IPTI Xtracts

Property Tax and Assessment News from Around the World

UNITED STATES – November 2021

Contents

Local governments rely on taxes for revenue, but is that the best system for a modern society?

Over the last 30 years, the American economy has evolved quite a bit. Financial assets have historically been held primarily in physical objects like gold, silver and real estate. But these days, with the rise of cryptocurrency, non-fungible tokens and trading apps that make stocks available to everyone, it's become a little more abstract.

From 1989 to 2019, for example, the top five fastest growing categories of American wealth were investment funds, retirement accounts, stocks and bonds. But while asset ownership has shifted dramatically, taxation has not—placing an undue fiscal burden on lower class constituents—according to the report "Rethinking Revenue: Rethinking Local Government Revenue Systems."

"The changing economy has challenged the relevance of the property tax. Most fundamentally, a large part of the value created in the modern economy does not involve property—it often involves less tangible things, like financial instruments or bits and bytes," the report says. "In short, wealth has become less connected with real property ownership and therefore does not represent the taxpayer's ability to pay in the same way it used to."

The report is the first in a series considering the way governments obtain revenue for a project commissioned by the American Planning Association, the Government Finance Officers Association, the International City/County Management Association, the National Academy of Public Administration, the National League of Cities, the University of Chicago's Harris School of Public Policy and the Government Finance Research Center.

As the percentage of wealth tied up in non-tangible assets has increased—from 31 percent to 42 percent specifically—the relative share of wealth derived from physical assets like primary residences has correspondingly decreased. Because lower-income citizens usually have comparatively more of their wealth tied up in real estate, they shoulder more of the tax burden as a percentage of their income.

“Often, who pays the tax does not line up with who can afford to pay or who benefits from public services. For example, people whose wealth is primarily invested in property pay more than those whose wealth is located elsewhere (e.g., financial instruments). Most significantly, lower-income people often end up paying a disproportionate burden of local taxes,” the report says. “For instance, lower-income people spend a larger portion of their income on taxable goods than higher-income people, so the sales tax often places a disproportionate burden on low-income people.”

Beyond simply describing the problem, the report challenges “the relevance of the property tax” in a modern-day economy. The report cites a University of Chicago study that found “the burden of the property tax falls disproportionately on the owners of the least valuable homes. To illustrate, property valued in the bottom 10 percent pays an effective rate that is double that of property in the top 10 percent, on average across the United States.”

Along with property tax, fees and fines have increasingly become an important revenue stream. These fees are usually flat-rate and “typically aren’t scaled to the citizen’s ability to pay.”

And it’s not just constituents that carry the burden. Revenue reliance on taxation also affects governments, creating disparities. Governments that have wealthy taxpayers living within their jurisdictions “can have higher revenues than those that don’t. For example, in a state where local sales taxes are important, the city that has the regional shopping center gets all the revenues, even though people from around the region shop there.”

But while local sales tax goes to the regions that house the stores, bedroom communities that send local shoppers elsewhere must still provide the same public services. Another example is commuters going to jobs in one city but paying little in taxes to support public services there.

While this reliance on taxation as a system isn’t necessarily flawed, “over the years, many distortions have been introduced. For example, assessment practices may be intended to benefit certain classes of taxpayers, but this benefit then implicitly comes at the expense of other taxpayers. For instance, there are some states where homeowners get a property tax exemption but renters don’t. It is hard to make the case that renters deserve to pay more taxes on a similar property. These distortions are often introduced by state legislation.”

As a result of this “antiquated revenue system,” the report says important government services sometimes go underfunded. Infrastructure, for example, is consistently ranked as a subpar in the American Society of Civil Engineer’s annual analysis. Poor public schools, health and safety systems are other examples.

This can lead local governments to make decisions that benefit their tax roles but not necessarily their constituents. For example, higher sales tax rates might encourage zoning for retail and less for manufacturing—even though manufacturing jobs generally pay higher.

“Hence, the tax structure creates a misalignment between the interest of local government and its citizens,” the report notes.

Notably, the analysis doesn't give a solution. Subsequent reports will highlight ideas that could bring "local government revenues more in line with modern economic realities, without placing additional burdens on taxpayers."

Increase in working from home could depress commercial real estate prices, reduce local tax revenue

COVID-19 dramatically altered how and where many employees work, a shift that could have a long-term negative effect on commercial real estate occupancy rates and, ultimately, on local governments' tax revenue base, a new study reveals.

The Impact of Work from Home on Commercial Property Values and the Property Tax in U.S. Cities concludes that, even as the recovery strengthens, if trends persist, demand for commercial real estate space could fall by as much as 25%, properties' assessed values could decline in some places, and city property tax revenue could face a sharp decrease. Researchers from the City University of New York and the University of Illinois Chicago conducted the study released today by the Institute on Taxation and Economic Policy.

"The move to working from home for many employers and their professional staff helped businesses remain productive during the lockdown and since," said lead author Howard Chernick, professor emeritus at City University of New York's Hunter College. "But this shift will have tangible repercussions for commercial real estate occupancy rates and values, especially as some employers consider a permanent or partial shift to a remote work model."

"This study should raise concerns for local and state government. Property assessments usually lag. While governments may not yet be experiencing the effects of declining property assessments, they will if current trends persist. Now is the time to implement policies that address this coming challenge," said co-author David Copeland, adjunct lecturer at Hunter College.

The study examines eight major cities (Atlanta, Austin, Charlotte, Chicago, Los Angeles, Miami, New York and San Francisco). In these cities, commercial real estate accounts for an average of 37% of property taxes, ranging from 26% in Los Angeles to 56% in Atlanta. The researchers used data from the Bureau of Labor Statistics Quarterly Census of Employment and Wages to track employment changes in 2020 by city and industry and to estimate the direct effect of the COVID-19 recession on the demand for commercial space. The report includes a full explanation of the methodology, which includes use of a specially developed comprehensive database on city finance.

Cities that rely heavily on property taxes will see bigger declines in revenue because of depressed commercial real estate assessments. Larger cities in the report's sample (New York, Los Angeles and San Francisco) have more diverse revenue streams, while smaller cities (Austin and Miami) depend more on the property tax. Because of relative dependence on the property tax and a large share of commercial property, the researchers estimate Atlanta would have the largest revenue decline (5.7%). The lowest predicted revenue declines are for Los Angeles and Charlotte — between 1% and 2%. The Charlotte results reflect the city's economic strength, a relatively small share of commercial property tax base at risk from working from home and a low share of the property tax in total revenue. For Los Angeles, the lower forecasted impact is principally a reflection of the low share of commercial property in the tax base.

Diversified revenue structures, such as income taxes in New York and state aid in San Francisco, provide some insulation from fiscal shock. By contrast, cities in Texas and Florida, where state aid is low and property tax shares are high, will need to re-evaluate their fundamental fiscal stance, which is based on no state income taxes, the researchers conclude.

New York City has the most commercial real estate in the country, with Manhattan alone having 11% of all office space in the United States. The researchers found that working from home could lead to a 16% drop in the market value of commercial property in New York City, almost double the decrease from the COVID-19 recession alone. These estimates dovetail closely with market value estimates from the New York City Department of Finance.

The effect on cities' budgets will not happen immediately. Generous federal fiscal relief under the American Rescue Plan has given cities a few years of fiscal breathing room to avoid budget cuts, even as they collect lower property taxes. Federal, state and local policymakers should make changes now to prepare for the upcoming challenge.

"Cities and their surrounding areas are key drivers of economic activity," said David Merriman, a co-author of the report and interim dean of the College of Urban Planning and Public Affairs at UIC. "The pandemic's effect on working arrangements will have a long-term effect on the fiscal health of local governments."

Homeowners, prepare for a shocking property-tax bill

You're a typical homeowner: You fret over mysterious noises behind walls, savor the yard's smell after a storm, and giddily track your home's fast-rising value.

That buoyant emotion might yield to a sinking feeling later, when you receive a property tax bill. As the home's value skyrockets, the amount you pay in property tax is likely to go up, too.

The magnitude and timing of that increase will vary, depending on where you live. Property tax obligations have the potential to go up swiftly in some states, such as New York and New Jersey. Even states that officially restrict year-over-year hikes, such as California and Texas, can see year-over-year tax increases of hundreds of dollars.

Values may rise faster than taxes

Property tax bills don't always keep pace with torrid growth in house prices. "An increase in value does not necessarily mean that the next year's property taxes will increase at a proportionate rate," Lee Pierce, senior vice president of lending for Seattle Credit Union, said in an email.

That's good news if you own a typical home. The median sales price of an existing home rose 12.6% in 2020, and was up 13.3% in the 12 months that ended in September 2021, according to the National Association of Realtors.

Caps may not always hold down assessed values

Many state and local governments boast that they keep tax bills under control by clamping down on assessed values. The District of Columbia and 18 states, including the three most populous (California, Texas and Florida), limit how much property tax assessments can rise each year, according to the Tax Foundation, a think tank focused on tax policy. New York City and neighboring Nassau County, on Long Island, restrict increases in assessed values, too, according to the Lincoln Institute of Land Policy, a think tank that focuses on land use, stewardship and taxation.

The caps vary in their level of protection, though. According to the Lincoln Institute, the assessed value can go up by a maximum of 2% a year in California, 3% a year in Florida and 10% from one assessment to the next in Texas.

Local governments find ways to raise homeowners' tax bills despite the limits imposed by state governments. For example, the median real estate tax paid on a home in Marin County, California, rose 9% from 2018 to 2019, to $8,103, according to U.S. census data.

Tax rules can lock owners in place

There's a problem with laws that limit increases in assessed values. They can inhibit people from moving to upgrade or downsize, and result in neighboring houses having divergent tax bills on similar properties. California is a prime example.

While you own a home in the Golden State, the tax bill almost surely rises more slowly than the home's value. But when you sell, the assessed value will be reset to reflect the true market value. The new owner's tax obligation could be much higher than you were paying.

When recent home buyers pay a much bigger share of taxes than longtime homeowners, it creates a situation where newcomers subsidize the old-timers. Even if you think that's fair, it's theoretically a disincentive for someone to buy your house.

It also will give you second thoughts about relocating, because you, too, could end up paying a dramatically higher property tax bill on your new home.

"Moving from one home to another generally involves surrendering preferential tax treatment built up over years of undervaluation, creating a 'lock-in effect' where homeowners have a disincentive to relocate," Jared Walczak, the Tax Foundation's vice president of state projects, wrote in a 2018 paper.

How to keep watch over your taxes

States have other ways, besides restricting assessments, to limit growth in property tax collection. Some prevent local governments from jacking up millage rates (the tax paid for every $1,000 of taxable value), and some limit increases in total tax revenues.

Even though many states insulate homeowners from shocking jolts in property tax bills, you still may be vulnerable to an increase that cramps your budget. There are a couple of ways to prepare yourself.

If you pay property taxes via an escrow account on a mortgage, the loan servicer sends an escrow account disclosure early each year. This statement includes the expected annual cost of property taxes, homeowners insurance and mortgage insurance. It may contain a breakdown of last year's escrow payments, including the property tax paid, along with projections for the upcoming year.

If your servicer doesn't or can't pay the tax bill in full with the amount collected from you over the past year, you'll have to pay the difference. You can tell the servicer to withhold more each month to avoid shortfalls, Jeffrey Wood, a certified public accountant, investment adviser and partner at Lift Financial, in South Jordan, Utah, wrote in an email.

Your county tax assessor will notify you of your upcoming tax bill, sometimes months in advance. The information may come in a letter, or you can check the tax assessor's website.

Look for phrases such as "total tax" or "levy due" and you'll find your tax amounts for this year and last year. Then you can calculate how much your taxes will go up.

If luck and favorable tax laws smile upon you, your giddiness about your home's rising value won't be offset by panic over the property taxes.

A Wealth Tax

What are the pluses and minuses?

Most Americans pay an annual wealth tax on their largest asset. It's called property tax. Each year, they pay an amount equal to a small percentage of the estimated value of their house, and a house is by far the most valuable item that most families own.

The very rich are different. While they pay property taxes too, their homes tend to make up a tiny share of their net worth. The bulk of their assets are not taxed.

In past decades, other taxes — like the corporate tax (the burden of which falls on stockholders) and the estate tax — served almost as de facto wealth taxes. But those other taxes have declined, causing the total federal tax rate on the wealthy to plummet:

Today, the wealthy both own a much larger share of the country's assets than they once did and pay less tax on each dollar of assets. This combination creates problems for everybody else. Many Americans own only modest assets, and the federal government struggles to raise enough tax revenue to pay for society's needs, like education, health care, transportation, scientific research and the military.

This week, Senate Democratic leaders proposed a solution, in the form of a new kind of wealth tax. People with at least $1 billion in net worth or $100 million in annual income would be taxed each year on the increase in the value of many of their assets.

The fate of this specific tax is uncertain, after Senator Joe Manchin expressed skepticism of it yesterday. But wealth taxes — which also featured in the 2020 Democratic presidential campaign — will probably remain part of the political debate in the years ahead, given the country's level of inequality.

Today, I want to evaluate the most common objections to wealth taxes. Some are stronger than others.

1. They'll destroy the economy

This is probably the weakest empirical argument against a wealth tax. It's a version of the same case that opponents of tax increases on the rich always make. And it has a very poor historical record.

When taxes on the rich were much higher than today, in the decades just after World War II, the economy boomed. Since the 1980s, high-end taxes have plummeted, and the U.S. economy has struggled.

Economic growth, incomes for most people and other measures of well-being (like life expectancy) have stagnated since the 1980s. One exception was the 1990s — after Bill Clinton had raised income taxes on the rich as well as the corporate tax.

Teasing out cause and effect on these issues is difficult. But there is no good evidence that low taxes on the wealthy help the larger economy.

2. They're doomed to fail

One part of this argument also has little evidence to support it, while another is more debatable.

The weaker part claims that the wealthy will figure out a way to avoid all the effects of a tax increase. That, too, is historically inaccurate. When the federal government has raised tax rates on the rich, tax payments by the rich have risen.

