IPTI Xtracts

Property Tax and Assessment News from Around the World

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CONTENTS

Historic Home Prices to Whack Owners in Next Year's Property Tax

U.S. homeowners enjoying historic gains in the value of their property will likely face a hit next year through a higher tax bill.

Property taxes -- up the most in 15 years in 2020, according to recently released Labor Department data -- will likely see even sharper jumps this year. The median price of previously-owned, single-family homes set new highs last year, and have climbed even more in 2021, which could haunt homeowners when the bills come due and potentially force Americans to dig deeper into their savings.

Six counties in the New York City area saw median property tax bills that exceeded $10,000 annually in 2020: Bergen, Essex and Union Counties in New Jersey; and Nassau, Rockland and Westchester Counties in New York.

Also among the top 20 is the San Francisco suburb of Marin County and Fairfield County in Connecticut.

Last year, the country's median property tax bill rose $194 to $2,353. While the increase reflects a boost in property value, and therefore enhances the homeowner's wealth, the individual typically doesn't realize such gains until the property is sold or refinanced. But tax collection doesn't wait for either occurrence, and the bills have to be paid regardless.

"Unlike paper gains on stocks which don't lead to tax consequences until you sell, paper gains in real estate have more immediate financial consequences in the form of real estate taxes," said Danielle Hale, chief economist at Realtor.com.

While no one really likes taxes, property taxes are generally the most-dreaded because of the high amount owed and the fact that they're presented in a tangible bill from state and local governments. That's unlike income tax, which is usually paid through payroll deductions and can often result in an annual refund due to overpayment.

Property taxes are based upon an opaque home valuation estimate as prices for similar homes can vary widely, and they don't settle until market forces decide on a price. Additionally, property taxes tend to be lagging, as they are based on a home's value the previous year.

This was problematic a dozen years ago when many homeowners were left paying property taxes on home values that were considerably higher than those in the current market due to the 2008 recession.

This year and next, many homeowners will face a different issue. While many jurisdictions limit how much of an increase in property taxes a local assessor can impose, the rapid run-up in real estate prices will likely mean a higher tax bill is still coming.

Does Your Property Tax Assessment Reflect COVID-19's Long-Term Challenges?

Countless companies have seen their top and bottom lines decimated by COVID-19-related shutdowns, travel restrictions and changing consumer preferences since the start of the pandemic. Yet for many taxpayers, property tax values have changed little or even increased.

Many of these taxpayers have been surprised to receive property tax bills that do not reflect the real and lingering economic challenges that the retail, hospitality, office and other industries have, are and will continue to face. These taxpayers — and even those in industries better suited to weather the storm — should give special attention to ensuring they receive fair and reasonable assessments.

Observe Valuation Dates, Notices and Appeal Deadlines

With a large percentage of employees working remotely, together with an inconsistent postal service, it is more important than ever to have dedicated employees and knowledgeable property tax professionals reviewing property value assessments annually and filing timely protests when warranted. Failure to receive a tax valuation notice rarely excuses a missed protest deadline, so it is vital to know and comply with applicable deadlines.

Many property tax bills issued in 2020 were based on statutory valuation dates that preceded the emergence of COVID-19. For instance, assessors working under a valuation date of Oct. 1, 2019, or January 1, 2020, were quick to tell taxpayers to "wait until next year" before assessments could reflect any impact from COVID-19.

Not surprisingly, some assessors are now arguing that the pandemic was temporary and that its worst effects have passed. In some jurisdictions, assessors simply carried forward the prior year's cost-based value with no adjustments to account for additional depreciation or functional and economic obsolescence. In other cases, assessors have relied on pre-pandemic sales during the relevant tax cycle to justify increases over the preceding tax year.

Many locales had few sales in the early stages of the pandemic, and in these cases, the assessor may downplay or entirely ignore the actual impact of COVID-19 on market values. In contesting assessments in each of these cases, it is helpful to not only demonstrate the immediate difficulties that began in March 2020, but also the pandemic's lingering effects on the taxpayer's current and future operations.

Although the pandemic has affected all industries, certain sectors face unique challenges that will persist well beyond the initial virus surges and vaccine rollouts. These include, but are not limited to, brick and mortar retailers competing with ever-expanding e-commerce, office buildings competing with flexible work options including remote work, and hotels competing for elusive business travel in a cost-cutting environment. Some of these challenges are trends that began long before the pandemic, such as the slow death of enclosed malls as consumers increasingly favor lifestyle centers and online shopping.

COVID-19 Influences by Property Sector

Retail. Since the early 2000's, e-commerce's share of total retail sales has increased each year. The pandemic accelerated that trend, arguably by years, when people who had long resisted shopping online no longer had the same in-store options, and experienced online shoppers became more comfortable buying things like groceries and large-ticket items online.

These evolving shopping habits certainly affect the desirability and value of retail real estate, especially of those buildings constructed before the scope of today's e-commerce world could be contemplated. Landlords must now think outside the box when re-tenanting shopping centers, often filling vacancies with restaurants, service and entertainment concepts. These uses can create parking, zoning and other challenges for centers built for traditional retail.

In the case of big box stores, companies such as Walmart are looking at converting portions of existing stores to warehouse or fulfillment space for e-commerce. All these changes to keep up with the rapidly evolving marketplace shine a light on the functional and economic obsolescence present in many retail properties.

Office. Office landlords are also facing rapid market evolution, including an accelerating trend toward more remote and flexible work options. The pandemic made Zoom meetings ubiquitous and gave employees a taste, and perhaps a future expectation, of more work-from-home opportunities.

In light of the Delta variant's spread, many large companies have delayed their anticipated returns to the office, with Google now postponing its return until at least January 2022. Although some of the pandemic's effects on office occupancy have already occurred, the full impact will continue to play out as leases expire and companies reevaluate the volume and design of office space they require.

Hospitality. The hotel and travel industry suffered some of COVID-19's most immediate and devastating financial casualties. Leisure and business travel ground to a near halt, with hotel stays and flight counts falling to once-unimaginable lows. Corporate travel has yet to make a meaningful recovery and remains at a fraction of pre-pandemic levels. Throughout the country, corporations are cutting back on travel budgets as they weigh its costs and health risks against alternatives such as video conferencing.

Business travel and events are unlikely to return to pre-pandemic levels until 2024, according to a recent American Hotel & Lodging Association survey. Although the leisure travel industry benefitted from pent-up demand during the summer of 2021, the Delta variant has undermined that temporary resurgence. And even with the recent increase in leisure travel, airplane traffic is still well below 2019 levels.

These are just a few of the industries that will continue to see COVID-19 weigh down their businesses and property values. Property and business owners should closely review their property tax values to make sure assessments adequately reflect the specific challenges affecting their properties, to include the pandemic's immediate, ongoing and future financial impact.

What If We Taxed Churches?

"If churches paid taxes," runs a popular claim on social media (hashtag #taxthechurches), "everyone would only have to pay 3 percent taxes." Other claims put the forgone tax revenue haul at $76 billion or $85 billion, oddly specific figures conspicuously lacking a meaningful citation. Whether spurred by a belief that government is improperly favoring religious institutions, an antipathy to wealthy celebrity pastors, or a hope that taxing houses of worship could bring down personal tax bills, the taxation of religious bodies is hotly debated online, but barely on the radar of actual elected officials.

But is that true? How much, if any, tax revenue is forgone, and what do the policies look like? Excitable Twitter users may walk by faith and not by sight in this debate, but let's take a step back from the rhetoric and see what's true, what's exaggerated, and what's outright false about the tax treatment of churches and other houses of worship.

Income Taxes

Churches, synagogues, and mosques are, by definition, nonprofit entities, and nonprofits are not taxed on their net income (as for-profit entities are) for a rather simple reason: they don't have net income. While a church may have income in excess of expenditures in any given year, it has no owners or shareholders to benefit from increases in the value of the entity, to receive dividends, or otherwise to profit from the church's income stream.

For imagine that we characterized any residual income of churches as profit and taxed it under the corporate income tax. We'll generously allow that churches, in this somewhat absurd hypothetical, have "profits" in line with corporations (a 7.7 percent average). According to Giving USA, religious organizations received $128.2 billion in contributions in 2019. For the vast majority of churches, tithes and offerings constitute the bulk of revenue, though churches may also have investment income, and a small number—particularly megachurches—may also generate revenue from the sale of books, videos, and other materials.

The Giving USA figure is too broad inasmuch as it covers organizations that aren't houses of worship, but too narrow for our purposes inasmuch as it does not include other income streams. Let's choose an aggressive figure of $150 billion, just to be on the safe side. If we assume a 7.7 percent rate of "profit," that yields just under $11.6 billion in taxable income (neglecting deductions or exemptions), which would generate $2.4 billion in federal tax liability.

To put that in context, in FY 2021, federal outlays ran $6.8 trillion, with the government bringing in $3.8 trillion in revenue. That's less than 0.04 percent of federal outlays, and 0.06 percent of federal revenue. It's a rounding error. Besides, churches are undeniably nonprofit organizations, and it would be difficult—and likely unconstitutional—to treat them less favorably than secular nonprofits.

Meanwhile, it is important to note that church employees—including clergy—pay individual income taxes. Pastors, priests, rabbis, and imams have the same federal and state income tax liability as any other employee. This is true both of small church pastors and wealthy televangelists, and it's true of their church income as well as any other income, like book royalties.

Parsonage Allowance

Ministers are permitted to exclude housing costs from their gross income for individual income tax purposes, though not for purposes of Social Security taxes. Some churches provide a housing allowance as part of the pastor's income, while others may provide lodging as a direct part of the minister's compensation.

