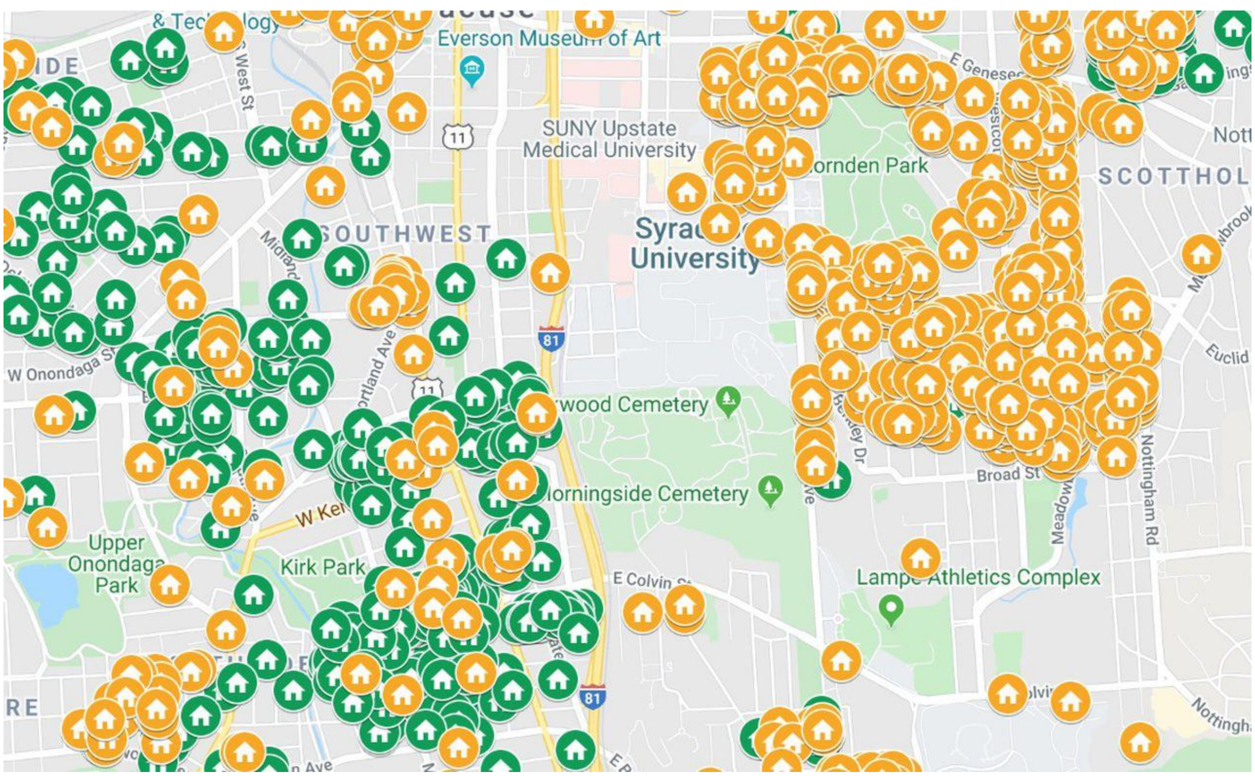
- The Austin Nichols House, on the Brooklyn waterfront offers a J-51 15-year tax abatement for renovating an existing building.
- The Flow House Condo in Long Island City offers a 421a 20-year tax abatement.
- 550 Vanderbilt is a LEED Silver building and utilizes Biophilic Design principles throughout the building. It offers a 421a 25-year tax abatement.

Many of us have been conditioned to think that challenging times mean success is impossible—when in fact, the opposite is true, and it is a time for opportunity. Proponents of tax abatements argue that they create construction jobs, revitalize neighborhoods, and increase the tax base in a region by creating additional affordable housing units for residents. Of course, in New York "affordable" is relative, but they do in fact encourage those who left the city during the pandemic to return and lock in a deal.

The idea of saving on taxes is enticing for obvious reasons, so it is important to include on your list of requests when shopping with a real estate broker. New developments tend to have individual websites above and beyond listings on StreetEasy, and you can also check a building's status on the New York City Department of Finance's website.

It's time to fix Syracuse's inequitable property tax system

Assessment changes



This detail from the map of Syracuse assessment changes shows how assessments in the area east of Syracuse University (orange dots) were too low and had to be raised. On the South Side, where property values are lower, most of the changes were reductions (green dots).

Syracuse will not make real progress until we confront inequality in our city. Our highly regressive property tax assessments are perhaps the clearest example of systemic inequality in Syracuse.

Syracuse has not conducted a full property tax reassessment in over 25 years. The result, as detailed by an investigation by Syracuse.com/The Post-Standard, is that property owners in poorer neighborhoods pay an effective property tax rate that is considerably higher than their wealthier neighbors. This system exacerbates wealth inequality in the city, and reinforces racial and economic segregation.

Fortunately, unlike many problems related to racial and economic inequality, this problem has a clear and straightforward administrative solution. City Hall just needs the political courage to require affluent homeowners pay their fair share.

While residents across the city are taxed at the same rate, given inaccurate property assessments, the effective tax rate — the annual amount paid in property taxes divided by the actual market value, as opposed to the assessed value of the property — is staggeringly regressive.