"Many people have the view that nothing can be done," Gabriel Zucman, an economist at the University of California, Berkeley, has told me. "That's wrong. Look at history."

Here's another way to think about it: If the very rich could actually avoid the effects of tax increases, they probably wouldn't spend so much money and effort trying to defeat proposed tax increases.

The more serious argument is that creating a new wealth tax would be more logistically difficult than raising existing taxes, like the inheritance tax, corporate tax or income tax. (Senator Kyrsten Sinema of Arizona and nearly all Republicans evidently oppose many of those other increases, making them impossible to pass and causing some Democrats to turn their attention to wealth taxes.)

A new wealth tax would require federal officials to do something new: estimate the value of assets each year. They would also have to decide which were subject to taxation. Many experts consider these challenges to be surmountable, but other countries have sometimes struggled with the details.

3. They're unconstitutional

The federal government has the power to tax income, thanks to the 16th Amendment. It is less clear which wealth the federal government can tax.

The tax code does already include some provisions similar to a wealth tax, like a tax on mutual funds based on their current value. Still, the power to decide what's constitutional ultimately lies with the Supreme Court. Under Chief Justice John Roberts, the court has been friendly to the interests of the wealthy. The Roberts court has also been aggressive at times about overruling Congress.

Even if the court threw out the wealth tax, other parts of the Democrats' bill — expansions of health care, education and clean energy — could survive, New York magazine's Jonathan Chait has pointed out.

The bottom line

A wealth tax is legally and logistically riskier than an increase in existing taxes. But it also has advantages that those other taxes do not. It directly addresses the enormous increase in wealth inequality over recent decades.

Unless the federal government takes steps to reverse that increase — through existing taxes or new ones — economic inequality in the U.S. will almost certainly remain near its current, Gilded Age-like levels.

5 States With the Lowest Property Taxes in the U.S.

They say there are only two guarantees in life—death and taxes. That's certainly true for property taxes, which are a reality in every state in the U.S. However, some states have lower property taxes than others. Which states have the lowest property taxes in the U.S.?

What does property tax pay for?

Property tax is the amount of money you pay for property that you own. The money collected from property taxes usually stays within your state and local community to help pay for things like education, public transportation, parks and recreation, police and fire departments, and other municipal employees.

The cost of your property taxes depends on how much your property is worth and where it's located. Besides differing from state to state, property tax rates can differ between cities and municipalities even when they're located within the same state.

Data from the U.S. Census Bureau estimates that the average property tax bill for Americans is $2,471.

According to World Population Review, there are 28 states in the U.S. that have property taxes below 1.00 percent. However, some states with the lowest property tax rates also have high home values, which causes property tax bills to be higher.

For example, Hawaii has the lowest property tax rate in the U.S. at only 0.28 percent. The median home value in Hawaii is $615,300, which equates to a tax bill of about $1,723.

When factoring in the property tax rates and the median home value, five states have the lowest property tax bills.

Alabama: has the second-lowest property tax rate in the U.S. at 0.41 percent. However, home values here are a fraction of what they are in Hawaii. For a home at the state's median value of $142,700, annual property taxes would cost about $585.

West Virginia: property taxes and home values are some of the lowest in the U.S. The median property value in the state is $119,600. At a tax rate of 0.58 percent, your annual tax bill would be about $693 for a median-valued home.

Arkansas: has a 0.62 percent property tax rate. For a median-valued home of $127,800, your property tax bill would be about $792.

Louisiana: has both low property taxes and low home values. The property tax rate is 0.55 percent, which means that your annual tax bill would be just over $897 for a home at the state's median home value of $163,100.

South Carolina: is known for its historic districts and coastal regions. The state has a modest property tax rate of 0.57 percent. Although there are million-dollar homes in some areas of the state like Charleston, the median property value throughout the state is $162,300. At that value, your property tax bill would be about $925.

Other states have low property tax rates.

Other states that have property tax rates under 1 percent include Colorado, the District of Columbia, Delaware, and Wyoming. However, these states have higher home values, which has a considerable impact on your overall tax bill.

ALASKA

State defends its right to cut non-existent taxes

This from a state that has no property tax on homes or businesses, only on the oil industry.

There is an inescapable irony to the fact that Alaska joined with a dozen other states in suing the federal government over their right to cut taxes.

This from a state that has no property tax on homes or businesses, only on the oil industry.

No state sales tax.

No personal income tax since 1979.

The lowest motor fuel tax in the nation, by a long shot.

There were few federal strings attached to the $1.9 trillion American Rescue Plan Act, which handed states hundreds of billions of dollars earlier this year to help pay the bills of the pandemic, cover for lost revenues and rebuild their communities. But one string added in the Senate prohibited states from using their share of the federal pandemic relief aid to cut taxes.

Unusual for the Senate, the provision made sense: Here's a gift of close to $200 billion from the U.S. Treasury to help states pay the bills, assist with housing, food, schools and public services, whatever you want, just don't use it to cut taxes to gain favor with voters.

Justice Department lawyers argued before the court that the federal money should be used for its intended purpose — pandemic recovery. States can "cut all the taxes they want, as long as they do not use the federal aid" to cover it, Justice Department lawyers told the court.

But that string tied to the federal aid violated the states' constitutional rights, said the lawsuit filed by 13 states, including Alaska.

A federal judge in Alabama in a final ruling on Nov. 15 said Congress went too far. He decided in favor of the states and instructed the U.S. Treasury not to enforce the provision.

Alaska Gov. Mike Dunleavy took the opportunity of the court victory to lay the blame at the president, a frequent tactic among Alaska's elected officials. "Lately, we have been witnessing the Biden administration's tireless attempts to seize power from states," the governor said in a prepared statement a day after the court ruling. "Now, we have proven that the White House cannot continue to overreach and threaten individual liberties with unconstitutional mandates."

What individual liberties were at stake in the congressional intent to pay for services, not tax cuts?

In a bout of honesty, the governor's statement did acknowledge, "Currently, there are no pending proposals in Alaska to decrease taxes, so the law would not have had an immediate, direct impact on the state."

Not only are "there no pending proposals" to cut taxes, there are no specific proposals from the governor to raise any new revenues to cover the state's long-term budget deficit. Dunleavy's only proposal is to drain more money out of the Alaska Permanent Fund in hopes that new revenues magically materialize to cover the bills in future years.

Instead of a political move to sue the federal government, how about a move that actually helps the state.

CONNECTICUT

Danbury to re-assess property values for revaluation to 'correct inequalities in the tax burden'

It's time for the city's mandated property revaluation.

This revaluation, which must be completed every five years, establishes updated real estate assessments for the Oct. 1, 2022 grand list, according to the city's website.

"The main purpose of property revaluation is to correct inequalities in the tax burden that have developed since the last revaluation," the tax assessor's office website states.

Danbury contracted with eQuality Valuation Services, LLC a certified revaluation company based in Waterbury, to assist the assessor in the effort.

The revaluation doesn't change the amount of taxes the city needs to collect, but does affect how much individual taxpayers contribute, according to the tax assessor's office. The first tax payments under the new values will be due in the July 2023.

"Revaluation is a long process, one that takes almost two years to complete between the start of the process and the payment of the first tax bills after the revaluation," the tax assessor's website states.

The city last completed a revaluation on the 2017 grand list. That time, officials visited properties in town, but that's only required every 10 years.

"Typically during this type of revaluation only properties that were sold would be visited to verify the characteristics of the home," the tax assessor's office says. "Due to the COVID-19 pandemic we will be using alternative methods which may include sales questionnaires and/or review of publicly available data online. If it is necessary for data collectors to exit their vehicle, employees will be wearing masks and practice social distancing."

Residential property owners will receive data mailers from eQuality in December. These mailers will list details such as style of house, room count and special features.

"The accuracy of the data is vital to the integrity and uniformity of the assessments," the city website states.

Property owners have a few options for filling out the form. The preferred method is to submit the mailer online using the identification code provided on the letter.

They may also complete the form, make any necessary changes, sign and date where indicated, and return the form to eQuality directly or to the assessor's office.

Owners may request a call back on the form. These calls will be made to the owner's number provided and can be handled virtually.

The city looks to update photos associated with properties, too. Owners may provide their own updated photo by emailing equalitydanbury@gmail.com. Be sure to provide your name and address. Photos should be of the front of your home with no person(s) or advertisements displayed.

In the second phase of the revaluation, appraisal personnel will analyze property sales over a 2 1/2 year period to determine which market factors influence property values. They will determine land values and set “neighborhoods,” which “rate the valuation levels of locations throughout the town as determined by actual market activity,” according to the website.

Officials determine the value of each property by comparing the parcel, building or land to comparable properties. A field review will be conducted to confirm the values.

Owners will then be mailed their new assessments and have the opportunity to meet with eQuality’s staff if necessary.

Any property that has an informal hearing or any property where the value has been changed since the first notice will receive another assessment notice in early February 2023. Owners may appeal through the Board of Assessment Appeals in March.

Greenwich’s overall property values could be up 5%, town assessor says, but warns grand list may still change

The value of Greenwich’s personal, residential and real estate properties looks to be on the rise thanks in part to new buildings and new residents.

But the total amount of taxes the town will use to pay for services won’t be set until after property owners get a chance to challenge the new assessments that arrived in their mailboxes this month.

Town Assessor Lauren Elliott, in her regular monthly report to the Board of Estimate and Taxation last week, said preliminary numbers show the town’s grand list — the total of its overall real estate values — could increase between 4 and 5 percent but said the percentages are only a rough estimate.

“This is a very, very preliminary number,” Elliott told the BET, “and it may change substantially.

“At this point, the Motor Vehicle and Personal Property portions of the grand list are not complete,” she told Greenwich Time. “We receive the motor vehicle list from the Department of Motor Vehicles in December. I believe the overall grand list will be going up, at what percentage I am not sure, as the informal hearings and the (Board of Assessment Appeals) will likely reduce the grand list.”

By state law, revaluation is done every five years. It was supposed to happen last year, but was delayed a year by the COVID-19 pandemic. The next revaluation is scheduled to happen in 2025.

This reevaluation, which was done over several years, is the result of inspections of 22,439 parcels in town, including residential and commercial property.

The preliminary assessments were sent out to residents and town business owners on Nov. 5. That is the first step in a process that will allow residents to appeal the assessments to the town — and Elliott said people are already beginning to ask how to change the tax they will owe next year.

While the volume of calls coming into the Assessor’s Department is not kept track of, Elliott said anecdotally there appeared to be “more than usual” but not anything unexpected.

The calls are largely people questioning how the new assessment was derived for their properties, she said; staff has been directing people to the town's website — www.greenwichct.gov — to find information that was recently posted on the revaluation data, compare assessments and review the recent sales of properties in town.

Ultimately any final decisions will be made by the town's Board of Assessment Appeals (BAA) which will not be taking up the revaluation until early 2022.

What can be done now, though, for people who want to challenge their new assessment is set up an informal hearing with the revaluation company, Tyler Technology.

"The purpose of the informal hearings is to give all property owners an opportunity to review the 2021 assessment with the revaluation companies," Elliott told Greenwich Time. "It is also an opportunity to review the information that is used to determine the new assessment. The revaluation companies are here to explain the process as well as determine if the new assessment correctly reflects the fair market value of the property as of Oct. 1, 2021. If the property owner believes there are any issues which were not addressed in the new assessment, this is the forum in which to raise those concerns."

The mailing with the new assessment includes instructions about making an appointment for an informal hearing with the reevaluation company.

"I would strongly urge any property owner not to wait to go to the BAA, but take advantage of the informal hearing process and make an appointment with the revaluation companies," Elliott said.

The informal hearings began the week of Nov. 15 and are resuming this coming week after a break for Thanksgiving. They will be held throughout December and January.

Hearings are available for both residential and commercial property owners with extended hours and availability on Saturday. Elliott said as of last week, 25 people have signed up for commercial hearings; she expected more would be coming in January.

According to Elliott, once the informal hearing process is completed, the grand list will be signed and final notices sent out with the new assessments and instructions on how people can appeal to the BAA if they are still not satisfied.

The net value of Greenwich's real estate for the 2020 grand list, which included 20,109 residential properties, 957 commercial properties, 800 apartments, 28 industrial properties, 13 public utilities and 241 parcels of vacant land, was $32.22 billion, an increase from the 2019 grand list net value of $31.99 billion.

Elliott said last year the pandemic was a drag on the grand list, but real estate sales in Greenwich have surged far more than the past year with people leaving places like New York City to move to town.

In September, the BET granted Elliott the ability to work an extra month on finalizing the grand list if she felt she needed it. Ordinarily Elliott would sign the list by the end of January but now has the option of waiting until Feb. 28.

Elliott said last week that a final decision on using the extension would not be made until January.

“I’m hoping not to use the extension,” she said.

If she does sign the grand list by Jan. 31, Elliott said that applications to the BAA would be due by Feb. 20.

If the extension is used, it would push back the deadline for people to file appeals of their property tax assessments to March 20, with most of the hearings held in April.

Property assessments from Manchester revaluation mailed last week

Preliminary assessment notices from the town’s recent revaluation began going out to residents last week, officials said.

Manchester officials and Vision Government Solutions, the company conducting the revaluation for the town, said notices for new assessments for the Oct. 1 revaluation began going out Nov. 5.

Per information from the town, the notices contain both the assessed value for the previous revaluation on Oct. 1, 2016, and the new assessed value from the last month.

Property owners can review their assessments online, and those wishing to have their new assessments reviewed with a representative from Vision Government Solutions may do so by scheduling an appointment online or by phone.

When scheduling, residents will be assigned a one-hour window, but the actual phone interview will only take 10 to 15 minutes.

Taxpayers will need the Parcel ID number at the top of their letter in order to book an appointment. Those who have more than two parcels they wish to discuss are asked not to schedule online and instead call to schedule an informal hearing.

Assessments are equal to 70% of the full market value of a property, in accordance with state law.

Town officials said exemptions to assessments are not reflected in the notice but will be applied to the final assessments.

They also warn residents not to apply the current tax rate to the new assessment to figure out an individual tax bill, as doing so will result in an inaccurate calculation. The new tax rate that will be applied to the assessments will be determined in the spring. And tax bills that result will be sent in June.