If the minister resides in a parsonage, his or her money income is taxed, but the value of living in the parsonage is not subject to individual income tax. If instead they receive a housing allowance, then an exclusion from gross income is permitted, at the lesser of (1) the actual cost of providing housing, (2) the amount designated as housing allowance, or (3) the fair rental value of the home.

Unlike routine recognition of the not-for-profit nature of churches, the parsonage allowance is a direct way in which the tax code benefits houses of worship and religious ministers, and some prominent legal scholars have attacked its constitutionality. It is important to note, however, that the parsonage allowance does not come into play with the lavish homes of prominent megachurch pastors and televangelists. Joel Osteen does indeed live opulently, for instance, financed by a lucrative ministry with programs, books, DVDs, and other materials, but he doesn't take a salary, so he has no housing allowance. The exclusion must be from income actually paid by the church; it's not just a deduction someone can claim because they're a minister.

Social Security Taxes

It is popularly believed that clergy are exempt from Social Security taxes, but this is largely incorrect. Ministers have an unusual dual tax status, where they are statutory employees for purposes of the individual income tax, but self-employed contractors for purposes of Social Security taxes. Accordingly, instead of paying FICA payroll taxes, they pay SECA taxes—basically, they personally remit both the employer and employee side of the payroll tax, for a total of 15.3 percent in Social Security and Medicare taxes. If they have a parsonage or housing allowance, their SECA taxes are paid on a base that includes the value of that housing.

There is a religious exemption from the entire Social Security and Medicare system that is available to ministers if they can demonstrate a profound conscientious objection to the system itself, but this is narrowly applicable. There must be a devoutly held religious principle behind it. The decision is also irrevocable: once you're out, you're out, and you can never receive any Social Security or Medicare benefit. Functionally, this is an extension of a benefit available to the Amish, some Old Order Mennonites, and other religious sects that wholly oppose all benefit systems (including private insurance!) because they seek to be a fully self-sufficient religious community. It's not at all relevant to the local priest or rabbi.

Property Taxes

Churches, like all charities and virtually all nonprofits, are not subject to local property taxes. Unlike with business income taxes, this is not an inevitability. Nothing theoretically prevents states from authorizing local taxation of nonprofits' land and buildings, and the nature of property taxes may even argue in favor. Property taxes hew closely to the benefit principle, where tax liability is roughly in proportion to the value of government services received by the property owner.

The benefit principle is perhaps more tenuous with certain nonprofits—churches do not benefit from public education as much as households and employers do, for instance—but still there. And in the case of some nonprofits, like hospitals and universities, the governmental cost of providing services to them may be substantial.

Good estimates of the cost of the exemption for nonprofits are hard to come by, but one 2006 study found that exempt property typically represented between 3 and 4 percent of total property value in most cities, but much more in select cities like Philadelphia, Boston, Baltimore, and New York City. This makes sense: St. Patrick's Cathedral occupies prime real estate in Midtown Manhattan, so the land on which it sits is extremely valuable something that probably isn't true of an evangelical church located in a suburban shopping plaza.

But even then, most of the exemption is for hospitals and universities, which have much larger footprints. If governments ever decided to tax nonprofits' lands, houses of worship would contribute billions to local governments across the country, but given that local governments currently raise about $560 billion through property taxes, this would likely represent an increase in collections of less than 2 percent.

Conclusion

The notion that taxing churches would raise substantial federal revenue is wildly inaccurate, even neglecting the incoherence of imposing income taxes on a nonprofit organization. Clergy pay income and payroll taxes just like everyone else, and the local property tax exemption, while meaningful, is available to all nonprofits. The housing allowance, however, is somewhat meaningful and is controversial in legal circles.

But on the whole, the notion that houses of worship are somehow depleting the treasury is what the Ten Commandments would call "false witness."

These 10 States Have the Lowest Property Tax in the Nation

Property taxes aren't avoidable, but they are mitigable.

Owning a home comes with a lot of perks -- but it also comes with a good number of expenses. There are four main expenses nearly every homeowner contends with, and they're so common they've got a nifty acronym: PITI.

PITI stands for "Principal, Interest, Taxes, and Insurance." The first two refer to your mortgage loan; the principal is the amount you borrow, and the interest is the cost to borrow it. Homeowner's insurance is worth getting whether you have a mortgage or not, but most mortgages require it.

One part of PITI is completely and utterly unavoidable: taxes. Even if you pay cash for your home to avoid a mortgage and forego the security of insurance, you're still on the hook for property taxes.

States with the lowest property tax rates

Typically, both your state and your local municipality charge property taxes. This means property tax rates can vary within states.

That said, looking at a state average can be a good indicator of the property tax rate to expect, particularly when you compare it to the national average. For example, the 10 states with the lowest average effective property tax rates were all significantly below the national average of 1.1% in 2020:

Hawaii: 0.28%
Alabama: 0.41%
Colorado: 0.51%
Louisiana: 0.55%
District of Columbia: 0.56%
Delaware: 0.57%
South Carolina: 0.57%
West Virginia: 0.58%
Nevada: 0.60%
Wyoming: 0.61%

Property taxes are frequently based on your assessed property value. The effective property tax rate looks at the percentage of your property value that those taxes make up.

Where Do People Pay the Most in Property Taxes?

Property taxes are the primary tool for financing local government and generate state-level revenue in some states as well. In fiscal year 2019, property taxes comprised 31 percent of total state and local tax collections in the United States, more than any other source of tax revenue. In that same year, property taxes accounted for 72 percent of local tax collections and 27 percent of overall local government revenue.

Median property taxes paid vary widely across (and within) the 50 states. The lowest bills in the country are in eight counties or county equivalents with median property taxes of less than $200 a year:

- three in Alaska (Aleutians East Borough and the Kusivlak and Prince of Wales-Hyder Census Areas)
- four parishes in Louisiana (Allen, Bienville, East Feliciana, and Madison), and
- Alabama’s Choctaw County.

(Significant parts of Alaska have no property taxes, though most of these areas have such small populations that they are excluded from federal surveys.)

The next-lowest median property tax of $201 is found in Avoyelles Parish, near the middle of Louisiana, followed by $221 in McDowell County, West Virginia, at the southernmost part of the state.

The six counties with the highest median property tax payments all have bills exceeding $10,000—Bergen, Essex, and Union Counties in New Jersey, and Nassau, Rockland, and Westchester counties in New York. All six are near New York City, as is the next highest, Passaic County, New Jersey ($9,881).

Reliance on property taxes also varies within states. In Georgia, for example, where the median property tax bill is relatively low, median taxes range from $494 in Quitman County (near the Alabama border in the southern part of the state) to $3,060 in Fulton County (a suburb of Atlanta). This is typical among states; higher median payments tend to be concentrated in urban areas. This can be partially explained by the prevalence of above-average home prices in urban cities. Because property taxes are assessed as a percentage of home values, it follows that higher property taxes are paid in places with higher housing prices.

While no taxpayers in high-tax jurisdictions will be celebrating their yearly payments, it's worth noting that property taxes are largely rooted in the "benefit principle" of government finance: the people paying the bills are most often the ones benefiting from the services.

ALASKA

CBJ Finance Director breaks down property assessment increase, says he is open to a third party audit

This year has seen an unprecedented number of appeals of land assessments after commercial properties increased in value by 50%, and Jeff Rogers, the Finance Director for City and Borough of Juneau, talked about the issue during a Juneau assembly Finance committee meeting on Wednesday night.

Rodgers explained in a memo to the assembly that, as part of the annual determination of full-and-true value as required by state statute, the CBJ Assessor identified through a Ratio Study process that commercial land assessments were significantly lower than known qualified sales prices.

As a result of the statistical analysis, the Assessor increased the base land assessment of all commercial parcels by 50%. The increase resulted in 207 commercial appeals, which are currently being reviewed by the Assessor.

Rogers said that some properties saw a 0% increase in their land value between 2011 and 2020, and that the total cumulative change in the value of those parcels in 10 years was the 50% that they applied this year.

He said that in the report, people will see that a category of properties was assessed at a lower value in 2020 than they were 2011.

"Now again, any individual parcel could have changed in a way that merited that, but as a group. It demonstrates the central problem, which is that commercial values simply didn't move for a decade," said Rodgers. "There are some properties at the top of this list that are probably over-assessed, and the process is designed to correct that. There are properties probably at the bottom of this list that just simply are not likely to prevail on appeal because they are either correctly assessed or, more likely, they continue to be under-assessed."

Rodgers noted that while commercial land assessments remained generally flat from 2011 to 2021, residential assessments inched upward with market conditions.

"For example, if someone bought a $300,000 home in 2011, they saw their assessed value march upward by as much as 5% per year. Someone else who bought a $300,000 parcel of vacant land in 2011 has likely seen no increase in assessed value, even though the market value of the parcel has almost certainly appreciated. In that example, in 2020, the homeowner might have paid property tax on over $400,000 of assessed value while the commercial landowner was still paying property tax on the $300,000 assessment from a decade ago. In that narrow example, the residential homeowner could be paying 33% more property tax than the commercial landowner, even though their parcels were assessed similarly ten years ago and could have more similar market values today."

He further explained in the memo that over time the failure to keep commercial property assessments in line with market prices shifted the property tax burden from commercial landowners to residential homeowners.

"As a result, commercial landowners simply have not paid their fair share of property tax over the past decade. This tax shift represents a systemic economic inequity that the 2021 assessments are intended to correct."

Rogers expressed that he is open to a third-party audit.