Some of the city's wealthiest homeowners pay hundreds of dollars a year less than they should, year after year. It's a hidden tax break for high-end homeowners.

Researchers at The Harris School of Public Policy at the University of Chicago have produced hundreds of reports on property tax inequity in municipalities across the country, including a report on assessments in Onondaga County that includes data on several (but not all) census tracts in the city of Syracuse.

On average, property owners in Westcott (census tract 50) pay an effective tax rate of about 1.8%. Meanwhile, in the adjacent Brighton neighborhood (tracts 58 and 54) the effective rates are 3.8% and 3.5%.

These inequitable tax rates map onto racial and economic inequalities. The Westcott neighborhood is 83% white, with per capita income over $33,000. The Brighton neighborhood south of us is less than 10% white with a per capita income below $13,000.

In sum, property owners in Brighton pay an effective tax rate that is twice as high as their more advantaged Westcott neighbors. Since landlords factor the cost of property taxes when determining what to charge tenants, these over-assessments burden South Side and Brighton owners and renters alike.

While the 2019 investigative report by the Post Standard describes the problem of property tax inequity in detail, more recently a New York Times editorial identified Syracuse as a particularly egregious case of a national phenomenon.

As the Post-Standard article details, the city of Syracuse last conducted a comprehensive citywide reassessment of properties in 1996. Over the last quarter century, the real value of properties in wealthier neighborhoods increased considerably, while property values in other neighborhoods of our increasingly segregated city stagnated or declined.

The city this year issued twice as many assessment changes as usual.

City reassessments did not come close to keeping pace with these changes. Since the city only reassesses 1,500 to 3,000 properties annually, properties generally retain the same assessment for well over a decade, which benefits owners whose real market property value has an upward trajectory. Moreover, the New York Times editorial notes that when properties are reassessed, more affluent homeowners are more likely to successfully appeal.

In response to the Post-Standard report in 2019, Mayor Ben Walsh acknowledged that tax inequity is a problem and promised to do better. Unfortunately, the city introduced a tepid plan that merely tinkered around the edges without fixing the problem.

This year will mark my first year serving as the chair of the Council's Finance Committee. I intend to use this new position to propose a budget amendment that will add $2 million to the 2021-22 city budget to begin a comprehensive property reassessment.

A comprehensive property reassessment will not generate more revenue, as increased revenue from high-value property owners will be offset by decreases from lower-valued properties. In fact, in Nassau County, N.Y., 61 percent of property owners received a reduction in assessed value as a result of comprehensive reassessment.

Rather, systematic property reassessment can make Syracuse a fairer city. It is unconscionable that — in one of the most racially unequal and segregated cities in America — we are imposing a higher effective tax rate on people of color and lower-income residents.

Systemic inequality is a crisis in Syracuse. It's well past time for City Hall to take action to address it.

NYC Advisory Commission on Property Tax Reform to Relaunch Public Hearings on Its Ten Preliminary Recommendations

NEW YORK—The New York City Advisory Commission on Property Tax Reform today announced it would relaunch the public hearing process on its 10 preliminary recommendations, starting with virtual hearings for Staten Island on May 11 and Brooklyn on May 27. Both hearings will begin at 6:00pm. Initially delayed by the COVID-19 pandemic, the hearings will resume virtually. The Commission will be holding virtual hearings for all five boroughs and will be scheduling hearings in other boroughs soon.

On January 31, 2020, the Commission released a Preliminary Report with 10 initial recommendations to make NYC's Property Tax System simpler, clearer and fairer. The Commission was formed by Mayor de Blasio and City Council Speaker Corey Johnson in 2018 with a mandate to reform NYC's property tax system while ensuring there is no reduction in revenue used to fund essential City services. An in-person hearing following the report's release was initially scheduled for March 12, 2020 in Staten Island, but later postponed due to COVID-19.

The Commission is soliciting input from the public on the 10 initial recommendations in the Preliminary Report, specifically whether they would achieve the goals of a fairer system, would be improved by certain modifications, or should be enhanced with additional recommendations. To testify, speakers may register at the Commission's website. Anyone wishing to testify must register no later than 24-hours in advance. Following registration, speakers will receive further instructions.

Speakers may (but need not) submit their presentations ahead of time by emailing them to PropTaxInfo@propertytaxcommission.nyc.gov or uploading them through an online portal. The portal and email address may also be used by those who are unable to attend but wish to submit testimony.

Here's why Andrew Yang wants to hike taxes on vacant NYC land by 500%

Mayoral candidate unveiled a proposal to increase taxes on vacant land by 500%.

If you tax it, they will come — at least Andrew Yang hopes so.

The math-loving businessman, who is running neck and neck with Brooklyn Borough President Eric Adams in the race to become the city's next mayor, pitched a plan Thursday to raise taxes on vacant commercial lots by 500 percent over five years, saying the hike would spur development while generating nearly $1 billion a year for the city.

"Land is New York's most precious resource, yet there are thousands of lots across the city sitting wasted and undeveloped because there's effectively a disincentive to build," Yang said Thursday at First Avenue and East 38th Street, a notorious piece of East River-facing real estate just south of the United Nations that's sat empty since 2000 when the late billionaire developer Sheldon Solow purchased it from Consolidated Edison.