Greenwich Assessor’s Office Releases Information on 2021 Revaluation

Press release from the Greenwich Assessor’s office:

The Assessor’s Office of the Town of Greenwich has completed the preliminary assessments for the October 1, 2021 revaluation.

The benefit of completing frequent revaluations is to keep assessments fair and equitable. As required by state law, each assessment should reflect 70% of the fair market value as of October 1st, 2021.

Each property owner will have received a notice of assessment change sometime after November 8, 2021. Informal hearings will be available for all taxpayers to discuss their new assessment with the revaluation companies. At the informal hearing, please take the time to review the information used to determine your assessment.

The Assessor's Office encourages taxpayers to contact the revaluation companies with any comments, questions, or concerns about their new assessment and urges anyone to schedule an informal hearing with these companies between mid-November 2021 to mid-January, 2022. There will be plenty of opportunities to schedule an informal hearing, including some evenings until 7:00 pm and Saturdays until 5:00 pm. The informal hearings will be held at Town Hall to accommodate any and all questions and issues arising from this revaluation. Further information about scheduling an informal hearing can be found on the Town of Greenwich Website, www.greenwichct.gov/2021Revaluation.

The Assessor's Office will also be available throughout this period to answer any taxpayers' questions. In addition to the informal hearings, property owners who disagree with their assessments also have the opportunity to file an appeal of their assessment to the Board of Assessment Appeals [BAA] between February 1st and no later than February 20th of 2022. BAA hearings will take place during March of 2022. If the taxpayer is not satisfied with the BAA's decision, there is an additional opportunity to appeal to the Superior Court in Stamford pursuant to Connecticut General Statutes Section 12-117a.

All municipalities in Connecticut conduct a revaluation of property every five years. The last revaluation Greenwich completed was for the 2015 Grand List.

The revaluation was originally to have taken place in 2020, however, because of COVID-19 restrictions, the Office of Policy and Management in Hartford granted Greenwich an extension to complete the required revaluation in 2021.

The Town was assisted in the revaluation process by Tyler Technologies and J.F. Ryan & Associates. The residential portion of the revaluation was conducted by Tyler Technologies and the commercial and industrial portion by J.F. Ryan & Associates.

The new assessments reflect the value of the property as of October 1, 2021. This new assessment will be reflected on the July 1, 2022 tax bill which is due by August 1st, 2022. The second half of the FY 22-23, tax bill will be sent by January 1, 2023, due February 1, 2023.

ILLINOIS

Small Business Owners Say Soaring Property Tax Assessments Could Put Them Out of Business

Property tax assessments are out Tuesday for much of the North Side of Chicago, and they show a 14% rise in assessments for residential properties, and nearly 50% for all other properties, most of which are commercial.

The amount of property taxes one pays is based on the assessment from the Cook County assessor, and higher assessments usually translate into higher property taxes.

When running for election, then-candidate but now Cook County Assessor Fritz Kaegi vowed to fix what had been widely regarded as a broken and regressive assessment system under his predecessor Joe Berrios.

Under Berrios, the assessment system was criticized for undervaluing commercial and high-end residential real estate, effectively shifting part of their tax burden onto the owners of more modest homes.

Reforming that system has meant some big increases for business owners who say the soaring assessments and the impact of the COVID-19 pandemic may be a double-whammy their businesses can't survive.

Marilee Rutherford, co-owner and operations director at Twisted Hippo Taproom and Eatery in Albany Park, says the assessment for the property where she leases space has tripled from $40,000 to $120,000. The owner of the building is in turn passing at least some of that increase on to his tenants.

Rutherford says it's going to increase the rent the business has to pay significantly and she will probably have to lay off staff.

"It's a person's worth of property taxes – it's tough," said Rutherford.

The increased costs may even force the business to close or relocate.

"We've worked really hard to be good members of the community and build a fun and interesting and inclusive space here in our home neighborhood, and I just don't know that we're going to be able to continue to survive," said Rutherford.

While she accepts that Kaegi may be just trying to redress the balance to reform a regressive assessment system, Rutherford says the problem is the speed of the change, particularly amid an ongoing pandemic, was just too much.

"He's not allowing for the rest of the universe to catch up with that…. Our food costs are going up. Everything is increasing on top of all of the issues that were created by the pandemic," said Rutherford. "I understand the need for appropriate adjustment, but the reality is doing it all at once in a large hit is just going to take people out of business."

Jeff Piejak, owner of Ultimate Ninjas Chicago, leases space in the same Albany Park building.

Piejak says the increased property assessment is likely to mean his rent could triple.

"When we first moved in it was a reasonable rent," said Piejak. "The issue that we're facing now is paying three times that in the midst of a pandemic is just not sustainable."

He says he has taken pride in keeping his employees employed through the pandemic, but that "we're struggling right now just to kind of make ends meet."

Piejak is talking to his landlord about options because he says there's no way the business could absorb the financial hit of sharply higher rent, "especially trying to emerge from a pandemic that we haven't come out of yet."

But ultimately, he thinks the latest assessment could be the death knell for his business.

"I think once these assessments hit in these neighborhoods it's going to be tough for us to survive to be honest," says Piejak.

Chicago's New Budget Contains Harmful Taxes and Unsustainable Programs

Chicago residents seeking a reprieve from high taxes and wasteful spending will find themselves out of luck under the city's $16.7 billion fiscal year (FY) 2022 budget, a 30 percent increase over FY 2021. Mayor Lori Lightfoot (D) called it "the most progressive ever in the history" of the city.

The budget includes a $76.5 million increase in property taxes and allocates funds from federal COVID-19 relief programs for a universal basic income (UBI) program targeting low-income individuals. These provisions, promise to increase the burden on taxpayers, drive away businesses, and entrench unsustainable spending.

The projected yearly property tax increase ranges from $72 to $180 for each property, adding to the excessively high tax burden Chicagoans currently experience. A 2019 Tax Foundation study found that state and local sales taxes alone make Chicago the highest taxed city in the nation. Illinoisians statewide pay the second highest state property taxes in the nation, behind only New Jersey. The increase in city property taxes promises to not only augment the burden already carried by Chicago taxpayers, but also inhibits the city's growth and recovery. As the Chicagoland Chamber of Commerce noted, the budget includes "the second consecutive increase in property tax levy in two years," with both coming at the same time taxpayers are struggling to recover from the impact of the pandemic and a multi-month statewide lockdown.

On top of its assault on property owners, the city's budget allocates $32 million in federal COVID relief funds to establish a universal basic income (UBI) program. Under this new program, 5,000 Chicago residents who earn less than $35,000 will be selected to receive $500 checks every month from the city. The program expires in 2024.

The use of federal funds to supplement Chicago's budget underscores the pitfalls of federal programs billed as relief. Federal pandemic relief funds, Illinois Policy Institute's Senior Director of Budget and Tax research Adam Schuster observed, have "grown Chicago's budget 56 percent since 2019, despite modest local-source revenue losses during the pandemic."

Fran Spielman of the Chicago Sun Times reported that while property taxes will rise in 2022, "Mayor Lori Lightfoot will hold the line on all other taxes, fines and fees, thanks to a once-in-a-lifetime avalanche of federal stimulus funds." Chicagoans should prepare, however, for the inevitable increases in property taxes in addition to elevated rates in other taxes, fines, and fees once the federal relief well runs dry.

Steep property tax hikes to hit Chicago businesses struggling from pandemic

While phasing in the tax impact of sharp increases in assessed value could help Cook County's commercial property owners adjust, holding down property taxes requires reducing spending through public pension reform in Illinois.

Cook County Assessor Fritz Kaegi ran against incumbent Joseph Berrios in 2018 promising fair, accurate and transparent property assessments in a property tax system exposed as regressive, plagued by inaccuracy, and opaque.

Kaegi vowed to fix the system where well-off property owners obtained tax breaks, while homeowners with fewer resources shouldered an unfair portion of the property tax burden. He said no longer would commercial and industrial properties be undervalued, leaving homeowners picking up too much of the tab.

While many hailed the end of Berrios' tenure in the assessor's office, Kaegi's changes to the assessment process – and the resulting spikes in assessed value for many business properties – have left some property owners panicking.

Overall increases in Cook County taxes aren't the fault of the assessor, but the sudden changes in assessed value have given property owners, who must now bear a relatively higher tax burden, little time to adapt. On the heels of pandemic-induced difficulties for businesses, the changes are even harder to manage.

A gradual phasing in – over three years, for example – of the tax impact of higher assessed values might alleviate sudden, steep increases stemming from the assessor's correcting for perceived past underassessment. But for meaningful, broad tax relief, levies – the amounts charged by taxing bodies such as the city of Chicago and Chicago Board of Education – must stop rising. And pension reform is key to holding down levies and relieving the pain of property taxes in Cook County and throughout Illinois.

Property tax assessment process

Properties are generally reassessed every three years in Cook and every four years in other Illinois counties.

The Cook County assessor conducts a general reassessment for a different portion of the county every year. For Chicago, the 2021 reassessments are the first since 2018, when Kaegi took office. Property owners will pay taxes on the 2021 reassessed value in 2022 when new bills come out.

Unlike other Illinois counties, Cook County taxes residential and commercial real estate differently. Residential properties are assessed at 10% of their market value, while commercial properties are assessed at 25% of their market value. Thus, while businesses and homeowners in the same taxing district pay the same tax rate, businesses pay that rate on 25% of their market value, whereas homeowners pay it on 10% of their market value. And homeowners also can apply certain exemptions to reduce their taxes, which are not available to commercial or industrial property owners.

Businesses in Cook County will bear an even higher proportion of tax burden

Suburban Cook County reassessments in 2019 and 2020 brought steep assessment increases to nonresidential property owners. The head of the Chicagoland Chamber of Commerce warned in January 2020 that higher property assessments for commercial and industrial properties would make the Chicago area less attractive to businesses, and the results would be higher prices for consumers.

In 2021, owners of some of Chicago's iconic skyscrapers received reassessment notices with dramatically increased values. The assessor's office raised the assessed value of the Willis Tower by 78% from 2020, and Aon Center's value shot up to over twice its previous level, according to Crain's Chicago Business. In the South Chicago township, which encompasses downtown south of the Chicago River, total residential property value rose 10.5% since the 2018 reassessment, while nonresidential property values increased 82.6%.

But the hikes in commercial and industrial property assessments haven't been limited to skyscrapers in the Loop. Much smaller businesses have also been affected.

In West Chicago township, which covers the western part of the city and includes neighborhoods such as Jefferson Park, Little Village, Pilsen, Chatham and parts of the Loop, even small family businesses have been shocked by their assessment notices.

Juan Giron, the owner of Spanish-language bookstore Giron Books in Pilsen, was upset when the assessed value on his bookstore and the adjacent storage building shot up by 225% and 125% respectively.

Giron is appealing his assessment, but regardless of how much the assessed value might be reduced on appeal, his property taxes are bound to rise. And those rising taxes are driving residents and business owners to look elsewhere to settle down and set up shop.

"People can come into our bookstores and learn about their heritage, the countries their parents are from and their culture. Yet, we may have to leave the very communities which we exist to serve because we're being driven out," Giron said.

Pension debt fuels property tax hikes

Chicago has seen dramatic upticks in property taxes during the past several years, and the vast majority of those taxes have gone to Chicago's ailing pension funds.

Chicago Mayor Lori Lightfoot has included $47.9 million in discretionary property tax hikes in her fiscal year 2022 budget proposal, which comes on the heels of a $77.9 million increase in property taxes in fiscal year 2021's budget (excluding taxes for new properties added to the rolls). And before Lightfoot took office, former Mayor Rahm Emanuel introduced a record $543 million hike in annual property taxes in 2015. Of course, Chicago city taxpayers also pay hefty property tax levies for Chicago Public Schools and other taxing districts within the city.

The primary reason behind Chicago's climbing property taxes is its pension problem. The vast majority of the city's property tax collections go to city pension funds. Between 2011 and 2021, Chicago's spending on pensions has grown 239%, while spending for city services increased just 18%.

Under Lightfoot's proposed budget, all but $300 million – or roughly 82% – of the $1.7 billion city property tax levy would go to the four city pension funds, according to the Chicago Sun-Times. Yet those pension funds are still significantly underwater, with funding levels ranging from 19% for firefighters to 44% for laborers, according to a report by WTTW. Lightfoot has described the city's pension debt as the "biggest problem" for its fiscal situation and the pension benefits structure as "unsustainable."

If structural changes could be made to pension debt, city taxpayers – homeowners and business owners alike – could see city finances shored up and their taxes stabilized. Just as importantly, property owners would have confidence their taxes wouldn't continue to shoot up every year.

Incorporating higher taxes because of steep increases in assessed value gradually could temper some of the shocks from dramatic hikes in assessed value for property owners. But to stop property taxes from increasing year after year, residents, businesses and municipal leaders in Chicago and across the state should urge the Illinois General Assembly to pass a constitutional amendment to put pension reform on the ballot.

Analysis suggests Kaegi's Chicago property assessments still below appraised values

The analysis by Crain's looked at 35 buildings and found that the property assessments did rise significantly, but they remained below the appraised values

Many Chicago property owners have complained about an increase in property taxes since Cook County Assessor Fritz Kaegi took office, but a new analysis suggests he may still be underestimating the values.

An analysis of some large Chicago properties by Crain's Chicago Business shows that despite landlords claiming Kaegi unfairly targeted them, the values he assessed were actually lower when compared with the assessments performed before he took office in 2019.

The AMA Plaza office tower, for example, was appraised by the property's lender in June with a value of $550.5 million, but Kaegi's estimate for the tower's value was $483.4 million. Additionally, the K Square Apartments in Lincoln Park were appraised at $122.5 million in October 2020 and Kaegi's administration assessed the property value to be $77.5 million. One of the biggest discrepancies comes from the McDonald's headquarters building in Fulton Market, which was valued at $409 million when it was sold in October 2020. The assessment by Kaegi came out to $213.6 million.