"I think the sunshine is good and I would like to engage in that process at some point," he said. "Obviously, where we are today with more than 100 appeals in the hopper, many of them likely to go to the Board of Equalization, today is probably not the time for that third-party audit, but I think we need to make time for that third party audit and I'm I'm eager for it."

The memo states "the Assembly and the Manager should remain neutral on the Assessor's valuations."

Juneau commercial property owners fight 50% increase in assessed land values

Like most commercial property owners in Juneau, PeggyAnn McConnochie is smarting from her tax bill this year after the city raised the assessed value of commercial land by 50%.

"My husband and I own the building that's also known as Cycle Alaska building, and it is a building that we are appealing the 2021 assessed values on right now," she said.

Unlike other commercial property owners, McConnochie is also a real estate broker who teaches classes for other real estate professionals.

City officials say this increase is just the first step in a multi-year correction to fix a decade of "neglect" in the annual assessments of commercial properties. Those values directly impact tax bills, and the balance of who's paying for city services.

McConnochie and the owners of hundreds of other affected properties think this first jump already over values their holdings, and they're fighting it.

Every April, the Juneau Assessor's office mails out its new assessed values to property owners. McConnochie's mailer for this year puts the value of the lot that the bike shop sits on, which is about a sixth of an acre and zoned waterfront commercial, at $463,050. That's 50% higher than last year. That also means she owes about $1,600 more in property taxes this year.

"It's not something that makes me kind of happy," she said.

The assessed value of McConnochie's property is $1,228,950 after the building is factored in.

"If my property was worth over a million bucks, I'd say I'd put it on the market today and try to sell it," she said. "Although, there's no market for it up."

McConnochie said that's one of the problems with the assessor's methodology. She and other property owners don't think the new assessments capture how volatile the commercial real estate market is in Juneau. There's the pandemic, of course. But McConnochie said there's also been longer economic trends that years of flat assessments did reflect.

"We live on the vagaries of us being the capital city," she said. "And when you have a capital city that goes through things like, oil was $100 per barrel, but goes down to zero … that affects my business, and my building. Just as it affects most other people's businesses and other people's buildings. So that is not necessarily true that the properties go up. He's wrong."

The assessor is actually a she, but keeps a low profile because her work is supposed to be free from public and political influence.

Instead, city Finance Director Jeff Rogers has been the public face of the assessment issues. The Greater Juneau Chamber of Commerce invited him to speak about commercial assessments back in April.

"Um, I fully recognize that I normally get invited when uh, people are sort of upset with me, uh, or with something that the city's doing," he said after being introduced.

Explaining the correction and justification is complicated and technical. But a big piece comes from a comparison of disclosed sales prices of 57 commercial properties over the last five years against the city's assessed values. It's only a partial data set because sale price disclosures weren't mandatory until a new city law took effect last November.

For commercial properties, sales prices on average were much higher. Rogers said the data indicates that the commercial real estate market isn't as volatile as unhappy property owners think. Still, the owners of 207 commercial properties filed appeals this year.

The Juneau Assessor's Office has used this graph to show that the overall volume of sales of commercial properties in Juneau did not change much in 2020, despite the pandemic.

"There's nothing about the appeals that makes me think that we have made a global error," Rogers said. "We have demonstrated in a number of analyses that the vast majority of commercial parcels have not seen any increase to their base land value in a decade or longer."

Some of those appeals are being resolved through conversations with the assessor's office. Most are pending with the Board of Equalization for individual hearings and decisions. The board is a panel of volunteers appointed by the Juneau Assembly.

Rogers said he wants all of the appeals to be fully settled by the end of the calendar year so that the assessor's office can shift its focus to the 2022 assessments.

But with so many outstanding appeals, it's not clear if that soft deadline will be met with the regular process. Rogers said lawyers for the city and a group of property owners that includes McConnochie are trying to see if there's a way to hold a group hearing.

"And then, if the Board of Equalization doesn't agree, I'm more than willing to go to court," McConnochie said. "And I gotta tell you, every single one of the people who are on the consolidation list is more than willing to do that, too."

Rogers acknowledged that the abrupt change feels unfair to commercial property owners. But there's a whole other class of property owners paying more than their fair share, because residential property assessments have been rising more or less in line with actual market values.

"So if you are a residential property owner, and you've owned your property over time, you have borne an increasing burden of property tax for the borough for the provision of police and fire and all the other services the city provides, because commercial land has been underassessed," Rogers said.

This slide from a presentation by CBJ Finance Director Jeff Rogers to a Juneau Assembly committee on April 21, 2021, shows how the property tax burden has shifted over time because of flat assessments of commercial property.

Juneau's local elected officials have been learning about the issue. At a recent Assembly meeting, Mayor Beth Weldon said they don't have many options to intervene.

"There is limited things that we can do as the Assembly," she said. "All the Assembly can do is ask the assessor to reassess. And we can't tell them how, or who or anything. All we can say is, 'Assessor, please reassess.'"

Weldon warned that could lead to even higher assessments. Or put this year's assessment, appeal, and tax cycle further behind schedule.

One action the Assembly did take at that meeting was to give property owners a partial reprieve on their tax bills this fall. Normally, a year's worth of property taxes are due in full at the end of September. This year, only

80% of the bill will be due. Property owners are still on the hook for the rest, but they'll have three more months to pay that off.

Those due dates apply even if an appeal is pending. But Rogers pointed out that if a property owner wins their appeal and overpaid their taxes, then a state law requires the city to refund excess taxes plus interest at a generous 8% annualized rate.

The Juneau Assembly is discussing the commercial property assessments in a committee meeting Wednesday evening.

CALIFORNIA

New Property Tax Postponement Program

This loan program allows eligible homeowners, including low-income seniors and disabled individuals, to postpone the payment of their current-year property taxes on their primary residence at an interest rate of 5%.

San Bernardino County Auditor-Controller/Treasurer/Tax Collector (ATC) Ensen Mason announced today that the 2021-22 Property Tax Postponement Program (PTP) is available to qualifying taxpayers through the State Controller's Office (SCO). This loan program allows eligible homeowners, including low-income seniors and disabled individuals, to postpone the payment of their current-year property taxes on their primary residence at an interest rate of 5%.

"Low income seniors, the blind, and disabled residents of San Bernardino County deserve all the assistance we in government can provide," noted Mason. "Helping these residents remain in their own homes is a high priority for me, and I encourage all who qualify and are having difficulty paying their property taxes to sign up for this program as soon as possible. If my staff can help, please don't hesitate to contact them at (909) 387-8308."

Applications will be accepted from October 1, 2021, through February 10, 2022, and will be processed in the order they are received. To qualify, a homeowner must meet all the following criteria.

ELIGIBILITY REQUIREMENTS:

Be at least 62 years of age, or blind, or disabled;

Own an occupy the property as his or her principal place of residence (floating homes, and house boats are not eligible);

Have a total household income of $45,810 or less;

Have at least 40% equity in the property; and

Not have a reverse mortgage on the property.

Postponed taxes and interest become due and payable when the homeowner moves from the property, sells or conveys title to the property, dies and does not have a spouse, registered domestic partner, or other qualified individual who continues to reside in the property, allows future property taxes or other senior liens to become delinquent, or refinances or obtains a reverse mortgage for the property.

Program participants must reapply each year and demonstrate they continue to meet eligibility requirements.

Funding for the program is limited. Applications will be available September 1 online at www.sco.ca.gov under the Public Services tab. For more information, please visit the SCO's website at www.sco.ca.gov. You may also contact the SCO by phone at (800) 952-5661 or by email at postponement@sco.ca.gov.

Refusing to Accept Crumpled $1 Bills as Property Tax Payment Doesn't Violate First Amendment

From *Lull v. County of Sacramento*, decided Tuesday by Magistrate Judge Jeremy Peterson (E.D. Cal.):

Plaintiff claims that defendants engaged in retaliation forbidden by the First Amendment when they refused to let him pay some of his property taxes with crumpled one-dollar bills emptied from garbage bags, which he brought to the Sacramento County Department of Finance office on tax day. Defendants maintain that, although they do accept some cash payments and had previously accepted one from plaintiff, they refused the payment at issue because it did not comply with the county's requirements for cash payments and because they did not have the resources to process it. Plaintiff disputes that defendants' rejection of his payment was motivated by these considerations, claiming instead that defendants sought to suppress his protest, but he offers scant evidence of this. I recommend that the court grant summary judgment for defendants.

In 2017, plaintiff was behind on his property tax payments and was under pressure from his mortgage holder to pay the taxes. He needed to pay by February 6 to avoid either a fee, a higher interest rate, or default. Plaintiff sought to make his tax payment in one-dollar bills, which he alleges was intended as a form of protest. Before attempting such a cash payment, he consulted with the county attorney, Keith Floyd. Floyd told him that coins were not an acceptable form of payment, but dollar bills would be acceptable under certain conditions, namely:

1. All tendered bills would have to be in a readily countable condition. This means the bills must be flat when presented. No folded, crinkled, wadded up, rolled, or otherwise altered bills would be accepted.
2. The payment would have to be offered in person at an agreed upon date and time. The Department of Finance needs to ensure that it has adequate staffing resources available to count the money during regular business hours while you or your representative remain present during the process.
3. The Department of Finance would allow for one recount if the counted total appeared to be less than the tax bill amount.

Plaintiff arranged with Floyd to pay with 16,400 one-dollar bills on February 6, 2017.