Yang and others argue that the low valuation and tax rate gives developers an incentive to sit on vacant lots instead of building on them.

"As mayor, I'm committed to making it easier to build in New York City. Raising the assessment on vacant land to its market value would spur housing and economic development while generating hundreds of millions of dollars in much-needed revenue for the city," Yang said.

Commercial vacant land is currently valued and taxed at under 20 percent of its market value. Yang wants to change that and instead tax the properties based on their sales prices. He says the plan would generate $900 million in city property tax revenue.

But many real estate developers disagree with his premise saying it would make the properties more expensive to build out — especially at a time when construction in the city has slowed to its lowest rate in almost a decade because of the pandemic.

"The city's property tax system is fundamentally broken and we agree with Andrew Yang that it needs comprehensive reform, but this idea will not help to achieve that goal," said James Whelan, president of the Real Estate Board of New York. The city's leading industry group, REBNY represents commercial, residential and institutional landlords.

However, Martha Stark, head of the city's Finance Department under former Mayor Michael Bloomberg, said Yang's plan makes sense.

"I want to give them credit. I think they're on to something. I agree there is that additional value available to be assessed against these properties," Stark said.

She added that it was "a good idea" although "maybe not as easy" to execute as Yang made it seem. She estimated that it could draw more like $500 million in additional revenue, not $900 million.

Where do the NYC mayoral hopefuls stand on property tax reform?

First the good news. Delayed by delays and then shelved for a year due to the COVID pandemic, Mayor de Blasio's long trumpeted Commission on Property Tax Reform is back!

The Commission recently announced it would resume holding virtual hearings in all five boroughs to make recommendations on how best to fix New York City's inequitable property tax system.

The bad news is that our current mayor will no longer be in office to live up to his commitment by the time the Commission publishes its final report.

We started 2020 by finally making some progress on reforming New York City's badly busted property tax system. Then COVID hit. Now, the dire need for this Commission and the urgency for it to complete its work has never been more clear.

City Hall must have a comprehensive plan to amend New York's property tax system in a way that makes assessments more reflective of the real value of homes and less permissive of high-value properties in certain neighborhoods to pay a significantly undervalued share.

We have heard time and time again how the Mayor's own properties in tony Park Slope are taxed at a far lower rate than most homes owned by middle-class New Yorkers in the outer reaches of the five boroughs. Enough talk. The unfairness is indisputable, blindingly stark, and it must be changed once and for all.

But there is hope. In fact, it may work to our benefit that the Commission's plan will fall on the shoulders of New York City's next mayor.

Bill de Blasio has not been effective in leveraging the powers and pulpit of the mayoralty against the powers that be in Albany. And now, as a lame duck, he will have even fewer chips to play. We hope that whoever becomes the 110th Mayor of the City of New York has the political capital to go toe to toe against the stagnation, waste, and special interests of the state capitol.

The state's constitution will require de Blasio's successor to travel up the Hudson – like 109 mayors who came before – and wrestle the best deal they can through the legislature. New Yorkers of all stripes – homeowners, tenants, renters and small landlords – should join us in demanding each candidate commit to supporting the tax commission's recommendations.

Look, New Yorkers are squeezed. Google any metric, from income taxes to your electric bill, and you will find New York at or near the top of the list. Nobody is immune to the climbing costs of housing, healthcare, transportation, and other necessities.

And, out here in the exotic outer boroughs, homeowners are not the super-rich. They are public school teachers, firefighters, seniors on fixed incomes, retired city workers and hardworking families that are the second or third generation of their family to live in their childhood home. Property tax relief, not in the form of gimmicks or givebacks, but a real reform of the system, is one way which the next mayor can fight to keep our city truly affordable.

For the candidate willing to invest in a real property tax solution – or to even simply turn and address it – the payoff could be quite fruitful on Election Day. The property tax system impacts homeowners and renters, landlords and developers – virtually all of the city's 8.5 million residents. 33% of New York households own their own homes and almost 100% of those are concerned about rising taxes.

Experts have proven that the New York City property tax system clearly discriminates against communities of color. There is near universal consensus among policy wonks across the spectrum that comprehensive residential property tax reform is long overdue. Yet, we have not seen any effort by any top-tier mayoral candidate to earn these voters' support by discussing this problem and telling us what they'll do about it if elected.

Property owners are one of the largest and most diverse blocs up for grabs in next month’s primaries. But this isn’t just about homeowners – it’s about renters, too! Unlike other cities, nearly two thirds of New Yorkers are renters, and most cannot afford to own their home.

In a city dominated by renters and challenged by insanely high and rising rents, renters often bear the brunt of this busted system because the significantly higher tax burden on rental properties is often passed on to the renters in the form of higher rents or cuts to repairs and building maintenance.

Woman, 94, loses tax exemptions when she is assumed dead

An elderly woman on Long Island is frustrated with a county mistake that forced her to pay higher taxes after someone mistook her for dead.

The 94-year-old woman is demanding thousands of dollars in a tax refund from Nassau County after she lost two tax exemptions.