The analysis by Crain's looked at 35 buildings and found that the property assessments did rise significantly from 2020 and even doubled for 11 of the buildings. Despite that, Kaegi's new assessments consistently came in below the building's appraised values. While the property values increased by 91 percent on average from 2020 to 2021, the new values were 24 percent lower than the appraised values.

Since he began his campaign for assessor in 2018, Kaegi has said that his predecessor Joe Berrios had a history of undervaluing commercial properties, which placed a larger tax burden on homeowners. He argues that the commercial assessments would logically have to increase because they were "irrationally low" to begin with.

Joe Berrios faced a federal probe due to reports that he allegedly got kickbacks in exchange for intentionally undervaluing commercial properties. During his eight-year tenure as Cook County assessor and his time as a commissioner on the Cook County Board of Review before that, Berrios' campaign raised millions of dollars from lawyers representing property owners seeking to reduce their taxes.

Kaegi’s assessments have led to a major shift in the Cook County tax base. In 2018, residential properties made up 48 percent of the total assessed value in the eight Chicago townships and commercial properties made up the remaining 52 percent. Now, the residential properties account for 37 percent of the total assessed value, with commercial properties making up the remaining 63 percent.

Commercial landlords have accused Kaegi of trying to score political points with homeowners, but he says he is just trying to get the numbers right.

MASSACHSETTS

Michelle Wu says she would consider using surplus funds to lower property tax bills

Mayor Michelle Wu said she would consider something akin to two Springfield officials’ proposals to dip into their city’s budget surplus to give property owners some financial relief amid the pandemic.

Springfield Mayor Domenic Sarno earlier this month proposed spending $5 million from that city’s $27 million surplus over the next two years to help reduce the tax rate for homeowners. The proposal would have to be approved by the City Council.

Due to rising property valuations, however, the average tax bill for a single-family home would still increase by about $179 there, from $3,268 in fiscal year 2021 to an estimated $3,484 in fiscal year 2022.

“I think we could do better,” said Springfield City Councilor Tracye Whitfield. “Our unemployment rate is more than 6%, and we have people living on fixed incomes.”

Whitfield upped the ante by proposing the city spend a total of $10 million in surplus funds over two years.

Asked on Saturday whether Boston should do something in that vein with its surplus, Wu said she would “keep an open mind” to any ideas.

“We want to make sure that as our economy is recovering, our residents aren’t bearing the burden of the pandemic,” Wu said in response. “I’m looking forward to entering budget season with a full conversation with the City Council and all of our partners at the state and federal level so that we can put these recovery funds to good use, and we’ll keep an open mind on any of these ideas. I’m always excited to see our sister cities innovating and showing new ways to think about policy.”

Frank Conte, a policy analyst at the Beacon Hill Institute, a conservative think tank, said: “If this is a one-time event, it may not be bad for them long term. A lot of people are hurting economically who are not able to pay their property tax bills.”

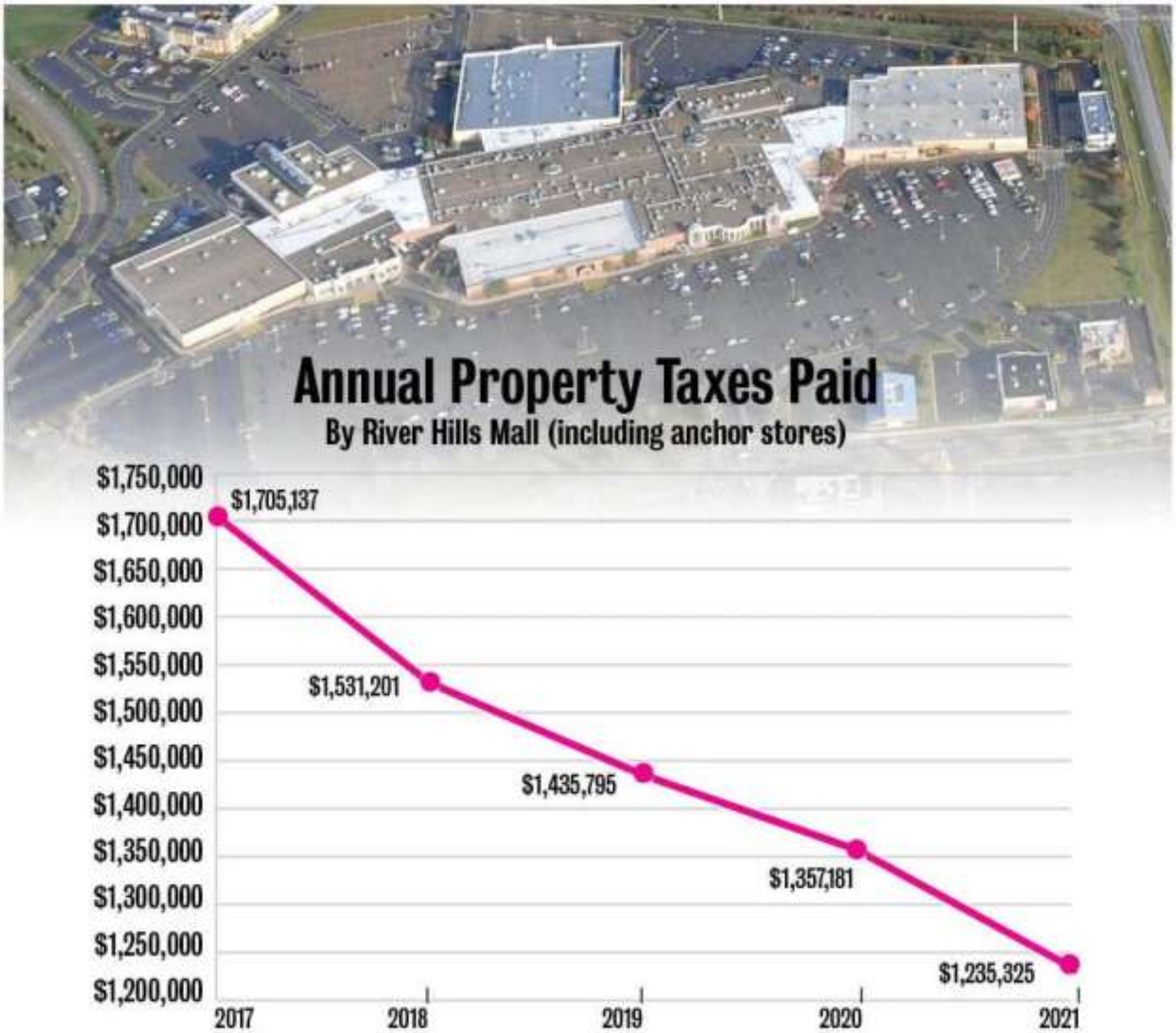
Boston’s residential tax rate increased by 11 cents, or 1.0%, from $10.56 to $10.67 for every $1,000 of assessed value in fiscal year 2021. The commercial tax rate decreased by 37 cents, or 1.5%, from $24.92 to $24.55.

"Boston should consider every option for providing tax relief for its city's taxpayers, but the fact of the matter is that the state is flush with cash," said Paul Craney of the Massachusetts Fiscal Alliance. "They don't need to dip into saving since the state has more money than what it can spend. Boston city leaders rarely if ever think about giving taxpayer money back to the taxpayers."

The City Council will hold a hearing this week on how to split its tax rate between residential and commercial properties.

MINNESOTA

NEMankato homeowners picking up more of the property tax burden



John Logan, a widower who has lived on the 2300 block of Fair Street since 1998, has noticed the trend when he writes out the checks for his property taxes — up, up and up again, increasing $726 in the past five years.

Logan doesn't mind making the twice-yearly contribution, saying it's the price of maintaining the quality of life in Mankato.

"Whenever I have to pay to the city and the school district, I think it's for the good of the community," the retired Postal Service employee said. "I believe in having good police and good streets, and I believe in the good of the city. ... I like my town. I'm just happy to chip in."

But he's not nearly as happy about the declining contributions to local government by his big neighbor to the northeast. Just over 600 feet from Logan's home, the Sam's Club-Walmart complex has seen its annual real estate bill fall by nearly $65,000 since 2017.

And at the massive Walmart distribution center, the property tax bill plunged more than 21%, with the facility now paying $833,00 — a reduction of almost $228,000.

"No, I don't think that's fair at all," Logan said, adding that he's resigned to the fact that those with wealth can figure out a way to reduce their taxes. "They've got 500 lawyers. ... I know I can't do anything about what Walmart is paying in taxes."

The corporate lawyers have been involved as they've contested the assessments for the Walmart Superstore, Sam's Club and the distribution center, filing a tax court petition aimed at lowering the taxable value of the properties, which reduces the taxes owed.

"All three of them for certain years have filed appeals," said Ryan Short, property assessments supervisor for Blue Earth County.

Many other big-box stores in Mankato have taken the same approach as Walmart, which did not respond to a request for comment sent by The Free Press to the chain's corporate offices.

River Hills Mall, under its previous ownership, and the separately owned anchor stores attached to the mall also have challenged their assessed market values.

"We've had a fair number of large tax court petitions," said Michael Stalberger, director of the county department overseeing tax assessments, calculations and collections.

Owners of the mammoth retail stores make the case that consumers are abandoning traditional shopping venues in favor of online purchasing, that declining store revenue makes the properties less valuable, and that the assessments used to calculate taxes need to be updated to reflect those trends.

They've been mostly successful in winning reductions of varying sizes. And when one type of store gets a cut, the county is obligated to consider similar changes for similar properties, Stalberger said.

If Menards wins a reduction, assessors need to consider adjustments for Fleet Farm or Home Depot to ensure there's uniformity and consistency in the tax bills of kindred properties.

Eleven additional assessment petitions are active, most of them involving retail stores.

Hitting you where you live

Assessing the value of single-family homes in Mankato is a much more straightforward process because so many homes are bought and sold. The county is required to ensure that assessed values are within 90% to 105% of what similar homes are actually selling for. Those sales prices are pushing home values higher, and tax bills are rising with them.

The blow to owner-occupied homes has been exacerbated by the failure of a tax exclusion, a chunk of the value of a homesteaded property that is excluded from taxation under state law, to rise with the inflation in home values, said Mark Manderfeld, the county's deputy director of property assessments.

"The homestead benefit for residential property isn't what it used to be," Manderfeld said.

Five years ago, the annual property tax payments for every home on Fair Street — 109 houses stretching nearly 1.5 miles from the street's beginning at the Mankato hospital to its end near Highway 22 — combined to total $175,629.

That same year, at Fair Street's eastern terminus, the Walmart-Sam's Club retail complex paid $475,000.

It was an example of how the major retail players, which made Mankato a regional shopping destination in the 1990s, had been carrying an extraordinary share of the burden of funding local schools and city and county governments.

Since 2017, though, the Fair Street homes have seen their taxable market values rise 32%, from an average of just under $130,000 per house to nearly $172,000, according to tabulations compiled by The Free Press. The assessed value of the Walmart-Sam's Club retail complex — partly as a result of the corporation's appeal of its valuation — has fallen 18% to $11.3 million.

The impact on tax bills has been predictable. Property taxes levied against the Fair Street homeowners have risen nearly 38%, and they paid $66,095 more in combined taxes this year than they did in 2017. The checks coming from Bentonville, Arkansas, meanwhile, have declined by nearly 14% — $64,829 less than a half-decade earlier. Toss in the distribution center, which is technically categorized as an industrial facility, and the decline in Walmart-related taxes approaches $300,000 in five years.

Brandon Brehmer, Logan's next-door neighbor, has a taxable market value that's virtually a precise match for the average-value home on Fair Street — just $11 above the $171,889 average. In five years, his annual taxes increased $702.

Like his neighbor, Brehmer believes he gets good value for his taxes. A part-time firefighter and EMT, he understands city services. A new father, he's increasingly interested in quality schools. As the area's Pioneer Seed dealer, he also understands the perspective of a small business owner.

"I look at taxes as a part of life," Brehmer said.

He's not keen on the idea, though, of his taxes are going up while those paid by Walmart and their big-box competitors go down.

"I would like to see those trends stabilize a little more," he said.

The tax bill for Logan's home, which has a value that's also nearly smack-dab in the middle of the 100-plus homes on Fair Street, has risen 39%.

Logan says he can handle the hit but worries about whether younger people will be able to finance that integral piece of the American dream.

"To see these 25-year-old, 35-year-old couples buying a house and the jobs they have, I hope young people are still able to afford a house," he said.

More and more can't at the current elevated price of a home, which is driving up the valuations of apartment buildings, according to the tax assessors.

With more people reluctant to take the plunge into homeownership, vacancy rates in apartment buildings are minuscule. Even small, century-old apartment buildings downtown are able to raise rents, and that's elevating the market values — and taxes — of those buildings, Short said.

Rising taxes are hitting large modern apartment complexes, too. M2 Lofts on Marsh Street is paying $15,000 more in property taxes than in 2018. The original three Woodside Apartment buildings east of the WOW Zone are forking over nearly $17,000 more than in 2017. And the first of the Pondview Heights buildings behind Madison East Center is up $9,000.

Assuming at least some of the added tax is being passed on via rent increases, 322 rental households are feeling the impact at those three locations alone.

Big stores, ever-smaller tax bills

Nobody is seeing the percentage jumps in taxes more than homeowners. The experience on Fair Street has been shared by virtually all residential properties in Mankato. And Walmart's shrinking tax bill, while more dramatic than many stores, is anything but isolated, particularly among the biggest of the big-box stores and malls.

Vacant stores lead the way, with the former Herberger's and Sears stores paying half as much in property taxes in 2021 than in 2017. But going concerns are also paying much less in property taxes. Target's tax bill has fallen 32% in four years. The core of River Hills, including Scheels, is paying 23% less than five years ago.

The reduced tax payments aren't as extreme in other eastside retail and commercial establishments, but the bills are consistently falling. Businesses with tax bills that are 5% to 7% lower include the WOW Zone, hilltop Hy-Vee, Pet Expo, Best Buy, Fleet Farm and Menards.