When plaintiff came to the Department of Finance's public counter at 8:10 a.m., the 16,634 bills that he presented did not comply with the requirements that Floyd had laid out. Specifically, some of the bills were folded and crumpled, not flat. Plaintiff dumped them from garbage bags onto the counter, spilling some onto the floor. He also taped fake bills to the counter and spoke about his protest, recording it on video. Despite the condition of the bills, the county still accepted them as payment. Processing plaintiff's payment took 35 hours of staff time and involved six staff members.

On February 9, Floyd sent plaintiff a letter confirming that plaintiff had made a partial payment on February 6 and stating that he still had an outstanding balance, which was due by April 10, 2017. The letter notified plaintiff that "the Department of Finance's duty to serve the rest of the public through its normal budgeted operations prohibits accepting any further payment attempts in single, folded dollar bills. Placing a large pile of dollar bills on the Department of Finance public floor area also creates a significant security risk."

Department of Finance officials recognized the need for a policy on cash acceptance, in part because of the burden of processing plaintiff's payment on February 6. Thus, in addition to the guidance provided by the county attorney in advance of the February 6 payment, Ben Lamera, the director of finance, implemented an informal cash acceptance policy for the Department of Finance sometime prior to April 10. The policy stated:

1. Bills must be readily countable (i.e. not folded, crinkled, or otherwise manipulated).
2. Large quantities of bills or coins may not be placed on the public counter, floor, or any other place within the public area. The Tax Collector has the right to refuse the payment in coins of property taxes, penalties and interest.
3. Large quantities of bills must be tendered by the customer in stacks that can be quickly placed in Department counting machines.
4. The limit for non-tax payments made in coin is approximately $150 at a location where there is an automated coin counter and $5 at locations without one.
5. All counting must occur at the public counter with the customer present.
6. For payments involving significant quantities of cash, transactions must be able to be completed in a reasonable amount of time, during regular business hours. The county does not accept partial payments for property tax payments. Any counted cash must be returned to the customer if counting of tendered cash is not completed by the close of business, unless the customer offers to make a non-property tax partial payment.

On April 10, 2017, the state tax deadline, plaintiff came to the Department of Finance's public counter without an appointment and attempted to make a tax payment with folded and crumpled one-dollar bills contained in two trash bags.

Plaintiff recorded his appearance on video and spoke with members of the public and county employees. While he was in line, a security officer approached him and asked that he not dump money on the floor. The officer indicated that he did not know whether plaintiff's form of payment would be accepted.

Defendant Mark Aspesi, a senior accounting manager, was working at the counter and refused to accept plaintiff's payment. There was a line of customers stretching out the door because it was tax day. Aspesi later testified that he refused the payment because the office's staff was busy and it would have taken a long time to count so many dollar bills. Plaintiff left without paying his taxes.

At issue is a single claim of First Amendment retaliation. To prevail, plaintiff would need to show that: "(1) he engaged in constitutionally protected activity; (2) as a result, he was subjected to adverse action by the defendant that would chill a person of ordinary firmness from continuing to engage in the protected activity; and (3) there was a substantial causal relationship between the constitutionally protected activity and the adverse action."

As for the first required element, plaintiff offers little to back up his claim that he engaged in constitutionally protected activity. Speech is protected by the First Amendment, but making a payment in a particular form is conduct, not speech—and conduct receives far more limited First Amendment protection. Although plaintiff apparently intended his choice of a form of payment—crumpled and folded one-dollar bills presented on tax day—to have an expressive element, it might merit no First Amendment protection at all.

But even if I accept the questionable proposition that the relevant activity was protected by the First Amendment, plaintiff has failed to offer evidence sufficient to satisfy the third element of retaliation: he has not shown that there was a substantial causal relationship between his purported constitutionally protected activity and the county's adverse action—its refusal to accept his second payment. On the other hand, defendants point to copious evidence in the record that plaintiff's form of payment was refused because the bills were not readily countable and could not be processed that day.

It is telling that both times that plaintiff brought trash bags full of money to the county office, he was permitted to engage in speech. He was able to film his interactions on April 10. He and his videographer were permitted to shove crumpled dollar bills through the service window, and he was able to speak out on video to county employees and members of the public. The evidence does not show that the county sought to shut down his protest, but rather that plaintiff ignored reasonable restrictions on cash payments, of which he had advance notice, and that this led to the rejection of his payment. Nothing in the record indicates that plaintiff's payment would have been rejected had his bills been stacked and readily countable.

COLORADO

Coloradans deserve relief from property tax sticker shock

Initiative 27 was recently approved to appear on this November's statewide ballot. This measure would cut property taxes by 9%, while also allowing the state to keep an extra $25 million per year to help fund the Homestead Tax Exemption for seniors and disabled veterans.

As you can imagine, Coloradans were eager to sign this petition (we turned in over 190,000 signatures) given how much home values have been skyrocketing in recent years. Just a few months ago, property owners received their new property assessment – which will be used to calculate their property taxes for the next two years. For much of the state, there was sticker shock. Some values went up as much as 20%. The average increase was in the double-digits.

The problem with this is just because the value of your home goes up doesn't mean you have more money in your pocket to pay the extra taxes. When this happens year after year, eventually, people start getting taxed out of their homes. Seniors and people on fixed incomes are especially vulnerable. But it also impacts people who rent. If property taxes go up, the increase get passed on to renters.

The increase in property values also means that even if Initiative 27 passes, government will still get more money next year than it has this year. School districts, fire departments, and other local services will still see their budgets grow.

We are also at a point in time when government is simply overflowing with money. Over $12 billion of federal stimulus money has gone to Colorado's state and local governments. Our state budget is back over $34 billion – and we are projected to get $2.2 billion in TABOR refunds because the state budget is so flush with money. One state senator even said, "(The state) had too much money…We cannot be good stewards of money because there's too much of it."

This means that now is the perfect time to give families and small businesses a property tax break. For decades, Colorado's businesses have paid property tax rates much higher than the surrounding states. Currently, our state has the 35th-worst unemployment rate. If we want our small businesses to build back stronger after COVID, we cannot continue to put them at a disadvantage.

As you can imagine, not everyone is supportive of Initiative 27. State Sen. Chris Hansen recently said, "It's very easy to offer people free money and offer them an unrealistic free ride. But there is no free ride here." Senator Hansen must have accidentally said the quiet part out loud. He, along with many of his legislative colleagues, believe that even slowing the growth of government is a "free ride." Someone ought to tell him that government works for the people, not the other way around.

Even if Initiative 27 passes, however, our property tax system will still need long-term reforms. We need a cap on how much property taxes can increase each year. And we need regional assessment rates instead of the one-size-fits-all approach we have now. Hopefully, a bipartisan group of legislators will come together to get these done. But in the meantime, Coloradans deserve this 9% property tax cut.

CONNECTICUT

Trickle-down effect: Could an extension for Greenwich's grand list muddle next year's budget process?

The revaluation of all of Greenwich's property values has already been delayed a year due to COVID-19. And now it could delay the signing of the town's grand list and maybe even muddy up the town's budget process.

The grand list, which shows the value of all of Greenwich's land and motor vehicles, ordinarily is signed by the town assessor at the end of January. But the Board of Estimate and Taxation has granted town Assessor Lauren Elliott additional time to review the data, despite some concerns the one-month extension could cause issues with approving a mill rate as part of the budget process.

With the extension, Elliott will not have to sign the grand list until the end of February but it is not certain yet if she will need the extra time.

Elliott asked for the extension because the town is still finalizing its revaluation of all town properties. But if the extension is used, it would push back the work of the Board of Assessment Appeals, moving the deadline for property tax assessment appeals from March 20 and extend hearings past April.

And not everyone on the BET was happy with that, despite voting 11-1 to approve the extension.

"I'm really uncomfortable extending the deadline," said BET member Leslie Moriarty, who cast the lone negative vote. She said during the debate that she worried what the extension might do to the board's schedule for approving the 2022-23 municipal budget and setting a new mill rate. "I'd rather compress the informal hearings and allow the BAA to do its work."

The municipal budget will be introduced by the first selectman in late January, followed by the BET's budget committee hearings in February. The full BET typically votes in late March with the Representative Town Meeting having the final word in May. But there were questions raised at the meeting about what a delay in having a set grand list could mean to the very detailed budget process, particularly if there was uncertainty in what the actual mill rate would be.

Moriarty was joined in her concerns by BET member Jeff Ramer.

"We as a BET are voting on a budget in the third week or so in March so if you take this extension, we will be voting on a budget without being able to calculate what the effective mill rate is," Ramer said.

The other boards would be in the same position, he said.

"It's very difficult if the BAA then requests an extension of its own for some reason and we find ourselves for the first time in a position where it's difficult for us to meet our required process of setting a mill rate because we really don't know the full assessed value that we're talking about," he said.

Elliott said that if ultimately she did not need the one-month extension, she would not use it.

"If I can sign the grand list by the end of January, I shall," Elliott said. "That will then allow the Board of Assessment Appeals ample time under their current deadline with people filing by March 20 and they can have hearings in March and April if they need to."

On Monday night, Elliott briefed the BET on the status of the revaluation. The preliminary figures have been submitted to her department by the valuation company it hired, with the results set to be reviewed in the next few weeks.

"We are on schedule and planning to send out notices (to residences) in the second week of November. By sending the notices out in November we're going to do what we did in the 2015 revaluation. We're going to try and hold informal hearings with the property owners" in November, December and January, she told the board.

Elliott said the informal hearings can help alleviate the number of appeals filed to the BAA by allowing discussion about why properties were valued at certain levels.