"I'm very upset and very angry at all that's happened," said Ann Mazze, of Levittown.

Mazze said when she realized she lost her veteran tax exemption and her enhanced senior tax exemption, her daughter called the Nassau County Department of Assessment and she said someone in the office told her daughter they assumed Mazze was dead.

"Do I look dead to you?" Mazze said.

As a result of the loss of the tax exemptions, Mazze's property taxes went from $2,694 a year to $7,921. Her monthly mortgage payment increased by $800.

Lori Goldman, Mazze's daughter, said someone in the Assessment Office acknowledged the error.

"They said it will be corrected, but it has to go through a process channel, which would be over a year's worth of time," Goldman said.

In the meantime, Mazze and Goldman have been on the hook for the higher mortgage payments.

"We said we're paying a lot of additional monies every month to get this satisfied because it's in our names and basically they didn't care, they said, 'Well, this is what we have to do,'" Goldman said of her conversation with someone in the Assessment Office.

Goldman estimates they're out $5,000 to $6,000.

Mazze and Goldman said they tried contacting people in the Nassau County administration, including Nassau County Executive Laura Curran, but no one helped them.

Nassau County Legislator John Ferretti Jr. said he also tried to help Mazze and Goldman.

"We've been attempting to get in touch with the administration. We haven't been getting answers either," he said.

Ferretti Jr. organized a press conference outside Mazze's home on Wednesday.

Nassau County spokesperson Michael Fricchione said in a statement to Eyewitness News, "The taxpayer's daughter was in contact with the Department of Assessment on April 22nd and corrections were made right away, along with a petition that will be approved by the legislature on Monday to refund the taxpayer."

Fricchione said a refund check should be mailed to Mazze on Monday.

He said it's unfortunate that an elderly woman was used as a political prop by politicians when a solution has already been found.

OHIO

Ohio Launches Special COVID-19 Property Valuation Complaint Process

Ohio Senate Bill (SB) 57 was signed into law on April 27, 2021 by Governor Mike DeWine. Among other changes to Ohio law, SB 57 creates a special extended property valuation challenge process for tax year 2020. The special process is meant to account for decreases in property values caused by "a circumstance related to the COVID-19 pandemic or state COVID-19 orders." The key features of SB 57 are outlined below.

Ohio property values for a particular year are usually set on January 1 of that particular year. SB 57, however, permits challenges to a 2020 valuation to calculate the property's value as of October 1, 2020. This change provides taxpayers relief from the impact of COVID-19 on property values in 2020.

Triennium rule to be disregarded

Under Ohio Revised Code (ORC) § 5715.19, a property owner may file an administrative complaint challenging the property's valuation with a county board of revision (BOR) once every three years. This is commonly referred to as the "triennium rule." SB 57 permits taxpayers to disregard the triennium rule if the valuation challenge is filed in 2020, 2021, or 2022 and relates to a decrease in property value stemming from the COVID-19 pandemic or state COVID-19 orders.

Challenges must be filed between July 26, 2021 and August 25, 2021

Prior to the enactment of SB 57, challenges to a county auditor's 2020 valuation or assessment of a parcel of land had to be made on or before March 31, 2021. The new rule under SB 57, however, permits challenges to a 2020 valuation to be made between July 26, 2021 and August 25, 2021.

Required evidence

To succeed on a request to decrease property value, the taxpayer must convince the county's BOR that COVID-19 did, in fact, decrease the property value in 2020. To do so, the taxpayer must prove how the COVID-19 pandemic or state COVID-19 orders "caused the reduction in the true value of the property." State COVID-19 orders include those made by the Governor, Director of Health, or any other authorized state official on or after March 9, 2020. For example, to establish a decrease in property value, the taxpayer could present evidence such as financial statements (e.g., profit/loss statements, cash flow statements) for 2020 and immediately preceding years, internal reports reflecting reduced occupancy on the property for taxpayers in the hospitality industry, decreased utilization of the property for taxpayers in the manufacturing industry, or forced reduction in business operating hours due to state shutdown orders for taxpayers in the retail or restaurant industry. Arguments citing general market or economic decline, however, are insufficient and will be rejected by the BOR.

Tenants can now bring valuation complaints

Historically, only property owners and their spouses could bring property valuation complaints. SB 57 extends the list of permissible challengers to include tenants of the property owner if the property is a commercial or industrial one, the lease requires the tenant to pay property taxes, and the lease (or the property owner) authorizes the tenant to file a complaint.

Takeaways

SB 57 offers property owners the option to contest their property's valuation if they can show the property value has decreased because of the COVID-19 pandemic or state COVID-19 orders. A successful challenge to a property's 2020 valuation means a decreased property tax bill for the property owner until the occurrence of another reappraisal in a subsequent year. However, property owners should expect counter complaints from affected municipalities and school districts, which rely heavily on property tax revenues, as successful challenges would impact their operational budgets.

Using the Pandemic to Reduce Ohio Real Property Taxes

Update: Special valuation complaints asserting value for tax year 2020 as of October 1, 2020 due to pandemic-related circumstances must be filed on or before August 25, 2021. Governor Mike DeWine signed SB 57 on April 27, 2021, such that the effective date of the bill is July 26, 2021.