Setting accurate market values for properties that don't sell with the frequency of houses can be challenging for assessors. When there aren't good comparable properties that have been sold, the assessors can look at the cost of land and estimate the construction costs of creating an identical store. Sometimes they factor in the income being produced by the property when establishing the value.

More frequently of late, the valuations are set following discussions between lawyers when a property owner contests an assessed value.

"A fair number of these came from a tax court situation where we have to work through a specific valuation for the property," Stalberger said.

Other classifications of property, other than residential, are also declining, such as industrial (MTU Onsite Energy is paying 6.4% less in property taxes than in 2017, large office (Profinium Place is down nearly 3% in the last year), and farmland (a 79-acre plot just south of Mankato, for instance, has seen real estate taxes drop 16%).

With all of those classes of property paying less and the city, county and school district collecting more, there's only one possible result — oversized bills for the types of properties climbing in value. And that mostly means homes, whether single-family houses or apartment buildings.

In 2017, owner-occupied homes paid just over a quarter of the taxes collected by the city of Mankato. Next year it will be a third. The share paid by commercial and industrial properties — nearly half of all city taxes five years ago — is now less than 40%.

The assessments for 2021, which will determine taxes paid next year, are continuing or accelerating the shift.

Not counting new construction — just the change in valuations of existing property — the taxable value of owner-occupied homes in Mankato is up $87 million in the latest assessments. The combined valuations of apartment buildings has risen nearly $26 million. Commercial and industrial properties have seen their assessed value plummet by almost $28 million.

The assessors have seen different classes of property rise and fall over the years before returning to a more traditional value. This time, Short and Manderfeld don't see the pendulum swinging back anytime soon. The decline in the big-box stores appears to be permanent, and the repercussions for the tax base will continue until some other use is found for those parcels, Short said.

And the sheer value of each of those individual properties makes this shift unique compared to when home values plummeted during the housing crisis a dozen years ago or when farm values soared a decade ago.

“So that’s been pretty impactful,” Manderfeld said. “... For me, it seems different.”

Retail looks for a new path

Even now, River Hills Mall retains its longstanding status as the county’s second-largest payer of property taxes, trailing only Northern States Power (a subsidiary of Xcel Energy). But while the mall paid just $367,000 less than NSP in 2011, it now trails the power company by more than $1.6 million.

In one way, River Hills General Manager Robin Hanson wishes the real estate tax bill was as large as it was a decade ago. The lofty taxes back then reflected the prosperity of the mall’s tenants, which drove up the assessed value of the shopping center and the taxes it was forced to pay.

“We would love to see retail come back to the way it used to be,” Hanson said.

The nature of the mall will have to change, though, because traditional retail doesn’t appeal to younger generations the way it once did.

“A lot of the young people like to shop online, and that’s changed the landscape all over the world, not just in Mankato,” she said.

Purchased earlier this year by Kohan Retail Investment Group of Great Neck, New York, River Hills has owners who believe the mall can still be a profitable and popular destination — but only after it makes a conversion to a more experience-based venue with multiple things to do in addition to shopping.

“They’re not in the business to lose money, so they’re absolutely hoping this trend will change and the mall will be able to change with the trend,” Hanson said.

Jessica Beyer doesn’t see an endlessly bleak future for brick-and-mortar retail stores.

Looking at smaller, locally owned stores, there are plenty bucking the trend through creativity and adaptability, said Beyer, president and CEO of Greater Mankato Growth, which serves as the local chamber of commerce.

Places such as J Long’s on Madison Avenue and Matt J. Graif on Riverfront Drive and Bumbelou in Old Town are clothing stores, but they’re much more, providing customers with an experience, she said. Independent shops throughout Old Town and on North Mankato’s Commerce Drive are also thriving.

“We have a lot of retail where there are unique experiences,” Beyer said. “I think they’re really diversifying and adjusting their business model. ... There’s a number of those in the mall, too.”

It would take dozens of J Long’s or Bumbelous to match the tax base once provided by Sears or Herbergers, but Mankato is doing fairly well at filling vacant big-box stores, too, she said, pointing to the recent opening of Bomgaars in a building built decades ago by Kmart, and a self-storage and boat dealer in the previously vacant Lowe’s.

"And Madison East," she said of the original Mankato shopping center, which was mostly dormant after the arrival of River Hills but is now filled with medical offices. "The tax base hasn't gone away; it's just filling with different things."

Hidden cost of online shopping

Whether it's Beyer at Greater Mankato Growth, Hanson at River Hills Mall or homeowner Brehmer on Fair Street, there is one consistent message. Online shopping has hidden costs, not the least of which come due every May and October.

GMG's Kato Local campaign is all about persuading people to support the local economy with their consumer spending. Local businesses are the ones contributing to local charities and nonprofits, supporting local sports and youth groups, volunteering their time with local nonprofits. And local spending produces local property taxes.

"It goes to the tax base, it goes to local employment, which keeps our economy strong," Beyer said.

Hanson made the same plea: "When retail business is down, tax collection is down. ... Get back out there and support your local town."

And so did Brehmer: "When people spend money online, it's spending money outside of town. ... Yeah, you can get it cheaper, but what did it ultimately cost you?"

That said, Brehmer would like to see some of the larger corporations in Mankato's retail sector show a little more support for the local economy and knock it off with their continuing efforts to pay fewer and fewer local taxes.

"I think they should be paying a fair amount," he said. "Fair is fair."

NEW JERSEY

New Jersey Senior Citizens Fleeing State In Record Numbers Due To Unaffordable Rising Property Taxes

If taxes are your number one issue, New Jersey's not the place for you. That's the message New Jersey Governor Phil Murphy sent during his re-election campaign. Now, tens of thousands of senior citizens from all financial backgrounds are taking his advice, packing up and leaving New Jersey behind.

Comments by senior citizens surveyed in a report by Garden State Initiatives outline why they are leaving:

- "I'm a retired NJ lifer. I've watched this once great state decline to its current unaffordable, ultra-taxed state. I can't afford to stay here any longer. It's very sad."

- "I can't afford to retire in this state. I can't stay in the state I was born in because of high taxes, ridiculous insurance premiums and the cost of living. I'm moving as soon as possible."

- "I've lived in Glen Ridge for 10 years. Most of my neighbors had to move upon retirement due to high property taxes. I now reside in Morris County but rising taxes have me looking at greener pastures in a southern state."

"The comments make clear that those on fixed incomes do not see New Jersey as a good place to retire and invariably point to the high cost of living and the crushing tax burden – especially property taxes – as the reasons," GSI reported. "Importantly, we also found that any loss of retirees also carries enormous fiscal implications for the future of the state. Over the last decade, New Jersey lost at least $79 billion to the comparison states, $56 billion of which was to Florida alone. Considering our state's fiscal challenges – structural budget deficits, continuously expanding unfunded pension liabilities, Retirees and New Jersey: How we can be Perfect Together 3 growing health care obligations – New Jersey can ill-afford the loss of such a large amount of wealth every year."

A Cato Institute study1 of Internal Revenue Service data shows how retirees are voting with their feet in each of these states. As shown in Table 1, New Jersey lost almost twice as many senior out-migrants as it gained inmigrants, and had the third-lowest ratio in the nation (following New York and Illinois). By comparison, Pennsylvania has a negative flow but is much better off than New Jersey. Delaware, Florida and Arizona saw many more senior in-migrants than out-migrants, the report claims.

Taxes stand out as a major component of New Jersey's affordability problem.

"Property taxes have risen to all-time highs in New Jersey, 15 and for a senior household with a median income of $52,620, a property tax bill of $7,417 is a lot of money. As Kiplinger notes, New Jersey's property-tax rebates simply do not make a big difference," the report claims.

NEW YORK

New York prosecutors eye Trump Organization property valuations

New York prosecutors are reportedly looking into the Trump Organization's property valuations after discovering that the company provided different estimates on a number of properties.

The Washington Post reported on Monday, citing public records and people familiar with the matter, that the New York attorney general's office and Manhattan district attorney are examining the Trump Organization's valuations of different properties across the country after discovering that the estimates differed depending on who was requesting the information.

In 2012, the Trump Organization said its office building at 40 Wall Street in Manhattan was worth $527 million, according to the Post, which would rank it as one of the most valuable properties in New York. A few months later, however, the company told property tax officials that the building was actually worth $16.7 million, according to city records cited by the Post.

That building and others are now being scrutinized by the New York attorney general and the Manhattan district attorney, the newspaper reported. They are reportedly looking to see if the company violated the law by telling property tax officers that their properties were worth less than they were or by using higher valuations in an effort to get tax breaks or impress lenders.

The Post reported that prosecutors are specifically looking into former President Trump's golf club in California, noting the land was valued at $900,000 in one setting and $25 million in another. A property in suburban New York, which has valuations from $56 million to $291 million, is also being scrutinized, according to the Post.

All of the valuations were reportedly provided in the five years prior to when Trump won the White House in 2016.

The Manhattan district attorney declined to comment. The Hill has reached out to the New York attorney general's office for comment.

"This is a total political witch-hunt. New York is being overrun by violence, children are being been shot in Times Square, homelessness is through the roof yet the only focus of the New York DA and AG is to 'get' Trump," a spokesperson for the Trump Organization told The Hill.

"This nonsense has been going on for four years. Similar to the Russia scam, millions of taxpayer dollars have and continue to be wasted, all while New York burns. These investigators made it a campaign promise to get Trump — it is disgusting and a travesty to our legal system," the spokesperson added.

The reported examination from New York state officials comes months after prosecutors filed various fraud and conspiracy charges against the Trump Organization and its then-chief financial officer, Allen Weisselberg, accusing the longtime executive of helping orchestrate a scheme to compensate himself and others at the company in an "off the books" manner.

Weisselberg, who has since resigned from the company, pleaded not guilty to all 15 charges against him, which include tax fraud, conspiracy, grand larceny and falsifying business records. Both he and the organization have denied any wrongdoing.

The Post reported a grand jury that could vote on criminal charges over the differing property valuations was convened by prosecutors with the Manhattan district attorney's office, and New York Attorney General Letitia James (D) is reportedly mulling filing a lawsuit.

The prosecutors are reportedly looking at court papers, emails, planning documents and financial data. Additionally, they asked officials in Los Angeles for the geology reports for the rock layers that are located under Trump's golf course, which has seen its valuation change because of landslides at the location, according to the Post.

The newspaper reported that officials have also tried to obtain records from the appraisal firm and the law firm that worked with the Trump administration to come to the valuations. The firms did not respond to questions from the Post.

It is a felony to falsify business records, file false documents with the government or make untrue statements on sworn documents in New York.

In the Empire State, however, those regulations require proof of intent, meaning prosecutors will have to show that individuals purposely made false statements to trick someone or conceal a crime.

Property sales in Gloversville surging

Gloversville Assessor Joni Dennie told the Common Council on Tuesday that over the past three weeks she's picked up documents from Fulton County for 60 new property transfers.

"I have never had volume like this," Dennie said. "It's a lot of work, I'll tell you that. It's not just a matter of recording the sales, there's a lot of paperwork that goes into it, but I just can't believe the number of transfers we're having."

Dennie said she typically picks up 10 to 12 new "property transfers" per week from Fulton County. She said some of the transfers include "life-use" transfers of the ownership of property, or instances when someone has died and a property has cleared probate court and into ownership of someone.

"But there weren't too many of those, most of them were legitimate sales," she said. "This market is unlike anything I've ever seen before, and I've been here for 19 years. In a one-month period I can't remember ever seeing that many sales."

Dennie said she tracks property transfers based on the fiscal calendar New York state uses for determining property tax equalization rates, which runs from July of one year to June of the next. Using that time frame, she said property transfers in Gloversville have generally been on an upswing during the last few fiscal-year-periods, with a bit of dip during the worst part of the coronavirus pandemic in 2020.

These are Gloversville's property transfer numbers for the last several fiscal-year-periods:

• July 2018 to June 2019 — 495 property transfers
• July 2019 to June 2020 — 420 property transfers
• July 2020 to June 2021 — 503 property transfers

Dennie said it's too early to tell how the July 2021 to June 2022 period will go, but so far there have been 159 transfers, but 60 of those came in only the last month.

"Currently we're at 100% [equalization rate], but we're not going to see that next year, not with these sales," Dennie said. "These sales are way over the assessed price. For instance, I'm seeing sales of homes going for $150,000 when the assessed price is $75,000."

The property tax equalization rate is the formula New York state uses to attempt to measure the gap between the property tax assessment in a given municipality or school district and the actual sales price of property in the same area. If there's a big gap between sales prices and property assessment, then the equalization rate will go down, in an attempt to equalize the tax burden, so that new owners of property do not bear a disproportionate percentage of the property tax levy burden.

Dennie said when properties sell for less than their assessed value that can help cancel out some of the equalization rate changes caused by property selling for far more than the assessed price.

"If you have a sale of a property assessed at $80,000 that goes for $50,000, that helps balance it out the other way, but I'm not seeing too many of those," she said.

Former Gloversville Mayor Dayton King, who is now a real estate agent and team leader with real estate broker Howard Hanna, said he is seeing the same sales volume Dennie reported to the council.

"My team has closed 92 deals so far this year, most of them in Fulton County and a majority of them in Gloversville, and last year, by the end of the year, we'd done 79, so we're already ahead, and we've still got two months to close deals," King said.

During the Common Council meeting on Tuesday, 6th Ward Councilman Wrandy Siarkowski asked if she knew where the purchasers of property were coming from.

"I do check that sometimes, and I just had a big sale on a street in the city and I looked and they are from Johnstown," she said.

"Oh," Siarkowski said.

"I was surprised they paid as much as they paid for the house, but it had been completely re-done," she said.

"We all hear how people come from downstate and move up from there, so I was just curious if anyone is actually coming from downstate," Siarkowski said.

"I can't tell you I've seen a lot of that, honestly," Dennie said. "I've seen a lot more downstate people and out-of-the-area people buying rental properties, but not that many who actually relocate here."

King said he's seen sales going "both ways" between Johnstown and Gloversville, but anecdotally he's heard some of the reasons Johnstown buyers are now buying in Gloversville.