The revaluation is done every five years and had been scheduled to take place in 2020. But the pandemic delayed completion for a year

The 2020 grand list felt the impact of the beginnings of the COVID-19 pandemic by increasing slightly, but less than past years. 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 $32,221,783,022, a slight increase from the 2019 grand list net value of $31,986,949,038.

The 2021 grand list is expected to increase because of the revaluation and a surge in real estate sales within town from people leaving the New York City area to relocate in Connecticut.

Will CT's race to attract data centers pay off? For some, it's unclear

As more and more businesses have shifted IT operations to the cloud, state leaders around the country turned to data centers — the giant server warehouses that power the internet — as one way to rejuvenate their economies coming out of the Great Recession.

Over the past decade-plus, more than 30 states have created tax breaks or other incentives for data center construction, and the technology sector's biggest players, from Facebook to Google and Amazon, have taken full advantage.

This year, Connecticut joined the race.

In late February, state lawmakers passed emergency legislation allowing the Connecticut Department of Economic and Community Development, for the first time, to offer tax incentives to certain data center developments.

Specifically, the state will waive sales and property tax obligations for 20 years for data centers that invest at least $200 million in Connecticut — or just $50 million if the facility is located within a state-designated enterprise zone. The tax exemptions could be extended to 30 years if a $400 million investment is made, or a $200 million investment in an enterprise zone.

But with so many other states offering incentives, and Connecticut arriving relatively late to the game, the legislation's expedited passage through the Assembly struck some observers as odd. The bill obtained emergency certification — sending it immediately to the floor for a vote, with no committee referrals or public hearings.

DECD Commissioner David Lehman said that was all because of one particular detail: Connecticut agreed to waive its right to impose a financial transactions tax on any qualifying data centers. At the time, New Jersey lawmakers were considering passing a $0.0025 tax on every financial transaction processed electronically in the state. Given how much of Wall Street's exchange server infrastructure is located in New Jersey, the proposed tax had massive implications for the finance industry.

"We were moving very quickly," Lehman recalled. "The governor, myself and others were having conversations with these companies around potentially relocating their exchanges to Connecticut … This legislation was really important if they were going to make the move."

Connecticut lawmakers had the data centers bill on Governor Ned Lamont's desk within a week. Lamont signed it on March 4.

Lehman estimates Connecticut could have seen as much as $750 billion in data center investment if New Jersey had passed the financial transactions tax. But New Jersey's bill has stalled in committee, and it looks like the data centers powering Wall Street are staying put for now. "There's no imminent move from the financial exchanges at this time," Lehman said.

Richard Auxier, a tax policy analyst with the Urban-Brookings Tax Policy Center, said he'd be surprised to see any state pass a financial transactions tax, or FTT, given the possible negative economic consequences and the tenor of the opposition it's raised to date. Plus, he added, "my guess is states are too busy with [American Rescue Plan] funds and other pandemic-related issues to start tackling new taxes like this at the moment."

So, about that emergency bill

The prospects have dimmed for Connecticut to wrest Wall Street's back-office data infrastructure from New Jersey. But in several communities, particularly in the eastern part of the state, other kinds of data center developments — aimed at a broader clientele — are beginning to take shape.

Depending on the agreement they work out with the local municipality, new data centers will typically make an annual flat-fee payment in lieu of paying local taxes on the property value of their real estate and equipment. It's a significant discount, but supporters say it could be worth the trade-off.

“This gives more opportunities to some of our rural towns that may have farmland being taxed at the [lower] farmland tax rate,” said Republican Sen. Heather Somers of Groton. “Some towns are looking at generating millions of dollars off this.”

Somers also said that, compared to other industrial sites, data centers are “low impact.” Once construction is completed, there are no trucks or heavy-duty machinery on site, and the small number of employees means there’s essentially no impact on traffic in the surrounding area, she said.

“Usually on property tax exemptions, we get very hesitant,” said Randy Collins of the Connecticut Conference of Municipalities. His group worked with legislators to include language in the bill that would protect towns in cases where the developer doesn’t hold up their end of the deal. “We wanted to make sure a municipality wouldn’t be taken advantage of,” Collins said.

At the same time, CCM didn’t want to cut off an economic opportunity for distressed communities. “When you take a town with no economic prospects for this parcel — sure, in a perfect world, I’d get $5 million on this parcel but I take $1 million. Maybe the economic development around it will build off what they’re doing,” Collins said.

For developers, the up-front investment and lead time for data center projects is substantial. In some cases, the towns they’re targeting will have to draft new zoning rules, since many laws on the books hadn’t contemplated this particular type of development. Data center developers can apply for the state incentive program only once they’ve worked out a fee agreement with the local town. From there, they negotiate a power purchase agreement with the local utility and begin construction.

In the short-term, construction could create well over 1,000 jobs per site. But data centers generate far fewer permanent, full-time positions. Lehman estimated each project could result in 25 to 50 permanent jobs. He and others described those jobs as “white collar,” noting the higher salaries would boost payroll tax revenue.

Not everyone saw eye-to-eye on the program’s costs and benefits.

State Sen. Matt Lesser, D-Middletown, one of five senators who voted against the bill, expressed his concerns during the Senate debate in February before the vote was taken.

“We are gathered here to try to lure an industry to Connecticut that, as far as I can tell, will provide few lasting jobs but provides major costs,” he said. “Those costs are to taxpayers who will be providing the industry with significant 30-year tax breaks.”

Data centers “chew through” computer equipment, and operators spend several million dollars a year to replace servers and other hardware, said Bill Hassan, a specialist in data center site selection with commercial real-estate brokerage CBRE. Under Connecticut’s new incentive program, those equipment purchases won’t be subject to the state sales tax. If they were taxed at Connecticut’s 6.35% rate, each data center could potentially owe several hundred thousand dollars a year to the state.

DECD's Lehman said that's a moot point, because "The key thing around any incentive is, if you didn't provide it, would this still happen?" Many other states grant sales tax exemptions for data center equipment, he said, and in order to compete, Connecticut needed to offer the same.

"I think we can say, hand on heart, we would not have the investment over the next 10 years unless we put forth this legislation," Lehman said.

The Office of Data Infrastructure Administration and Security, within the DECD, launched July 1. Lehman said so far the office has fielded a handful of requests for applications from developers. Within three years, he said, he expects the number of approved new data center projects to be in the "mid- to high-single digits."

Power struggle

Connecticut's current data center tally stands at 14, and their overall data capacity is small compared to that of other states. The main reason for that is the relatively high cost of power in the state.

These facilities use a massive amount of power, which means most development to date has happened in parts of the country where electricity prices are low. The average price per kWh for industrial customers in Northern Virginia, for example, is 5.5 cents. In New Jersey it's 8 to 9 cents, and in Connecticut it's 12 to 13 cents. So a user who might pay $750,000 a year for power in Northern Virginia would be paying more than $1 million in New Jersey and more than $1.5 million in Connecticut, according to CBRE calculations.

David Silverstone, who represents customers of the public electric utilities known as Connecticut Municipal Electric Energy Cooperative, said there's plenty of power available to add data centers to the grid. "However, you've got to get the power to the customer," and that involves building a bigger power line out to the location in order to accommodate the additional capacity. "If you're a data center, there's no pole in the street. There has to be a whole system to bring the power to you." That would be another part of the power-purchase negotiation between the developer and the electric company — as well as additional cost, he said.

Data center developers don't just chase cheap power. They're also looking for strong broadband infrastructure and minimal risk, CBRE's Hassan said. While developers in Connecticut could theoretically tap the fiber line along I-95, locations along the coastal corridor present other hazards, he said, such as hurricanes or the possibility of car fires and major accidents on the interstate. That could force a facility offline; in the internet infrastructure business, that just can't happen.

The fastest-growing data center markets today — Northern Virginia, Portland, Ore., and Phoenix — have found the sweet spot. In Connecticut, one developer is finding his.

A few years ago, Tom Quinn, chief executive of developer Gotspace Data Partners, started making inroads in parts of the state where electricity costs are lowest — namely, towns that have public electric utilities and can potentially negotiate lower rates. Many of those are in eastern Connecticut, where there are currently no data centers.

Quinn declined to be interviewed for this story, but a paid advertorial this July in the trade publication Data Center Knowledge said Gotspace has “developed exclusively entitled campuses, covering more than 1,700 acres, all located within these low-cost-of-utility areas.” (The piece also credits Gotspace with “creating the big data draft incentives, working with the State of Connecticut and the DECD Commissioner, and lobbying the bill to supermajority approval.”)

Before the legislation went into effect July 1, Gotspace had already inked host fee agreements with Griswold, Groton, Bozrah and Wallingford — all towns with public electric utilities. On the company’s website, a drop down menu lists eight Connecticut locations under “Our Data Centers.”

DECD’s Lehman said, “the initial interest is in areas where there are local utilities that have the ability to provide more competitive rates,” but Gotspace isn’t the only company expressing that interest. He added that DECD expects to see “joint ventures and other forms of partnership as these data centers start to get built.”

Proponents hope that one or two big projects will attract a cluster of development, making Connecticut a hub for data centers. And if that happens, the argument goes, there’s the potential for broader economic impacts. In a 2019 study, the Metro Hartford Alliance estimated the construction of a 32MW data center (the power capacity Gotspace and others are targeting) could boost the state economy by $312 million and support 2,065 jobs, including 140 permanent positions with an average annual wage over $100,000.

For some, that’s still a big “if.”

Municipalities decline to continue property tax breaks initiated last year during pandemic

After Gov. Ned Lamont ordered municipalities to waive penalties and ease taxpayer deadlines last year during the worst of the pandemic, legislators gave communities the option to continue some breaks this year.