Ohio Senate Bill 57 is headed to the governor's desk and would allow county boards of revision to consider the COVID-19 pandemic when valuing properties for tax year 2020 for taxpayers filing special complaints challenging 2020 taxes, which are payable in 2021. Absent this legislation, Ohio law values property as of Jan. 1, 2020, for the 2020 tax year, which likely would not reflect circumstances relating to pandemic.

Taxpayers must file a special complaint for tax year 2020 to value a property as of Oct. 1, 2020, if its value is reduced due to COVID-19-related circumstances. The special complaint must be filed within 30 days of the effective date of SB 57, likely sometime this fall, and must state with particularity how the pandemic-related circumstances caused reduced property value.

The rule barring the filing of multiple complaints within the same triennial valuation period would be waived for COVID-19-related complaints and for tax year 2021 or 2022 complaints that allege a value reduction solely due to COVID-19 circumstances.

The new law also permits tenants to file the complaint when the tenant is responsible for the tax. The governor's signature is the final step necessary for SB 57 to become law.

The bill provides an opportunity for owners of hotels, retail space and other commercial properties to reduce their tax bills to reflect effects of the pandemic. The time period within which to respond is short.

Ohio Enacts Limited-Time COVID-19 Real Property Tax Valuation Relief

A significant real property tax savings opportunity is now available if you are an Ohio real property tax taxpayer who believes the value of your property has depreciated due to the impact of COVID-19 pandemic.

In an effort to assist taxpayers who have experienced a decline in the value of their real estate due to the COVID-19 pandemic, Governor DeWine has signed into law Sub. S.B. 57, which goes into effect on July 26, 2021. This is the first day a complaint can be filed.

The legislation authorizes an eligible party to file a special "COVID-19" complaint with the specific county Board of Revision requesting that a property's tax valuation for tax year 2020 be determined as of October 1, 2020, instead of the January 1, 2020 tax lien date typically mandated by Ohio law. Ohio's statutory restriction on filing only one complaint in each three-year valuation period also is lifted if an owner wishes to file a tax year 2020 COVID-19 complaint. This opportunity is therefore available to all that qualify.

To qualify for this special consideration:

- The owner must demonstrate that the real property's value has been reduced due to circumstances related to the COVID-19 pandemic or a COVID-19-related order issued by the governor or a state agency.
- The special complaint must be filed on or before August 25, 2021.
- The special complaint must state with particularity how the COVID-19-related circumstance or order caused the reduced real property value.

This specificity requirement threatens to be quite complex. The legislation also expressly authorizes the Boards of Revision to dismiss a complaint that does not satisfy this requirement. Great care needs to be exercised in seeking relief under this new provision.

PENNSYLVANIA

Clean and Green Tax Program May Provide Opportunities for Property Tax Relief

Most property owners are familiar with the tax appeal process in Pennsylvania. But many may not be aware of a program that provides tax savings for properties that are devoted for agriculture or forests. Under the state "Clean and Green Program," owners may apply for preferential tax treatment whereby property taxes under this Program which are based on values in use rather than fair market values. This can result in tax savings for property owners.

The State General Assembly initiated the Program in the mid-1970's as a tool to encourage protection of Commonwealth open spaces, forest and farmlands. More than 10,000,000 acres are enrolled state-wide. To be eligible, a property must be 10 acres in size and either devoted for "agricultural use," "agricultural reserve" or "forest reserve." ("Agricultural use" applications may be less than 10 acres in size if a property is capable of generating at least $2,000 annually in farm income.)

More important, the State Department of Agriculture provides the county assessment offices with use values annually on these agricultural or forest properties, although the county has the option to implement lower values. Agricultural values are based upon the land's potential income generation, (and not what it might necessarily sell for at fair market value). "Forest reserve" values are based on the average value of timber in a particular county or the average value of six timber types by county. Again, the benefit is that property is not valued on fair market value, but on an agricultural and forest reserve. If you have a home on such property Clean and Green, it usually is excluded in the calculation of value.

Enrollment in the Clean and Green Program is not permanent and owners who withdraw from the Program or take action that disqualifies further owner participation are subject to 7 years of rollback taxes. The rollback tax is the difference between what was paid under Clean and Green versus what would have been paid if the property had not been enrolled, plus 6% simple interest per year.

Under Clean and Green, public access to your property is generally not required, except for "agricultural reserve" properties. That just means such "agricultural reserve" property must be open to the public for passive recreational uses free of charge, but subject to reasonable restrictions (e.g., no hunting or restrictive use of motorized vehicles). Keep in mind that review is on a case-by-case basis, and the details about a particular property may have an impact on qualification under Clean and Green.

The Clean and Green deadline for 2022 is June 1, 2021.

A 'progressive' approach to taxing land gains traction in Philly Council

City Council is considering a new approach to taxing real estate that advocates believe could lower assessments for less affluent property owners without reducing the city's overall haul.

"We need to look at how we can grow out of poverty, especially for businesses of color, " Councilmember Derek Green said at a hearing he spearheaded on the feasibility of a so-called land value tax.