"I know some people have seen that the taxes in Johnstown are going up and the taxes in Gloversville are going down, whether that's short term or long term, people read that in the paper and react when they see that stuff," King said.

During his years as mayor of Gloversville, King presided over one tax rate increase when he took office in 2010, when the tax rate was increased to $21.71 per $1,000 of assessed value, but after that the city cut the tax rate four times — in 2014 ($21.31), 2016 ($21.06) 2017 ($20.64), and then to $19.95 for 2019.

During Mayor Vince DeSantis tenure, the tax rate remained flat for his first two budgets in 2020 and 2021, but last week the council unanimously voted to approve a 50 cent per $1,000 of assessed value property tax rate cut as part of the revenue projections for DeSantis' 2022 budget proposal. The tax rate cut brings the city's tax rate to $19.45, the lowest inflation adjusted tax rate for Gloversville in about a quarter of a century, according to the U.S. Bureau of Labor Statistics Consumer Price Index inflation calculator — which can be found at www.bls.gov/data/inflation_calculator.htm

CPI Inflation Calculator

The CPI inflation calculator uses the Consumer Price Index for All Urban Consumers (CPI-U) U.S. city average series for all items, not seasonally adjusted. This data represents changes in the prices of all goods and services purchased for consumption by urban households ...

www.bls.gov

.

Dennie said property tax assessments are not raised according to changes to inflation in the annual U.S. Consumer Price Index numbers. She said the only time inflation plays any role in property tax assessment is, perhaps, if it plays into the calculation of the sale price of a piece of property, which could then lower the property tax equalization rate of a community, but generally real estate prices tend to go up or down based on demand.

King said he thinks increases in property prices in Gloversville and the greater Capital Region in general are a reflection of supply and demand.

“There’s still not enough property available,” King said. “And there’s people who want to buy, people who have good interest rates, around 3%, and banks still want to loan out money, and there’s not enough people who want to sell, so it’s a seller’s market and that’s driving prices up.”

NYC Property Values in Limbo Amid Market Changes?

How COVID-19 has fostered uncertainties in the investment sales market — 'I certainly can’t imagine how a reversion to the pre-pandemic level becomes the norm'

The COVID-19 pandemic has thrown New York City property valuations into a complete vortex where nothing makes sense and nothing is known.

Is that an exaggeration?

Perhaps. But it is the most critical question coming from the real estate world concerning prized assets. And it has no doubt stirred up plenty of anxiety.

Questions about “unknowns” and “uncertainty” are, however, somewhat overblown. There has been data out there that has attempted to quantify just how much value COVID-19 sucked out of the real estate market. Of course, what we know is not pretty.

Clouds hover over office properties in New York City due to COVID, with values dropping by $28.6 billion, or 16.6 percent from the previous fiscal year, according to an October report released by New York State Comptroller Thomas DiNapoli. The analysis also shows that values to the city's office market are not expected to rebound to pre-pandemic levels until 2025.

And, yes, unknowns still abound. To wit, Jonathan Miller, president of real estate appraisal and consulting firm Miller Samuel, said the true impact of office valuations in New York and beyond may not be felt for years, given that many properties are currently protected by long-term leases. He said uncertainty with remote working trends and the potential for some companies to either downsize or relocate to newer office assets make it challenging to truly judge the value of existing properties.

"We're not going to know for sure for several years, if not longer, but I certainly can't imagine how a reversion to the pre-pandemic level becomes the norm," Miller said. "The footprint that companies used to require is being recalculated and in most cases that'll be much smaller."

In the office

New York City alone accounts for 11 percent of all office space in the U.S. at 463 million square feet as of the second quarter this year, according to the DiNapoli report. Prior to the pandemic, office properties had momentum on their side with the office sector reaching a historic high of 1.6 million jobs in 2019.

Office landlords have spent decades in the driver's seat, Miller said, and it will take a while to adjust to a changing market reality. He said repurposing empty office space in Class B assets into other uses like residential or hotels will be hard to implement because of the obvious hurdles caused by zoning laws, layouts and building codes.

William Shanahan, chairman of New York City capital markets at brokerage CBRE, is more optimistic about the office sector and thinks there is a lag in the data included in the comptroller's report. Shanahan noted that CBRE's data shows valuations already bouncing back to pre-pandemic levels in Class A buildings. He said cheaper financing costs are part of what is driving a quick recovery for the sector in Manhattan.

"The sales we've seen this year in the market — they are easily pre-COVID [valuations] if not better than pre-COVID," Shanahan said. "If you've got a good property and you're getting leasing done, the investors see it and the prices go up."

An October report from brokerage Newmark titled, "New York City's Path to Recovery," shows that 3.4 million square feet of sublease space has been withdrawn since October 2020, including 298,692 square feet in the first few weeks of this October, indicating a positive trend for the near-term future of the Big Apple's office market. The largest sublease withdrawals included 240,384 square feet from accounting firm PwC at 90 Park Avenue, 190,932 by insurance firm CV Starr at 399 Park Avenue and 125,254 from educational publisher McGraw Hill at 1325 Avenue of the Americas.

Dustin Stolly, vice chairman and co-head of Newmark's New York debt and structured finance team, said there are not enough data points yet to determine the future of office property values, but recent sales activity from the brokerage's third quarter New York City capital markets overview indicates positive signals for the market. He said recent mobility statistics reveal reason for optimism with subway and bus ridership up 202 percent from the low point of the pandemic.

"Apartment rentals are now at or above pre-pandemic levels and apartment sales are breaking records," Stolly said. "I'm a big believer in New York."

Retail and hotel obstacles

While Class A office properties are on the upswing, Class B buildings will suffer valuation declines because of their lower-credit tenants, resulting in higher vacancy rates and less space to accommodate health-related improvements to combat the pandemic, according to Shanahan.

The broker added that the only sectors in which he sees valuations struggling are retail and hospitality. He is more bullish on lodging bouncing back once international travel restrictions are eased and businesses resume in-person conference travel. Plus, headwinds were already buffeting retail prior to the pandemic with e-commerce reigning supreme and brick-and-mortar tenants being priced out of stores due to high rents.

“There were some brick-and-mortar issues that existed pre-COVID that were exacerbated by the pandemic,” Shanahan said. “Retailers have been successfully moving more business online so there’s less demand.”

Retail had the biggest property valuation dip from pre-pandemic at minus 37.19 percent as of June followed by office at minus 36.03 percent, according to data from research company Trepp. Lodging was the third most distressed asset class in that time frame with a 27.94 percent reduction, per Trepp.

While hospitality has struggled during the pandemic, Miller does not see the same long-term structural pressures for the sector as office given that travel is expected to pick up steam as those restrictions ease. A recent state comptroller’s report showed a nearly 17 percent fiscal year decline in the value of New York City’s office buildings.

Multifamily metrics

The multifamily market has bounced back vigorously to healthy numbers after short-lived fears for the sector at the pandemic’s start. Year-over-year apartment lease signings in Manhattan rose 4.4 percent over the 12 months ending in September, according to Douglas Elliman data,prepared by Miller Samuel.

Ran Eliasaf, managing partner of real estate private equity firm Northwind Group, noted that at the height of the pandemic, when many people fled New York City, there was concern that there would be seven years of condominium inventory, but the market has recovered at a far quicker pace. Inventory is now likely closer to two to three years. Eliasaf said the demand spurring a boost in multifamily and condo property values is being driven by the tech sector, which he expects to overtake financial services as New York City’s main economic driver.

“Tech is really going to define the city,” Eliasaf said. “There is a very skilled workforce here and companies are finding it more affordable than Silicon Valley.”

Miller said a big wild card that will go a long way toward how valuations play out is increasing property expenses that global supply chain constraints could compound.

“One of the concerns is that there’s somewhat of an expectation that rents will continue to rise, but at the same time expenses are expected to rise with supply chain problems,” Miller said. “Perhaps you’ll see a modest increase in rents continue, but you’re also seeing a modest increase in expenses because of the supply chain impact.”

Cap rates confidential

Beyond the performance of individual property sectors looms the unknown of what capitalization rates might do. Their performance — whatever that turns out to be — could have profound effects on valuations.

Higher cap rates now are causing real estate and commercial mortgage-backed securities investors to ponder implications for property valuations, according to a report from Barclays bank released Oct. 22. The analysis noted, however, that with cap rates for office, multifamily and industrial lower than pre-COVID levels, a large increase would likely not have a broad effect on property valuations.

Lea Overby, Barclays' head of CMBS research, said any increase in cap rates would also likely be muted by U.S. Treasury rates staying in the low-2 percent range. She stressed, though, that once Treasurys do rise that will have a more noticeable effect on cap rates and thus trickle down to valuations.

"We don't see a noticeable impact on cap rates in 2022," Overby said. "At some point, Treasurys will start pushing up on cap rates."

Overby noted that, since 2000, cap rates have had less of an impact on property valuations because of more research tools available online that factor in variables like building ages, location and tenant quality.

NORTH CAROLINA

'They're punishing us:' Longtime Chatham County homeowners say they can't afford property tax bill

Dozens of Chatham County residents experienced some sticker shock when they got their latest property tax bill showing the new value of their property after the county did a reassessment.

While these homeowners understand growth and the crazy real estate market is driving up home prices, they say this latest increase is putting a hardship on those who have lived in their homes for years.

"I was appalled at mine. This property went from $679,000 to over a million and that's a 51% increase in one year from last year's taxation. So to me, it's totally unacceptable," said Roland Cargill.

He appealed to Chatham County the increase, but lost, and is now appealing to the state.

"I'm 76 years old and I'm on a fixed income and for them to raise my taxes from a little over $5,000 to a little over $8,000. That's a hardship," Cargill said.

Cargill is not alone.

Several Chatham County residents who live in the northeast side of the county expressed their concerns to Troubleshooter Diane Wilson about the county's latest reassessment of their property values.

"My taxes the dollar amount went up 18% and I'm retired don't have anybody to help me pay my bills. So it was a shock to me," Cloyse Lassiter, who lives along Highway 751, said.

Maurice Nunn, whose family has lived on the farmland for more than 100 years, said: "My property tax value went up 20%, and that's after I took 1.5 acres off of the land. We really can't afford to pay those higher taxes."

Homeowner Jim Cassese couldn't believe it when he opened his 2021 property tax bill.

"My property taxes went from $445,000 to over $913,000 based on no improvements," he said.

Cassese's 25-year-old home sits on just under eight acres.

"I live on a dead-end gravel road, there is not a sidewalk, there is no city water, no city sewer, no high-speed internet," he said.

He appealed the new value to Chatham County.

Strangers constantly show up at occupied Durham home still listed for rent online

"I asked him to send me what their process was for coming up with $913,000 and they never sent me a single thing," he said.

Cassese recently refinanced and that appraisal had his property valued at $570,000.

After not getting results with his Chatham County appeal, he then appealed to the state and that prompted a call from a Chatham County attorney.

"We've worked a little harder on this and we can get you down to $593,000," Cassese said. That's a $320,000 drop from what Chatham County originally reassessed it at.

"I was like, 'how many other people didn't do what I did and complain? Like, they're just throwing numbers out of people to see what sticks to see who doesn't complain to see who doesn't voice their displeasure towards it," Cassese said.

One big question these residents have surrounds the services the county provides.

"I just don't understand why the big jump with no additional resources," longtime resident Ora Horton said.

In this part of Chatham County, these residents don't have many of the county services.

Raleigh HOA decides not to enforce rental restriction that would boot 200 families

"The only difference we have on that road we live on now is it is now paved and it was dirt," Nunn said. "There is no water, gas, or internet."

For many of these property owners, the land has been in their family for well over 100 years, long before the growth.

Danny Jenkins is one of those residents.

"It's family land. We don't have any interest in selling land," he said.

A total of 17 acres of land has been in the Jenkins family for more than 100 years. The area is broken down into three different properties, the newest home is more than 45 years old, but that isn't stopping drastic increases in property taxes.

"Until this, reappraisal was $257,973 and that was with the land. When they came back they came in at $414,843 for a total of 61% increase," Jenkins said.

That's just one of his properties, all three properties' values increased.

"They're punishing us because we don't want to sell our land. They're basing it on what other people are selling it for," he said.

Gary Sears and his family are in the same boat.

"I've been here all my life and I'm not as concerned about the present, as I am the future. I'm worried about the next generation. People would just not be able to afford to keep what we have," Sears said.

His daughter Ashley lives nearby.

"My property tax went up 38%," she said.

She's worried not only about these latest reassessments but what's to come.

"I don't know how we're gonna continue to live here if it keeps going up like that," she said.

Bill White has two properties in Chatham County. One is five acres of land off of New Hope Church Road in the northeast part of the county and he says the latest reassessment of the value increased by $75,000.

"Nothing has been done to it," he said. He appealed, and the county did lower it but he still has an increase of $57,000.

However, what's baffling, he says, is that he lives in his home in the Preserve at Jordan Lake, also in Chatham County, but his latest reassessed value on his home there didn't go up.

"It actually went down 20% from last year, which very surprised at that because all the homes in that area are selling for even more than the asking price," White said.

Chatham County Tax Administrator Jenny Williams said the county paid $1.3 million to an outside firm to reassess all 45,000 properties in the county.

"We visited every property which is over 45,000 parcels in the county. If they could access the property, they went on site and measured every structure that was on the property and took photos of the homes and they also talked to the residents if they were there," she said.

She said the county hired an outside firm to do the reassessments because the county doesn't have the staff to handle that workload.

Once a visit was made to every property, the data from each property was then compared to the current real estate market.

"It's all based on the sales in the area. Market value is what drives the reappraisal and that's the reason why we have to do a reappraisal," she said.

When it comes to why one property's value in the county may be different than another's she said: "Some areas just have more growth in it. Location is the key. It's all based on what a financially willing buyer is willing to pay the seller and if the seller is willing to sell."

Williams said despite these residents living very close to the Wake County line, they do not use any property sales or value from Wake County.

"We do not compare ourselves to another county for two reasons. One, other counties are on their different reappraisal schedule than we are. Also, we do not know Wake counties sales data. We track our sales data through registered deeds. We know how much people pay for a property based on the deed stamps that are paid," she said.