But after decades of being forced to rely on property tax receipts for their fiscal survival, cities and towns aren’t warming to the idea of forfeiting any revenue they’re not forced to give up.

“We wanted to avoid that kind of situation,” said Betsy Gara, executive director of the Connecticut Council of Small Towns, which represents 110 communities with populations below 30,000. “Anything that undermines the ability to collect those property taxes is going to be a problem.”

“All of this goes into the state’s absurd over-reliance on property taxes,” said Joe DeLong, executive director of the Connecticut Conference of Municipalities, the chief lobbying group for all 169 cities and towns in the state. “It’s a lot to ask a municipality to give a property tax break, or some type of incentive, when that is primarily their only source of revenue. ”

The property tax is by far the largest tax or fee levied by municipalities.

CCM estimates that municipalities collect about $20 billion per year in property taxes, roughly double what the Connecticut income tax – the state’s single-largest revenue engine by a wide margin – generates annually.

But unlike the income tax, the property tax is regressive, meaning owners are charged the same rate, regardless of their earnings or wealth.

Many tax reform advocates long have argued Connecticut's system traps many low-income households in poverty, while hefty property tax rates are a deterrent to business growth and economic development in general in urban centers.

Lamont took steps last spring when the coronavirus had closed many businesses and left as many as 292,000 filers receiving weekly unemployment benefits to ease state and local tax burdens.

The governor pushed the state income tax filing deadline back from mid-April to July 15.

And he ordered municipalities to offer at least one of two forms of relief to property taxpayers: either add 90 days to the deadline for paying July 2020 property tax bills or reduce the penalty for delinquent payments from 18% to 3%. All communities complied, and some offered both forms of relief.

This year the General Assembly passed, and Lamont signed into law, a bill that empowered local legislative bodies to offer the same two options for offering relief in the 2021-22 and 2022-23 fiscal years but didn't mandate anything.

Both DeLong and Gara said they weren't aware of any municipalities that are participating. And neither CCM, COST nor Lamont's budget office is tracking participation; another sign that the program isn't being embraced.

The legislature's Planning and Development Committee raised the optional relief measure and Rep. Cristin McCarthy-Vahey, who co-chairs the panel, said the lack of participation isn't too surprising.

"Sometimes, with things like this, it can be a hard option to choose," she said, noting that economic uncertainty has many municipal and state officials concerned.

Even though Connecticut's economy has regained more than half of the jobs lost in the early months of the pandemic, the Department of Labor says 120,000 filers still are receiving weekly benefits.

And temporary federal relief for the jobless, which boosted typical unemployment benefits in Connecticut from $300 to $600 per week, expired on Sept. 4.

Municipalities received more than $1.5 billion in direct federal aid through the American Rescue Plan Act to help with this fiscal year and next.

And state legislators expanded municipal aid in the new biennial budget they and Lamont approved in June. That plan boosts a major noneducation grant program by about $240 million over this fiscal year and next, combined, while increasing education grants by an average of about $70 million per year.

But municipal officials say that aid, while appreciated, was not enough to reverse a trend that has gone on for decades, a pattern of increasing burdens on cities and towns as long-ignored pension debt has begun to consume more and more of the state's operating budget.

DeLong said many communities are using the additional federal and state aid simply to close deficits in their local budgets, avoid property tax hikes, and to reverse previous cuts to core services.

Municipal leaders said the pandemic took a heavy toll on cities and towns.

CCM projected back in June 2020 that during the first three months of the coronavirus, municipalities were down about $400 million in tax revenue tied either to delinquent or deferred payments. And though much of those funds eventually was received, the early months of the pandemic also added about $63 million in emergency costs to towns.

Nonprofit Wins Property Tax Appeal

With At Least A Dozen Other Appeals Pending in Superior Court, Ruling Is Welcomed By Nonprofits Across State

The Connecticut Supreme Court sided Thursday with a nonprofit group home for individuals who suffer from severe mental illness, ruling that it does not have to pay local property taxes.

The court agreed that Rainbow Housing qualifies for an exemption for a residential property at 461 Main Street in Cromwell known as Valor Home.

The town of Cromwell argued that the property was not tax-exempt "because it provides housing that is subsidized in part by the department and because the housing is not limited to a finite length of time and, therefore, is not temporary."

A lower court and the Supreme Court disagreed.

The court rejected the argument by the town that it was difficult to determine the length of stay for clients of these group homes.

"We reject this claim because the charitable purpose of an organization, as reflected in its foundational documents, will provide municipal assessors with a reliable and practical metric by which to determine whether a period of residency is temporary," Justice Steven Ecker wrote in a footnote of the opinion.

Tax assessors were hoping for more clarity on the issue.

Cromwell Tax Assessor Shawna Baron has said some of the exemptions — like the one for group homes — are a little "gray" and it would be nice if it were clearer, but "assessors don't generate legislation."

In 2018 she had said the law is clear that the property needs to be used exclusively for the stated nonprofit purpose in order to continue to receive the tax exemption. Thursday, she said she had not yet read the Supreme Court ruling and said she could not comment on it.

It's unclear if the ruling will be used to help determine the outcome of other cases.

The state's nonprofit community believes it will.

With at least 12 other appeals pending in Superior Court, the ruling was welcomed by nonprofit organizations across the state, the association representing the state's nonprofit groups said in a statement.

"The Connecticut Supreme Court has issued a decision that upholds an important principle — charitable nonprofits are tax exempt and assessors should stop taxing them," Gian Carl Casa, president & CEO of CT Community Nonprofit Alliance, said.

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Casa added, “Connecticut has a long tradition of not taxing community nonprofits because they provide services on behalf of the municipal and state governments. The Court’s ruling clarifies this long-standing practice. Nonprofits provide services to some of the most vulnerable people in our communities, and their very existence makes this state a great place to live for all of our residents. We appreciate the ruling on behalf of hundreds of community nonprofits located in every city and town across the state.”

Upcoming 2021 Municipal Revaluations in Connecticut

Forty Connecticut municipalities are scheduled to conduct real property revaluations effective October 1, 2021. A list of the larger revaluing municipalities appears at the end of this alert.

A revaluation notice containing the proposed new assessment of your property will be mailed in the latter part of this year. The notice usually includes an invitation to attend an informal hearing with the revaluation company or the assessor's office to discuss the new assessment, which should represent 70 percent of the fair market value of your property.

Each new assessment should be reviewed carefully. Even if your assessment has not increased substantially, a challenge may be in your best interest if property or market conditions warrant a lower value. The impact that the COVID-19 pandemic may have on property values should also be considered. We find that we have the greatest ability to negotiate satisfactory results for our clients during the informal hearing process.

If these discussions do not succeed, the deadline for formally protesting an assessment to a municipality's board of assessment appeals is February 20, 2022, although some communities may extend the date to March 20, 2022. Appeal forms should be available on the municipality's website as the deadline approaches. This protest is required in order to file a Superior Court tax appeal challenging value. Under certain circumstances, a tenant responsible for taxes can file the appeal.

As part of the protest, the owner must furnish an opinion of the fair market value of the property. Great care should be taken in completing the protest application so as not to compromise any appeal rights. Hearings are usually conducted in March and April. A written notice must be mailed to the taxpayer within one week of the board's decision. Boards of assessment appeals may opt to decline a hearing for commercial property assessed above $1 million. We find that boards are frequently taking this option.

If an owner is not satisfied with the board's decision, the next and final remedy is an appeal to Superior Court. The deadline for appealing to Superior Court is within two months from the date that the board's decision is mailed. The case is heard by a judge without a jury.

We encourage you to be proactive in monitoring the revaluation process and your new assessment so that you may take all necessary steps to ensure that the assessment is equitable. The deadlines mentioned here are mandatory and cannot be extended.

Please also keep in mind that assessments of like properties must be equalized. Significant disparities in the values of similar properties may be actionable even if the proposed value of a given property, standing alone, is appropriate.

Partial List of Connecticut Municipalities Conducting October 1, 2021 Revaluations

East Hartford
East Haven
Enfield
Greenwich
Hartford
Manchester
Meriden
Milford
New Haven
Orange
Plainville
Shelton

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East Haven
Enfield
Greenwich
Hartford
Manchester
Meriden
Milford
New Haven
Orange
Plainville
Shelton
Vernon
West Hartford

FLORIDA

Florida Supreme Court says no do-over for Sarasota County Property Appraiser's tax errors

The Florida Supreme Court said Thursday the Sarasota County property appraiser can't have a do-over after errors chopped the tax bill of a waterfront land owner.

Justices, in a 4-2 decision, backed property owner Susan DeFrances, who got a big break when she received a tax bill of $4,439 for 2014. After Property Appraiser Bill Furst's office discovered errors, DeFrances received a bill for back taxes of $26,254.

DeFrances filed a lawsuit challenging the back taxes, and the Supreme Court said, essentially, tough luck to the property appraiser.

The court majority pointed to a law dating as far back as 1899 that says back taxes can be assessed on property that "escaped taxation."

"There is a commonsense distinction between not being taxed at all and being undertaxed," Justice Carlos Muniz wrote in the majority opinion joined by Chief Justice Charles Canady and Justice Jorge Labarga and John Couriel. "And a typical speaker would use the phrase 'escaped taxation' to describe the former and not the latter. Only property that is not taxed has 'escaped taxation.'"

Muniz added, "Through its use of the phrase 'escaped taxation,' the Legislature drew the line between property that has been taxed and property that has not been taxed, and that is the line that we must enforce."

But Justices Ricky Polston and Alan Lawson disagreed with the majority's interpretation of the phrase. In two dissenting opinions, they wrote that getting erroneously under-assessed also constitutes escaping taxation.