Green believes now is the time to rethink Philadelphia's approach to property taxes, after a pandemic year that cost the city hundreds of millions in lost wage and business tax revenue and raised significant questions about the wisdom of relying on those streams in a world where remote work is increasingly an option. Without $1.4 billion in federal aid delivered by President Biden's America Rescue Plan, the city would have faced significant budget shortfalls.

Philadelphia "needs to be looking at how we do taxation in our city, especially considering the significant impact that the pandemic had on the economic fortunes on the city," Green said.

Unlike a traditional property tax, land value tax is assessed based on the value of a piece of land, rather than the value of the "improvement" or building. Instead of seeing taxes rise and fall based on the condition of a building, a property owner pays based on the value of the location, taking into account public infrastructure and other nearby assets. Advocates describe the approach as "progressive" and believe it discourages speculation and blight while lowering the tax burden for property owners in areas with less public investment and lower market values.

That issue of equity has haunted the city's ongoing effort to overhaul the city's property tax system. A 2019 report from the city's Controller Office found the city's Office of Property Assessment does a "worse job" assessing properties in areas with lower home values. "Less expensive homes in these areas tend to be over-assessed relative to more expensive homes," stated the report from City Controller Rebecca Rhynhart. Higher tax assessment translates to greater tax burdens, which means lower-income residents are "likely paying more than their fair share of property taxes."

City assessors have particularly struggled to get the numbers right in West Philadelphia, Southwest Philadelphia, and North Philadelphia, according to the Controller's report. These sections have more regressive and less uniform assessments while also having the lowest median income in the city, ranging from $18,000 in North Philadelphia to $26,000 in West Philadelphia, Rhynhart's office found.

If Philadelphia shifted to a 50-50 ratio of tax on buildings and land, homeowners across the city would see a collective savings of more than $60 million each year, according to Josie Faass, the executive director of the Robert Schalkenbach Foundation, which promotes property tax reform as a vehicle for economic justice and equity.

With a true land tax, that figure could jump to $123 million. The folks who would pick up the slack would be speculators and absentee owners of vacant land, according to proponents of the economic theory.

Stephen Mullen, an economics expert at Econsult Solutions, said he's supportive of the idea of implementing a partial land value tax program, which would mean phasing in a more heavily weighted land component each year.

"If combined with certain regulatory changes and zoning changes, it would lead to significant increases in capital investment in the city's commercial and residential buildings, which means a greater supply," Mullen said.

Within City Hall, the Kenney administration is more circumspect about the theory. Philadelphia's Revenue Commissioner and Chief Commissions officer Frank Breslin said making the switch would open up a can of legal worms while threatening the city's financial stability.

He said the city doesn't have the authority to enact a land value tax and could be forced to refund all taxes if the approach was found to be unconstitutional.

"If we enacted such attacks and lost in court, it is possible that the entirety of real estate tax revenue for both the General Fund, and the school district could be in jeopardy for the tax year in question," Breslin said.

Mayor Jim Kenney's budget proposal for this year includes tax cuts for both wage and business taxes.

According to Steven Wakefield, a deputy city solicitor, there are 14 jurisdictions in Pennsylvania that have a land value tax after obtaining authorization from the state for the reform. Allentown and Harrisburg have a form of split-rate taxation where there are two different property tax rates, one for buildings and improvements and the other for land value.

Meanwhile, the Kenney administration is not reassessing properties for tax years 2021 or 2022 because of delays in a planned rollout of a new Computer Assisted Mass Appraisal System (CAMA). The new system was promised in 2013 to help improve the accuracy and uniformity of property assessments.

TEXAS

Beekeeping is the new buzz for Texas land owners

The growing trend is helping qualified land owners save money on their property taxes.

As property tax values skyrocket, one avenue that is catching on for homeowners with qualifying land is to become a beekeeper and you can do it with little to no experience.

"My Dad got into beekeeping in 1975 and I was 8, so I've been doing this all my life," said Randy Oakley, owner and operator of Oakley Family Apiaries.

Oakley keeps bees on his property in Elm Mott and also teaches others who want to learn the craft of beekeeping. He said some of those that come to him do so after they've learned of a Texas Ag Exemption where people can raise bees on their property in exchange for a break on their property taxes.

"It had to a lot with an incentive in wanting to get people to get bees and keep bees, especially during the decline of honey bees, so, land owners who meet a certain requirement are able to keep bees and then get a break on their property taxes," Oakley said.

State law changed in Texas on Jan. 1, 2012 allowing qualified landowners to house bees on their property under a Texas Tax Code amendment but it carries strict guidelines that must be followed.

"There's a problem we have in this country, we're losing our bees constantly," said Jim Billings, the President of the Temple Bee Association. Billings houses 12 hives on his property, which can hold, he says, 60,000 bees in each hive.

"My wife, who does a lot of research on bees and stuff, found out, that if you have between five and 20 acres of land, you can become tax exempt," Billings said. "Now, it takes five years and you have to have between six to eight hives on your property for those five years. In some counties it's a little bit more and some counties it's a little bit less."

Billings said he has more than 360,000 bees on his property at any given time and all of them have a job to do, for others.

"The bees will travel three miles, that's their average, to pollinate all different kinds of things so, that's why we get this Ag Exemption because we're not doing anything on our land, we're helping our neighbors and stuff with their crops and pollination," he said.