When it comes to residents questioning why their values were reassessed so high when they don't have county services like sewer and water, Williams said: "The majority of our county does not have county water or sewer. And as far as services utility high-speed internet, that is a utility that is not provided by the county and the majority of our county does not have that either."

Northeast Chatham County is the area where growth is exploding. A look at the numbers provided by Chatham County show the average increase in property values for the county was just 17% from 2020-2021, but the area these residents live in saw an average of a 43% increase.

"Pricing the people in this corner of the county, pricing them out," White said.

Residents do have the right to appeal their reassessments.

Out of the 45,000 properties reassessed, Williams says about 1,700 appealed, and of those she says 1,320 went down in value upon the appeal, 335 there was no change in value, 60 properties were raised in value upon appeal.

During those appeals, residents must show why their property is not worth the latest reassessment.

"This is a mass appraisal and we have to appraise over 45,000 parcels as of one date, and we gather the best information that we can based on the timeframe that we have," Williams said. "It is not the same as a fee appraisal because the appraisals are done individually and those appraisers can come into the home. So that's the reason we ask taxpayers to please look at your information that is on our website. Look at the square footage that we have there. Look at the quality grade that we have on your home. Finish unfinished square footage. We are dependent on the taxpayers to find that information. Because we go with the best information that we can we have at the time."

Another question many of the longtime Chatham County residents asked was, why can't a freeze be put on property value for those on a fixed income and who can't afford to pay taxes on the increased values?

"We don't have the authority to do that," Williams said. "Statutes do not allow for you to freeze the value on a property. Now we do have exemption exclusions that are available for the elderly and disabled. Now there are age and income requirements for that, but that information is available through our office if anybody's interested."

Unfortunately for these residents, the appeal process has ended. If you want to appeal next year's property tax value, you can do that starting on January 1.

Chatham County Manager Dan LaMontagne provided this statement regarding the increase in revenue from the latest property reassessments:

"Chatham County continues to see rapid growth as many areas in the Triangle area have. The increases in the value of residents' property assets are a clear indication of this growth. As growth occurs, local government services must also grow to continue providing its programs and services to residents. In last year's budget, Chatham County added 31 new staff positions to keep up with the growth. The county recently completed the construction of and opened Chatham Grove Elementary School in the northeast part of the county and Seaforth High School in the east. We are also expanding our emergency operations and 911 call center, as well as upgrading our emergency radio system. These projects are vital to serving our growing community."

No racial bias found in Durham Co. property tax assessments, but there are disparities

There's no evidence of racial bias in Durham County's property tax assessments, but that doesn't mean there aren't disparities among property owners who challenge their new tax values.

Results of a Durham County study conducted with the UNC School of Government were presented Monday during a virtual county commissioners work session. The goal of the study was to learn whether taxpayers' demographics, like race or income, affected their appeal rates and results, said Chris McLaughlin, a School of Government professor.

For local governments, McLaughlin says, it's important to set tax appraisals at true market value, and appeals help them reach that goal. Researchers used appeals data from the two most recent Durham County reappraisals in 2016 and 2019. They found that appeal rates varied based on a neighborhood's racial composition and property value.

Appeals happen less in neighborhoods with more diverse taxpayers than in neighborhoods with more white residents, McLaughlin said. The more expensive the home, the more often the owner is likely to appeal their appraisal, the study showed.

This could indicate an "assessment gap," McLaughlin said, or when fewer successful appeals from poor and diverse taxpayers increase the likelihood that their tax assessment are father away from true market value. The results of the appeals, however, were not affected by factors like race, income or property value, which McLaughlin cited as a positive finding.

"If we did think there was a built-in inherent bias here in fact, the decision-makers perhaps did have some implicit or explicit bias against particular demographics of taxpayers, we'd see that in the appeals process," McLaughlin said. Researchers found that the gap between appeal rates decreased from 5.4% in 2016 to 4.2% in 2019, which McLaughlin also said is positive. "Perhaps that means we're working towards getting it much more equivalent, but there's still a difference," he said referencing the data.

The study is consistent with the county's strategic plan, which includes eliminating systemic racism from its processes. It will also help staff as they prepare for the next countywide reappraisal in 2022, said Dwane Brinson, tax administrator for the county. "The board has deemed racism, or any -ism, as a public health crisis," Brinson said at Monday's meeting.

PENNSYLVANIA

Tower Health fights for its tax-exempt status, and local governments are watching

The hospital's tax-exempt status is at issue in rulings in Chester and Montgomery counties.

Nonprofit hospitals and municipalities and school districts across Pennsylvania are closely watching the tax assessment cases involving Tower Health.

The Chester County cases involving Phoenixville, Brandywine and Jennersville hospitals and another tax assessment dispute involving Pottstown Hospital are on appeal.

In October, a Chester County judge rejected Tower's bid for property tax exemptions for three of its Chester County hospitals. Noting the money the hospitals transferred to Tower, Judge Jeffrey Sommer ruled the hospitals are more aligned with for-profit companies.

Also in October, a Montgomery County judge ruled the opposite from the Chester County judge — that Pottstown Hospital can continue to be exempt from property taxes, rejecting the Pottstown School District's challenge to the status. The district had argued that pay incentives for executives and a push for higher compensation for former CEO Clint Matthews at Tower was more in-line with for-profit companies.

Tower has praised the Montgomery County ruling and criticized the Chester County decision.

Attorneys William D. Kennedy and Jared R. Johnson of Berwyn-based White and Williams LLP, called the Chester County ruling "a shot across the bow" of nonprofit hospitals throughout the state.

"A recent trial court decision could have significant, long-term consequences for the financial models of Pennsylvania nonprofit health care providers," wrote Kennedy and Johnson . "Ruling that three nonprofit Chester County hospitals of the Reading, Pa.,-based non-profit Tower Health system are not tax exempt 'charities,' a judge has ordered them to begin paying millions in annual local property taxes which fund local school districts."

Attracting attention

The Tower Health decision has led local municipalities and school districts across the state to consider tendering property tax notices to nonprofit health care entities that long have been deemed exempt from such expenses, Kennedy and Johnson said.

Representatives of the Pennsylvania School Board Association and the Hospital Association of Pennsylvania agreed the decision has their attention.

"The (charitable) exemption has really gotten out of hand," said Stuart Knade, chief legal officer of the PSBA. "If you want to cut your property taxes in half, put the other half of properties on the tax rolls."

As it has in similar cases, PSBA will likely file a friend of the court brief as the case is appealed.

The Hospital Association of Pennsylvania is also following the case closely.

"We aren't able to comment on the specifics of this case as we haven't been directly involved at this point." said Liam Migdail, director of media relations at HAP. "But we have been closely following this issue in general and can offer some context."

Migdail said the association has seen an uptick over the past few years in municipal governments and school districts challenging the tax-exempt status of hospitals as they face funding challenges and look to bring in additional revenue.

"HAP has been following several of these cases," Migdail said in an email. "Up until now, they have mostly been decided in favor of the hospitals. We will continue to follow this case as it is appealed."

Officials from West Reading, where Tower's flagship Reading Hospital is located, are also interested.

"We are closely following the tax assessment litigation involving Tower Health Hospitals," said Jack R. Gombach West Reading borough council president. "Throughout COVID-19 Tower Health was an excellent partner that took extraordinary measure to assist the borough to ensure the well-being of its employees and residents. I am confident that regardless of the outcome of the pending litigation, the new Tower Health leadership will treat the borough of West Reading and its residents fairly.”

A representative of Wyomissing School District could not be reached for comment.

According to a 2018 Reading Eagle article, Tower Health makes an annual payment in lieu of taxes of about $610,000 per year to West Reading and contributes $408,500 in financial support and professional services to the school district. It is unclear how long those agreements are in effect. A 2018 estimate put Berks County’s lost revenue from Tower at about $11 million.

What’s at stake

It’s a lot of money for communities and hospitals.

For example, Pottstown Hospital’s removal from the tax rolls costs the Pottstown School District roughly $924,000 a year in property tax revenue. The hospital’s continued absence from the property tax rolls also costs the borough more than $200,000 per year in property tax revenues.

Pottstown Hospital’s removal from the tax rolls costs the Pottstown School District roughly $924,000 a year in property tax revenue.

Since 2018, the district has spent more than $200,000 on legal fees mounting the unsuccessful challenge, the Pottstown Mercury reported.

Meanwhile, attorneys Kennedy and Johnson noted that the Chester County decision could impact nonprofit health care organizations such as skilled nursing facilities, retirement communities and home health care enterprises.

Migdail said preserving tax-exempt status is something “that’s been incredibly important to hospitals across Pennsylvania and nationally for a long time.” Two-thirds of Pennsylvania hospitals are organized as nonprofits.

Migdail said Pennsylvania hospitals provided $809 million in unreimbursed care during fiscal year 2020. Many hospitals also absorb the significant cost of underpayments from Medicare and Medicaid, which is increasing due to demographic shifts, he said.

He argued that hospitals serve as economic flagships in their communities, directly and indirectly generating more than $155 billion a year in economic activity (about 20% of the state’s total gross domestic product) and supporting 615,000 jobs (one in nine statewide).

Knade argued that allowing property tax exemptions for nonprofit hospitals has the effect of creating an obligation to support charities people did not choose and goes far beyond what was originally conceived for entities that gave uncompensated services to needy people.

He noted that payments or services in lieu of taxes are typically how cases are settled. The problem with such agreements is that they are usually for a limited period, and then the entity remains exempt.

Appeals

White and Johnson said the Chester County judge implored the Legislature “for a long-overdue modernization of the tax-status statutes to fit the current world of health care reimbursements.”

Kennedy and Johnston said hospitals have long organized as nonprofit corporations and received recognition as tax-exempt organizations by the IRS. More than two decades after for-profit hospitals entered the market, there are still twice as many nonprofit hospitals as there are for-profits in the U.S.

They warned nonprofits to pay close attention to the Chester County decision and review how and why revenue from a licensed health care enterprise is transferred to a parent company as well as the overall amount of executive compensation and billing and accounting practices with respect to genuinely uncompensated — as opposed to undercompensated — care.

Tower has appealed the Chester County ruling based on what it contends are factual and procedural errors and a flawed legal analysis. It has praised the Montgomery County ruling, which the Pottstown School District has appealed.

"We are particularly pleased the court acknowledged the more than $47 million in capital investments Tower Health has made at (Pottstown) Hospital since its acquisition, and the more than $43 million in uncompensated care we provided in fiscal year 2020 alone," Tower said in a statement. "Tower Health continues to invest in Pottstown Hospital and its service to the community."

Tower's recent financial statements don't discuss the possibility of paying taxes. Tower recently wrote off $370 million in value of its hospitals. Not including the write-off, Tower posted a $243.5 million loss for fiscal 2021, which ended June 30. It's regarded as an improvement over fiscal 2020, when it lost $415.3 million. Tower announced in September it would close Jennersville and sell Chestnut Hill and about 20 urgent cares to Trinity Health Mid-Atlantic.

WASHINGTON

Surprised by what the government says your home is worth? Here's how to file an appeal on your property taxes.

Making a case includes collecting the right data, spotting errors in descriptions and meeting a filing deadline

When homeowners get their property value assessment from the local government this year, they might find themselves with sticker shock. Thanks to sale prices that have risen as much as 20 percent year-over-year, those estimates are likely to be much higher than they were the year before, leading to a spike in property taxes.

With prices changing so quickly, how do you know if your assessment is accurate? And if you're sure the estimate is higher than what your home could actually sell for, is there anything you can do about it?

The assessment process

In most cases your local government employs teams of assessors who periodically estimate your home's value, and then sends that estimate to you in the mail. Many cities and counties assess all properties every year, while others do so only every other or every third year.

According to the District of Columbia government, which appraises property each year, an assessment is the estimated market value for your home, or the probable price for which you can sell your property under normal conditions. But if you aren't selling the home, it's how the District decides how much you'll pay in property taxes for the year.

Though the assessment process varies from state to state and county to county, the basics generally remain the same.

Your property taxes are set in part by the millage rate, which represents the amount per every $1,000 of a property's assessed value that owners pay. The other factor is, of course, how much the property is worth.

If your home sold within the last year, that's easy — it's worth the sale price. If not, local assessors will estimate the value.

To do that, they usually rely on comparables, or the price that homes similar to yours sold for within the last year. This will take into account location, how many bedrooms and bathrooms the home has, and any other amenities it might include, such as a fenced-in yard or an accessory dwelling unit. If you've added a backyard shed or sunroom to the home in the last year, you'll see that reflected in the estimate.

Assessors typically can't visit every house in their city or county every year, so they also use oblique photography or geographic information systems (GIS) to fill in the gaps.

"As mass appraisers it's very important to us that we keep on top of the current condition of properties and the current market," said Greg McHenry, president of the International Association of Assessing Officers and head of the appraiser's office in Riley County, Kan. "We look at open market sales and analyze them to determine the sales price per square foot."

Because assessments are usually handled at the hyperlocal level, there is no national database of appraisal values. However, you can get that information from your local government by visiting its website.

Things are handled a little differently depending on where you live. One major exception to the rule is California, which bases property taxes on a home's last sales price even if that sale took place decades ago.

Many homeowners see estimates online, such as Zillow's "Zestimates," for how much their homes are worth. McHenry said that local appraisers can be much more accurate as they check homes against comparable local sales and physically visit properties.

If you are confident that your estimate is higher than what your home would actually sell for, you can make a case to the powers that be and, with enough data at your side, potentially get that estimate lowered and save some money at tax time. Here's how:

Appealing your assessment

First and foremost is making sure you file your appeal by the deadline. Maryland assesses property once every three years, and appeals must be sent within 45 days of receipt. In the District and in Fairfax County, Va., which appraise homes annually, appeals must be made by April 1.

And those deadlines are no joke.

“If you miss the deadline, you miss the deadline,” said Anslie Stokes Milligan, a Washington-area real estate agent with McEnearney Associates. “Broadly speaking, these governments are not looking for opportunities to give you additional time to appeal.”