“No party disputes that Florida law required the property appraiser to assess this property at fair market value,” Lawson wrote in a dissent joined by Polston. “No party disputes that the appraiser failed in this duty such that the property was not assessed at just value as lawfully required. As a result, the property escaped taxation that was required to be assessed and collected by Florida law.”

The Supreme Court majority upheld a decision by the 2nd District Court of Appeal that sided with DeFrances. Justice Jamie Grosshans did not take part in the case.

The errors came as the Sarasota County property appraiser converted a computerized appraisal system and, in part, dealt with five lots on DeFrances’ property.

Before the conversion, the property was treated as a single parcel made up of five lots, which each had a value, according to the majority opinion. After the conversion, the parcel was treated as a single lot.

Polston, in a dissent joined by Lawson, wrote that the property in 2013 had an assessed value of $2,269,560. But after the errors, the property had an assessed value of $302,400 in 2014.

GEORGIA

Baldwin Co. officials explain why property taxes need to rise

Baldwin County Assistant Manager Dawn Hudson explains why the county needs to raise property taxes.

Several residents don’t want to see their property taxes increased in Baldwin County.

That was the sentiment of those attending two public hearings Monday at the county government complex in Milledgeville.

Three other public hearings related to the proposed property tax increase are slated for Wednesday, Sept. 1. The first of two hearings will be held at 10 a.m. followed by a second hearing at 6 p.m. on Sept. 1. The third and final public hearing concerning the proposed property tax increase, meanwhile, is set for Wednesday, Sept. 8 at 10 a.m.

During each of the hearings held Monday, Baldwin County Assistant Manager Dawn Hudson explained to residents some of the reasons that the county needs to raise property taxes.

Commissioners have announced that they plan to increase the property taxes they will levy this year by 9.90 percent over the rollback millage rate.

“The millage rate is the tax rate or millage that is set annually by the board of commissioners and by the board of education,” Hudson said at Monday night’s public hearing. “A mill is 1 dollar per one thousand of assessed property value.”

She explained that property in Georgia is assessed at 40% of the fair market value, unless otherwise specified by law.

The current rate for Baldwin County is 9.83 mills, Hudson said. The rollback millage rate is the calculation required to do by the (Georgia) Department of Revenue — 9.64. The proposed millage rate is 10.5.

Hudson explained that in 2003, the millage rate was 12.52. In 2004, it was rolled back because there was a reassessment of property and then again in 2006.

“It was pretty steady until 2014 when the commissioners raised it by 1 mill, back up to 9.86,” the assistant county manager said. “I believe it has rolled back slightly since then to where it currently is at 9.83. For tax purposes, and for your tax purpose calculations, for a homesteaded property, someone who claims homestead exemption in Baldwin County, currently from the rollback millage rate for your property taxes, this is county and board of education combined, would be $757.20 on a home with fair market value of $100,000.”

She said the proposed mileage rate would raise that combined figure to $783 — a difference of $25.80.

Hudson pointed out that the Baldwin County Board of Education has advertised its millage rate back to the rollback rate, essentially, combined, it would mean about a $16 difference and increase in property tax.

For those who do not claim homestead exemption status in Baldwin County, then the difference in a property tax increase would increase to $34.40.

Like the other 158 counties in Georgia, Baldwin County is mandated by law to provide the following services:

Court system - State Court, Probate Court, Superior Court, Magistrate Court, Juvenile Court, Coroner’s Office, and Superior Court Clerk’s Office.
Baldwin County Jail.
Health services.
Public assistance and family services (DFACS).
Emergency/disaster management.
Property tax appraisal.
Elections and registration.
Tax commissioner.
Sheriff.
Road and bridge maintenance and construction.
Fire protection.
Water/sewer services.

Hudson said the county also provides discretionary services even though they are not directed by law to provide them. They include animal control, Cooperative Extension Service, public libraries, the airport, public transportation, building inspections, economic development, parks and recreation, and GIS/information technology (mapping system).

“These are the services that most constituents want to have,” Hudson said

She said 85% of the services are required by law, while the other 15% are discretionary services.

Hudson said the major impact hitting the county is general cost increases across the board.

“You all know that,” Hudson said. “The cost of supplies, fuel, asphalt, electricity, natural gas, food and medical care. These are things that we have to provide and things that have increased.”

The assistant county manager also informed residents about Senate Bill 202 - The Election Integrity Act of 2021.

The new election law has several costs associated with it.

“There’s increased reporting,” Hudson said.

The county is required to maintain the new voting machines monthly.

“They have to be turned on to make sure everything is running right,” Hudson said. “Those are new requirements from this new election law and the new voting machines.”

She also explained that Baldwin County Probate Judge Todd A. Blackwell, who also serves as the county’s election superintendent, attended a county commission meeting a few months ago and requested that commissioners provide funding for two additional positions in his office, specifically due to the new state elections law.

“The new positions and the new equipment is about a $100,000 cost to the county,” Hudson said.

She also talked about the costs associated with emergency medical services.

“The county has been very lucky to have obtained a contract for EMS services with a zero dollar subsidy,” Hudson said. “Because of changes in health care and the economy, the company that we contract with is no longer going to be able to provide those services at a zero dollar subsidy. So, we’re going to have to start paying a subsidy for ambulance services and EMS services, which is not unlike everybody else. All of the surrounding counties have been paying subsidies for years for these services.”

That particular cost will also impact the county’s new budget.

Hudson said the cost of public safety is also going up.

“Because of all the changes in law enforcement, the sheriff is having a hard time retaining and recruiting law enforcement officers,” the assistant county manager said. “So, we have to look at our wages, specifically, for law enforcement to be able to retain and recruit employees. There’s currently 9 to 12 vacant positions and the sheriff has a hard time filling those positions,”

She said several deputies have moved on to higher paying jobs with other agencies.

Another cost involved in law enforcement is the body armor worn by deputies. New equipment, such as Tasers have been upgraded at a cost to the county, she said.

Hudson said the county recently entered into a 10-year, $1 million agreement, which is about $100,000 a year for the Tasers, body cams and storage for deputies and detectives.

The county also has several employees who are CDL truck drivers.

“Currently, the starting salary for those drivers is $13.62,” Hudson said, noting that the private industry is paying CDL drivers $20 or better. “In order to find drivers, we have to adjust our wages. It goes down to the paper we buy. Everything has basically gone up.”

IDAHO

Idaho's broken property tax system

Dramatic increases have occurred in property taxes paid by residential owners. While there are many reasons for this reality, a key component is the Idaho Legislature altering how sales taxes are shared.

COVID encouraged people to become far more reliant on internet purchases. While Amazon is the primary beneficiary of the trend, other online sales have exploded as well. Idaho's General Fund and, thus, Idaho's Legislature benefitted from this change by treating internet sales taxes differently than sales taxes generated at the local level. This practice negatively impacts city and county resources.

The Legislature enacted special legislation that produces a financial windfall for the state from internet sales taxes. In essence, they use this fund as their collective campaign fund. They seem to believe it is better to take credit for tax cuts at the state level. This tax shift has increased the local property tax burden.

The Legislature uses internet sales taxes as a new revenue stream that swells the state coffers while ignoring traditional sales tax sharing policies. The Legislature has conveniently neglected to acknowledge that internet purchasers still initiate these sales at the local level.

As a result of the Legislature's new policy, the state stash is rapidly growing. It currently stands at approximately $1 billion. Parking your tax dollars in the "rainy day" fund means they are not working for you. Diverting sales taxes away from cities and counties caused some local elected leaders to believe they had no choice but to increase local property taxes.

Fortunately, some local elected officials don't buy into that rationale. They will not become party to an increasingly broken system that requires more taxes from residential owners.

We must not encourage state legislators to continue feeding their addiction to collecting, diverting and banking tax revenues.

Idaho's Legislature needs to answer to its constituents, the property taxpayers. They must become accountable to find better solutions. Their efforts to date have been feeble. Last year they increased the homeowner's exemption in an attempt to do a quick fix. That meager attempt saved property taxpayers some money, but it was already too little too late for many. Genuinely focusing on taxpayer relief requires reconfiguration of our tax system.

The Legislature must shoulder the majority of the blame for forcing homeowners who have been in their homes for decades to sell because they can no longer afford the property taxes. A recent glaring example occurred in Boise. After living in the same house for decades and raising her children in that home, a widow could not withstand the property tax burden. Her tax burden made her believe her only option was to sell. Sadly, this is not an isolated story. Similar situations are occurring right here in Pocatello. They will continue to do so unless the Legislature acts to balance revenue streams so cities and counties can become less reliant on property taxes.

We often hear people put down California. We need to remember we are on the course California traveled. Their state government failed to address the heavy property tax burden, and the people revolted. They introduced and passed the corrective measures called Proposition 13. One would hope that we have learned from California's mistakes 29 years later, and Idaho's Legislature will focus on better solutions.

Local governments need to demonstrate they understand the hardships property taxpayers carry. Too many people are taxed to the max. Property taxpayers should be protected, not bled even drier.

A further sales tax dilemma for Pocatello is that the distribution of sales tax funds depends on their share of Idaho's population. Idaho's growth overall registered at 14 percent in the last census. Unfortunately, Bannock County does not compare favorably to the rest of the state. Bannock County is in the middle of the pack with a population increase of just 6 percent. Bannock County's growth rate is less than half of Idaho's. Chubbuck should see an increase in regular sales tax revenue based on its growth numbers. Pocatello is likely to see its revenue share decline. Our meager growth allows other cities, towns and counties to claim more significant amounts due to their faster growth rates.