Billings said the Temple Bee Association has 98 families that are homing bees at their homes, not all of them, he said, are taking advantage of the exemption. Others are needed to help as well.

"You really need a mentor but get a hold of your local clubs. We will show you what to do, we will help you get started and we will be there with you the entire time," he said.

Oakley said he is hoping to pass the family heritage on through the years but he can't do that if he can't keep his beehives alive.

"It used to be easy, you put them out in your backyard, harvest honey once a year and they pretty much took care of themselves but that's not how it is anymore," Oakley said.

Oakley said that there is a real interest in becoming a beekeeper and those that come to him do understand the plight of the honeybee and it's decline.

"People want to keep bees but there's not a lot of good training out there to help people find success," he said. "I really believe that people can do this and I really feel passionate about helping them and mentoring them and seeing them be successful."

Billings, an Army veteran, is hopeful for the future of bees but worries about their decline. He hopes others will help him save the bees and be a part of the solution.

"Do not kill the bees. Call somebody in a bee club and we will be there for you," he said.

VIRGINIA

Appeals process outlined as Prince William property taxes to rise

There's an appeals process for homeowners who will see their property tax bill skyrocket in the coming year after Prince William County passed the largest single property tax increase in county history.

Coles District Supervisor Yesli Vega issued this press release today:

On Tuesday, the Prince William Board of County Supervisors passed their $1.34 billion FY2022 budget, which included a $62.8 million dollar spending increase over last year and an average increase in residential tax bills of $286 per home. The $286 average increase is the largest increase in residential tax bills in the county's history.

Although the Board did lower the real state rate by a penny, which I supported during markup, I could not vote for the overall increase at a time when many county families are still struggling to get on their feet.

You can view the average increase and two-year increase in tax bills by zip code since the start of COVID below:

Sudley – 20109 – $248/413
Manassas – 20110 – $359/$525
Buckhall – 20111 – $300/$447
Hoadly – 20112 – $340/$509
Bristow – 20136 – $355/$557
Broad Run – 20137 – $307/$441
Catharpin – 20143 – $317/$650
Gainesville – 20155 – $340/$589
Haymarket – 20169 – $505/$773
Nokesville – 20181 – $402/$739
Montclair – 22025 – $294/$473
Dumfries – 22026 – $358/$626
Occoquan – 22125 – $199/$321
Quantico – 22134 – $404/$502
Triangle – 22172 – $305/$430
Woodbridge – 22191 – $256/$421
Lake Ridge – 22192 – $290/$449
Dale City – 22193 – $305/$447

Of the $62.8 million dollar spending increase, the bulk majority went to the school division ($34.5M) and increased pay and compensation for county employees ($9.9M).

Additionally, a five-year spending plan was passed which includes the assumption of a new 4% Meals Tax.

For residents who do not agree with their tax assessment for the upcoming year please contact the Real Estate Assessments Office at 703-792-6780 to speak with the appraiser of your area to obtain more information about the valuation process and your assessment.

If the appraiser is not able to satisfy your concerns, you may request an administrative appeal of your assessment. The County appraiser considers market information relative to the property and information provided by the taxpayer. If this information shows the assessed value should be changed, the appraiser will make the necessary adjustment. If the evidence does not support a change, the appraiser will explain the reasons for not changing the assessment. The deadline for filing a 2021 Administrative Appeal with the Real Estate Assessments Office is June 1, 2021. 2021 Administrative Appeal Form.

If you don't agree with the result of your administrative appeal, you may appeal to the Board of Equalization (BOE). The BOE is composed of eight County Taxpayers, and is established by the Board of County Supervisors to render an independent third party opinion in cases of disagreement between the taxpayer and the assessing official. Although the BOE is a quasi-judicial board, there is no application fee, and an attorney is not required. The deadline for filing an assessment appeal with the BOE is July 1, 2021.

Section 58.1-3379 of the Code of Virginia states "In all cases brought before the board, there shall be a presumption that the valuation determined by the assessor is correct." and "The board shall hear and give consideration to such complaints and shall adjust and equalize such assessment and shall, moreover, be charged with the especial duty of increasing as well as decreasing assessments, whether specific complaint be laid or not, if in its judgement, the same be necessary to equalize and accomplish the end that the burden of taxation shall rest equally upon all citizens of such county or city."

You may appeal to the Circuit Court of Prince William County within three years of the assessment.

WASHINGTON

Tax Increment Financing Comes to Washington

Washington communities have a new tool to drive economic development: tax increment financing. Sometimes called "TIF," this funding method allows local governments to self-finance public improvements that encourage development without imposing new taxes. The 2021 Washington legislature passed a TIF program and Governor Inslee signed it into law on Monday, May 10, 2021.

Under the TIF legislation, a local government may designate one or two areas targeted for development, and may incur indebtedness or issue general obligation bonds to finance public improvements within the area or areas. Certain limitations steer TIF developments toward areas in particular need of infrastructure investment. For example, the assessed values of the designated TIF areas cannot exceed the lesser of $200,000,000 or more than 20 percent of the sponsoring jurisdiction's total assessed valuation. Thus, a local government must carefully delineate the geographic boundaries of a TIF area.