Milligan said that D.C. historically had appraisals well below market value, and has only started trying to bring them closer to fair market within the last five years or so. She has started getting calls from past clients complaining about their high appraisals. This year, she received dozens of calls after the notices went out.

She said most homeowners aren’t familiar with the appeal process or how it works.

In the District, homeowners can request comparable sales — a key data point in any assessment — and the worksheet the D.C. government used to estimate your home’s value.

Another key is to be realistic about what you argue the home is worth rather than simply shooting for the lowest number possible.

“More people would have success if they aimed for actual market value, rather than trying to get below that,” said Milligan.

How hard is it to file an appeal?

Kevin DeTurris, a Fairfax County, Va., attorney with the firm Blankingship and Keith, said most home value appeals can be easily handled by the homeowner and that using attorneys is usually only needed for large commercial properties. By the same token, a successful appeal typically saves the homeowner just a few hundred dollars, so it’s not worth the cost of obtaining a full appraisal.

An exception applies to homeowners who have recently refinanced their home to take advantage of low interest rates. If the refinance involved a professional appraisal, and that appraisal says the home is worth less than what the government estimates, the appraisal can be used as evidence in an appeal.

DeTurris advises finding recent sales of homes of similar size and quality to yours in the nearby area. If a house down the street sold for less than the estimate, you’ve got good grounds for an appeal. Even if a home sold for the same or more than your current home, if it was larger, had more bedrooms or bathrooms or other amenities than your home does, that can still be used to argue for a lower appraisal. The best way to do this is to search through your local tax database online, then fill out a form to begin the appeal process.

“Each county has a tax database out there, so you can find what everybody is being assessed at and if you’re being treated fairly,” said DeTurris. “You can start hunting and pecking other homes in your area and what they’re assessed at. You can then make an argument to the board of equalization saying, ‘Here are my three neighbors, they’re assessed $100,000 less than me, please change my assessment.’”

DeTurris said that finding three comparable properties that the city or county assessed at a lower value than yours is usually enough to make a convincing argument, provided you include documentation to back up your claim.

Appeals can also be made for errors in property description — for example if an assessment says your home has four bedrooms when it only has three.

"Use the exact assessors' data against them," said DeTurris. "Using concrete data that you can point to is probably the best path to take."

McHenry stressed that assessors welcome the appeal process and are glad to have a check on their work.

"Assessors do not run from appeals," he said. "The appeal process is another opportunity for us to make sure that we get it right and get those values as accurate as we possibly can. It's not uncommon for someone to appeal a value and we find out that we overestimated the amount of finished basement or something like that. We don't see interiors in a lot of cases. It's an opportunity to make sure our data is accurate, and to update it if not."

Other than the time involved, there's little risk in filing an appeal. Your property tax assessment can go down if you win, but won't go up if you lose.

"Homeowners know their property better than anyone else," said DeTurris. "They know what it's close to, they know what amenities it has, they know why they bought it. A property owner is the ideal person to advocate for the true value of their own property."

VIRGINIA

New Shenandoah County real estate assessment shows large jump in fair market property values

Over the past week, many residents of Shenandoah County have been surprised when they've received the updated real estate assessments for their home's value in the mail.

Estimated fair market home values have risen substantially.

Every six years, properties in Shenandoah County are assessed to get tax values up to fair market value.

On Sunday, WHSV spoke with Strasburg real estate broker, Abby Walters who broke down what the real estate assessment means for Shenandoah County residents.

"It was a shock to me. It was a shock to realtors on my team when we got our reassessments in the mail, but they are doing their best to try to do fair market value, so that we're all taxed appropriately," said Walters, the principal broker and owner of Preslee Real Estate in Strasburg.

Residents have seen their home assessments increase some by over 40 percent. The jump in fair market value is linked to rising home prices in the county and across the U.S.

The average home sale price in Shenandoah County has gone up 22 percent since the last assessment in 2015 from $192,332 to $234,850. The median home sale price in the county is up 33 percent since 2015 from $167,950 to $224,000.

Homeowners in the county will pay more in real estate taxes in 2022 due to the assessment. The current real estate tax in Shenandoah County is $0.69 per hundred dollars of assessed value, up five cents from 2020.

“When you’re talking a 25 to 30 percent increase, and you’re talking an average priced home of $235,000, this is going to equal hundreds, if not thousands, of dollars if not more in taxes for a homeowner per year,” said Walters.

For example a house in Shenandoah County valued at $225,000 would pay roughly $1,500 in taxes for the year. If the reassessment bumped the home’s fair market value up to $285,000 it would increase the homeowner’s yearly tax payments to around $2,000.

The county does provide tax relief for the elderly and disabled if they reach out to the commissioner of revenue.

While residents will be paying more with the newly assessed values, it doesn’t mean they’ll be able to sell their homes for that exact number.

“It makes me think of your personal property taxes on your car and your value on that. That doesn’t necessarily mean when you go trade that car in you’re going to get that value at the dealership,” said Walters.

The goal of the assessment is for tax revenue and county services to keep up with rising property values.

“I can feel how everybody felt when I got my reassessment in the mail and it was higher, and you’re going to have to budget for more money, but this money does help our county and our emergency services and our public education,” said Walters.

A homeowner who wants to challenge the newly assessed value of their home can appeal to county assessors, if they’ve had a home appraisal in the last six months.

“An appraiser can do a real detailed appraisal report. Us realtors do a market analysis. We’re going to come in your house, we’re going to look at your upgrades, we’re going to look at the condition and do a detailed report,” said Walters. “This assessment is not going be as accurate as an appraisal because they’re not entering the home.”

The new real estate assessment will begin impacting tax values on January 1, 2022.

WEST VIRGINIA

Effort underway to simplify natural gas property tax assessment

Legislation passed toward the end of the 2021 regular session was supposed to fix constitutional issues with the way West Virginia assesses the value of property with natural gas production.

Instead, no one is happy with the new rules.

Lawmakers passed House Bill 2581 in April over the objections of several Northern Panhandle and North Central West Virginia elected leaders. The bill required the State Tax Commissioner to develop a revised methodology to value oil and natural gas properties.

The State Tax Department submitted an emergency rule over the summer for how it planned to carry out HB 2581, though the Legislature's Rule-Making Review Committee has yet to take up the final rule. But Marshall County Assessor Eric Buzzard hopes lawmakers can scrap the rule and start over during the 2022 legislative session.

"I think the people are just going to be paying entirely too much money, and ultimately is going to be giving the big businesses a break and that's not the business I'm in. I'm in the business of taking care of our county residents," Buzzard said. "Hopefully once session gets in they'll evaluate it and it will be beneficial to county residents more than out-of-state oil and gas companies."

According to the emergency rule, the value of oil and natural gas-producing property is determined by applying a yield capitalization model based on a weighted average cost of capital to the net receipts (once royalties and annual operating costs are subtracted from gross receipts) for working interest, with a yield capitalization model applied to gross royalty payments for royalty interest.

"The key methodology changes have been a statutory move to actual receipts less costs … the new capitalization rate that is now derived using a weighted average cost capital approach which we believe is a more accurate representation of the actual cost of employing capital in the investment and more likely captures the risk," said Erin Winter, acting deputy tax commissioner, during a legislative interim meeting in September.

The State Tax Department also eliminated the provision that called for the 18 months of decline from the discounted cashflow analysis, and natural gas liquids — along with the value reduction costs to make it marketable — are included as a value item.

What does any of that mean? That's a question that major natural gas producers, accountants, and county assessors would like to know.

"I don't get their thinking on it," Buzzard said. "I don't think anyone does and nobody knows what is going on."

Buzzard said the rule is far too complicated and there has been little education from the State Tax Department for county assessors or even the public at large going into the next tax year.

"The residents have not been educated enough about this system and neither have assessors up to this point," Buzzard said. "It used to be based on a three-year average of producing. Now they're going by actual costs. It seems like it will benefit the big natural gas and oil companies than our county residents. An average over three years is a more realistic value when it comes to paying your taxes than your actual producing amount."

One of the biggest supporters of HB 2581, the Gas and Oil Association of West Virginia, believed the bill would help simplify natural gas property assessments. Instead, they say that the State Tax Department's emergency rule gives the state more power than the bill intended. As a result, state tax officials made a simple change more complicated.

"(House Bill) 2581 was a simple bill … if you look at the emergency rule that was passed, it's not very simple at all," said Mark Monteleone, co-chairman of the tax committee for the Gas and Oil Association of West Virginia (GOWV), to lawmakers in September. "It's a very complex rule that goes beyond, we believe, the scope of the statute. For that reason, we believe they have exceeded statutory authority of 2581."

According to GOWV, natural gas production in West Virginia increased by 14 percent between 2019 and 2020, with property tax contributions increasing by more than 24 percent over 2019 numbers. Natural gas production in the state increased from 1.4 trillion cubic feet in 2016 to 2.5 billion trillion cubic feet in 2020. During that same time, property tax contributions increased from$134.8 million to $162.7 million.

The version of HB 2581 passed by the House of Delegates created a formula to value oil and natural gas property by using a weighted average price from regional markets, less the actual expenses as reported by the taxpayer. It was the state Senate who stripped out that formula and left it up to the State Tax Department to develop a formulation that the Legislature could approve through its rule-making review authority.

The previous methodology used for determining the value of natural gas-producing property was thrown out by the West Virginia Supreme Court of Appeals in 2019 in Steager v. Consol Energy Inc, requiring lawmakers to pass HB 2581.

"… The Court noted that the legislative rule for the valuation of producing natural gas wells did not address gathering, compressing, processing, and transportation expenses, and that the Tax Department's determination that such expenses are not 'directly related' to the 'maintenance and production' of natural gas was not arbitrary, capricious, or manifestly contrary to the enabling taxation statute," according to an analysis by Craig Griffith, an attorney with Frost Todd Brown law firm in Charleston.

Speaking to lawmakers in September, Winter said the State Tax Department was willing to work with taxpayers and county assessors to implement the new rule.

"Going forward, we will continue to review tax returns to the extent that we have the resources to do so," Winter said. "We think reasonableness as the starting point of any inquiry into the actual costs is the most workable solution for us.

"And the Tax Department will continue to work with industry moving forward to ensure completeness and accuracy and make sure the actual value is determined, and we will work with the counties to ensure compliance by the industry."

However, county tax officials have felt left out of the entire process, from the drafting of HB 2581 to the release of the emergency rule from the State Tax Department last summer. While the State Tax Department develops the rules, it's up to county assessors to determine the actual values using the new rule.

The original version of the bill would have resulted in a $9.1 million property tax revenue loss to county governments and county school systems.

Eight counties in the Northern Panhandle and North Central West Virginia would have taken a $7 million hit under the previous plan. It's unclear how much of a hit the state and natural gas-producing counties would take under the new rule.

"We have not received anything," Buzzard said. "We've been requesting it for months and we have not received any totals. Of course, we always hear it's going to be minimal, but minimal for a gas-producing county is substantial.

Board of Public Works hears utility assessment concerns

West Virginia's constitutional officers listened to concerns recently raised by several utilities regarding their property tax assessments for the next fiscal year.

The Board of Public Works met last week in the Governor's Cabinet and Conference Room at the State Capitol Building in Charleston to provide public utility companies an opportunity to address board members regarding the tentative assessed property tax values determined by the State Tax Department.

The Board of Public Works consists of Gov. Jim Justice, Secretary of State Mac Warner, Attorney General Patrick Morrisey, Agriculture Commissioner Kent Leonhardt, State Auditor J.B. McCuskey, State Treasurer Riley Moore and State Superintendent of Schools Clayton Burch.

One of the few responsibilities the Board of Public Works has is determining the value of property for tax assessments for public utilities.

The types of utilities include airlines, private bridge owners, bus companies, electric providers, natural gas providers, non-cellular communication (paging services), railroads and carlines, pipelines, cell phone companies, private sewer services, landline telephone services, underground gas storage, water and water/sewer services.

State Tax Commissioner Matthew Irby delivered the tentative assessments to the Board of Public Works in September, with the board ordering the assessments Sept. 29 prior to an Oct. 1 deadline.

Board members heard from three public utility companies Wednesday. Representatives of Eastern Gas Transmission and Storage, formed after Berkshire Hathaway Energy purchased Dominion Energy Transmission last November, told board members that the cost value should have been adjusted to reflect regulatory forces on the natural gas pipeline company.

According to the tentative assessment, Dominion Energy Transmission's tax year assessment for fiscal year 2022 increased by 2.8 percent from the previous year, from $596 million for fiscal year 2021 to $613 million for fiscal year 2022.

According to a PowerPoint document presented to the board, Eastern Gas Transmission and Storage is seeking an adjustment to the cost value due to "economic obsolescence," defined as "a loss in value or a property arising from factors such as change of use, legislation that restricts or impairs property rights, or changes in supply and demand relationships." They're also asking that the correlated value be based on a 40 percent weighting of the cost value and 60 percent weighting of the income value.

Scott Ash, who oversees property tax issues for Eastern Gas Transmission and Storage, said he is working with the State Tax Department on their concerns.

"We agreed to keep working together over the next few days and next week to continue to discuss what we have," Ash said. "I think we're comfortable working with the department going forward."

Board members also heard from representatives of Northfolk Southern, CSX, and Shenandoah Junction Public Sewer. No decisions were required by the board Wednesday, but Irby said his office was in communications with all four utilities, including Eastern Gas Transmission and Storage and was reviewing their concerns.

"We've had a number of ongoing discussions with the taxpayers," said Irby. "In particularly with Eastern Gas, we've received a lot of information. We're working through that information. Incidentally, our new property tax director started two days ago and he would like to take a look at a lot of this information first. He hasn't had a chance to get his legs under him. But we are planning on working with taxpayers who provide us information and provide you all with detailed answers."

Although most real and personal property is assessed at the local level by county assessors, public utilities are unique because their property extends through many counties. Rather than have each of the 55 assessors determine the value, the property is appraised and assessed by the state.

The total tentative assessments for tax year 2022 total more than $12.9 billion, a 3.7 percent increase from $12.4 billion in total assessments in tax year 2021.