The legislation also sets requirements likely to maximize the public benefits of TIF programs. A sponsoring governmental entity must hold public briefings and pass an ordinance that specifies the public improvements involved, and it may not add additional improvements after adopting the ordinance. The local government must expressly find that it expects the improvements will encourage private development that would not otherwise occur within the designated area. It must also find that the TIF area's assessed value will likely increase more with the improvements than without them, thus increasing the tax revenue generated in the area. That increased revenue—the "tax increment"—is pre-allocated to pay or repay the costs associated with the public improvements.

Until the TIF legislation, Washington communities lacked this funding source used by 48 other states and Washington, D.C. The City of Milwaukee, WI, for instance, used TIF funding to redevelop a former railyard that sat vacant for 20 years. A TIF program funded demolition, site remediation, storm water improvements, and new roads, utilities, and landscaping. As the light industrial area with over 60 acres of recreational space revitalized, the development created 5,000 new jobs and increased property values by over 1,400 percent.

Washington's new TIF legislation gives localities a new ability to renovate public spaces in ways that attract new development, removing a competitive disadvantage Washington cities previously faced in comparison to neighboring Oregon and Idaho municipalities.

Residents of Vancouver manufactured home park ask taxing questions

Cascade Park Estates homeowners — who have seen rent increases in recent years — are challenging property tax assessments

Nearly a dozen residents of a manufactured home community in east Vancouver are challenging their most recent property tax assessments.

Residents of Cascade Park Estates, a 55-and-older community, say assessments on the properties are inconsistent and confusing. With the hope of lowering the assessments, 11 residents have filed appeals with the Clark County Board of Equalization, according to the county Assessor's Office.

Claudette and Bob Derricotte, aged in their 70s and 80s, purchased their unit in 2018 for $140,000. Their property's taxable value rose from $74,714 in 2019 to $113,843 in 2020 and, this year, $138,024.

They've been billed $1,520.93 this year for the 1,350-square-foot lot, featuring a ranch-style manufactured house with three bedrooms and 1¾ bathrooms. The Derricottes paid $758.09 to the county in 2019 and have not made major renovations.

The Derricottes are hoping their assessment will be knocked down to $85,000. They cite a J.D. Power report from August that places the 1999 used home's total adjusted retail value at $30,739.99.

"Why should we be paying that much on a building that is depreciating in value?" Claudette Derricotte said. "If it doesn't change, we can't afford to live here in, say, about two years."

Lynda Scott purchased her 1,296-square-foot unit in 2017 for $132,000. Her taxable value rose from $89,046 in 2019 to $111,575 in 2020 and $118,238 this year.

Scott and other residents at the park have pointed out that some units of similar sizes have wide discrepancies in their tax assessments. For instance, another lot in the community that is the same size as Scott's was assessed at $69,128 for this year.

"It's hard to understand how they come to their conclusions on what to charge," Scott said. "It's all over the map."

'Nothing makes sense'

Claudette Derricotte wrote a letter to Clark County Assessor Peter Van Nortwick in March announcing her complaints.

"I have spent innumerable hours researching this park's assessment values and nothing makes sense," the letter reads. "It is difficult to understand the process, and as many questions that we ask, we get a variety of different and conflicting answers from your office. Transparency from you appears to be elusive."

Van Nortwick responded with a letter that, in part, explained that his office is "mandated by state statute to assess property at 100-percent fair and true market value as of Jan. 1 of each year." He said that, in addition to square footage, his office uses a computer-assisted mass appraisal program, a market-based cost system that evaluates the quality of construction, roof value and siding type, structure style, heating type, garage type, number of plumbing fixtures and fireplaces and overall structure condition.

"As such, it is not uncommon in (manufactured home parks) to see a wide range of units that are quite different in terms of their property characteristics which result in different market values," Van Nortwick's response reads. "Through the annual adjustment process, property values are adjusted either up or down to reflect the most current market conditions expressed by valid market sales."

Van Nortwick added that 35 unit owners in the community qualify for the county's Senior Exemption program, which reduces property taxes for qualified seniors and disabled property owners who make less than a certain income.

"The taxable value is often mistaken for market value and creates the appearance of inequity," the response states.

When reached by The Columbian about the residents' complaints, Van Nortwick, speaking specifically about the Derricottes, pointed out that the current assessed value of their home is near the 2018 sale price.

"There are taxpayers that don't want to pay their fair share of property taxes and want the rest of the taxpayers to carry their property tax burden," Van Nortwick said. "The simple question it comes down to — if they didn't think it was worth $140,000, why did they purchase it? Secondly, would they be willing to sell it for the $85,000 that they claim it is actually worth?"

The Derricottes' appeal is scheduled for a hearing on May 17.

"I don't know how many other parks are going through this," Claudette Derricotte said. "This could be just the tip of the iceberg."

Residents of the community have been vocal several times in the past couple of decades about what they've considered to be unfair rent increase notices.

On Sept. 29, residents received a notice that their rent would increase by $95 once the state's moratorium on evictions and rent increases ended, making land rent $945 per month. The moratorium, enacted due to COVID-19, has been extended before but is set to expire June 30.