Local leaders and voters need to hand the property tax debacle back to the Legislature. The message must be loud and clear: “You broke it, you fix it!”

As tax gap widens, Idaho 1 of 10 states with no obligation to disclose property’s sale price

Assessors say real estate disclosure law is one tool to combat disparity between commercial v. residential properties

Much has been said about the widening disparity between commercial and residential property taxes and what may be causing the burden of increasing cost to residential homeowners, but one potential cause not often discussed is the effect of Idaho’s non-disclosure laws surrounding real estate transactions.

Idaho is one of 10 states where there is no legal obligation to publicly disclose the sale price of a property, regardless of its type. The disclosures that are made are strictly voluntary or available to the assessor’s office through the Intermountain Multiple Listing Service. The assessor’s office also sends out a voluntary sales disclosure form to a homebuyer when the owner files for a homeowner’s exemption.

Ada County Assessor Bob McQuade said the office sends a form to homeowners who apply for the homestead exemption asking for the address of the home and details of the parcel number, with a separate section for purchase and sales prices. But since that portion is voluntary, a little more than half of the people filling out the form include that information.

Very few commercial properties provide sales data, assessor’s office says

Brad Smith, chief deputy assessor for Ada County, said the assessment process for appraisals partially relies on sales data for accuracy, and since Ada County has so many residential property sales, there is plenty of data available on the residential side.

Out of about 160,000 properties tracked by the assessor’s office, the data for approximately 13,000 sales is available, or about 8%. The more sales data that is available, the more confident an assessor can be with property appraisal.

The commercial side is a different story, however.

“On the commercial side, we have about 10,000 properties and 150 sales,” Smith said, which works out to 1.5%. “So a lot of the commercial property owners are not disclosing their sales. Buyers and sellers really don’t want people to know the sales price. But from an appraiser standpoint, it makes it very difficult when we don’t have that sales data since statute says we have to be at market value.”

Instead, assessors have to rely on data from prior years and comparable data in other counties and states to reach an assessment. An unintended consequence of using different sets of data for residential versus commercial, Smith said, is that the gap between the two can begin to widen.

“Having disclosure could be an easy fix to help get that trend going back the other way,” Smith said.

Data from the Ada County Clerk’s office shows the widening disparity between commercial and residential property taxes (Courtesy of the Ada County Clerk’s office).

Has Idaho considered a real estate disclosure law before?

There have been efforts in the past to create a disclosure law in Idaho. One bipartisan effort in 2008 was a bill cosponsored by Sen. Shawn Keough, who represented Sandpoint at the time as a Republican, and Wendy Jaquet, a Democrat who represented Ketchum. The bill would have mandated the disclosure of sales prices on residential real estate, partially to help assessors in small counties who don't have as many sales per year as Ada County. The measure passed the Idaho Senate in a 19-15 vote, but it never made it out of the House Revenue and Taxation Committee.

But that bill still excluded commercial properties from disclosure. Smith said he's unaware of any serious pushes for the idea since 2008.

One important organization that opposes the idea of disclosure is the Idaho Association of Realtors. Max Pond, the association's government affairs director, said in an email there are agreements in place with every county and its assessor to disclose certain information for assessment and valuation purposes, but the information is not public. Pond said there are a couple of reasons for that.

"Above all else, the Idaho Association of Realtors respects and values client privacy in the largest investment and purchase of their entire lives," Pond wrote as one reason. And, "In nearly all states that have enacted mandatory sales price disclosure a real estate transfer tax soon follows. This tax only adds significant cost to the transaction and zero value to the buyer."

Real estate transfer taxes are one-time taxes or fees levied by a state or local jurisdiction when a piece of real property is sold. The association is strongly opposed to implementing transfer taxes for affordable housing projects as well.

That opposition is part of why McQuade thinks disclosure is unlikely to be mandated in Idaho anytime soon.

"Disclosure would be nice, but I just don't see it happening," McQuade said. "… It would help, but it's not feasible. I don't see it as feasible right now anyway, that's for sure."

McQuade said one argument he's heard for not requiring disclosure that is inaccurate is that if a property was assessed at a certain amount and the buyer paid more than that, the assessment would go up to the purchase cost. He said some assessors have done that in the past, which is why it's a commonly held belief, but it is not how he runs his office.

"We have tests that we perform on an individual appraiser's work where we can test whether they've been doing that or not, and if they have, they are counseled to stop. And if they don't, then they are terminated," McQuade said.

Legislator says his solution will help in lieu of disclosure

A new idea to address the widening gap between commercial and residential property taxes was discussed on Friday at the Idaho Legislature during a meeting of the Property Taxes and Revenue Expenditures Study Committee, a joint committee co-chaired by Sen. Jim Rice, R-Caldwell, and Rep. Jim Addis, R-Coeur d'Alene.

Rice said he and Addis collaborated to come up with an idea for a new exemption based on a county-specific formula that would be based on percentages of increase in property values. It would act as a stabilizing force between the two markets.

Rice told the Idaho Capital Sun his solution would make non-disclosure of commercial property sales less of an issue in terms of the disparity between residential and commercial taxes.

"One of the challenges with disclosure is you get all sorts of extra backlash if you try to change that," Rice said. "If you're evening out the rate of change (per year) … it tends to lessen the impact onto other taxpayers."

McQuade said Rice's idea isn't necessarily better than requiring price disclosure, but it's much more feasible. The stabilization exemption would help close some of the gap, but McQuade said it's important to remember in the current market, there would still be a heavier burden on residential owners.

"The tax burden will continue to be upon the residential property just by the fact that we have a lot more homes being built than businesses, and we've had a lot more appreciation than residential," McQuade said.

But regardless, McQuade said he's happy to see legislators and city and county officials beginning to collaborate to address the issue.

"I'm so excited about this group coming together to discuss what we can do," he said. "We'll have a better understanding of problems the Legislature has, and the problems we have in the cities and counties, and maybe we can just kind of mold something that will really benefit the taxpayers."

ILLINOIS

Kaegi's higher property assessments shock Chicago landlords

Commercial property owners in downtown Chicago are reeling from the most recent assessments by Cook County assessor Fritz Kaegi

Commercial property owners in Downtown Chicago are still reeling from the most recent property assessments from Cook County Assessor Fritz Kaegi, which raised their tax obligations.

Reassessment notices were sent out to property owners in North Chicago Township and for those who own non-residential properties, it was quite a shock, Crain's Chicago Business reported.

The total assessed value of non-residential properties jumped 60 percent from the previous 2018 assessment. For comparison, the assessed value of residential properties rose just 15 percent in the same time period.

A key part of Kaegi's successful 2018 campaign was a promise to shake up the assessor's office as it had been accused of favoring commercial landlords under the leadership of former Cook County Assessor Joe Berrios.

"Study after study has shown they were way off the market values then," Kaegi said in an interview with The Real Deal about Berrios' models. "We need to take favoritism out of the valuation process. We were off track and we're getting it back to where it should have been all along."

Berrios is currently under investigation by a federal grand jury for a number of assessments made in the central business district and high-end neighborhoods.

The reassessment process will ease the property tax burden on residential taxpayers and instead place more of it on the owners of commercial properties such as apartments and office buildings.

In 2018, the assessed value of properties in North Chicago was more evenly split between commercial and residential at 54 percent for commercial and 46 percent for residential. The new assessments shift the balance as commercial properties now account for 62 percent and residential properties make up the remaining 38 percent.

While the reassessments are good for residential property owners, some landlords criticize the new values, saying the higher taxes will scare off potential investors.

An example of the reassessment is the 480-unit apartment tower Cityfront Place. The property was sold for $154.5 million in 2020, but it is now valued at $227.9 million.

If property owners aren't satisfied with an appeal, the Cook County Board of Review could reduce the assessed values.

Kaegi's office assesses properties on a three-year cycle that started with the northern suburbs in 2019, moved to western and southern suburban Cook County in 2020 and made it to the City of Chicago this year. Kaegi released the assessed values for half of the eight townships in the city. It still has work to do in South Chicago, which includes the Loop.

Vantage high rise gets 40% tax cut. Kaegi blames appeal processes

Cook County Board of Review undercuts assessor's attempts to reduce homeowners' tax burden, says Kaegi

In 2018, Vantage Oak Park, the massive apartment tower at 150 Forest Ave. in Oak Park, sold for more than $100 million.

Two years later, Cook County Assessor Fritz Kaegi's office assessed the building's market value at around $90 million. Kaegi's assessment would have translated into roughly $8 million in property taxes due on the Vantage property for the 2020 tax year.

But in Illinois, property owners not satisfied with assessments have three levels of appeal: the township or county assessor level, the Illinois Board of Review level and the Illinois Property Tax Appeal Board or Circuit Court appeals.

After appealing the assessor's figure with the Cook County Board of Review (BOR), Vantage's market value was assessed at $48.5 million and the building's 2020 tax bill was cut by 40 percent, to $4.9 million.

"We don't understand how they're arriving at their decisions," said Assessor Kaegi, referencing the BOR. "I feel like Oak Parkers need an explanation."

Kaegi, himself an Oak Parker, said the BOR's massive assessment reduction is consistent with what's happened across Cook County this year, as many residential property owners have seen their tax bills skyrocket while the largest commercial property tax owners have experienced substantial tax relief.

"Assessments determine the share of property tax burden," Kaegi said. "It's all about how much the average residential homeowner is footing the burden versus commercial and non-residential properties footing the burden.

"When we came into this office, the data showed commercial assessments in Cook County, on average, were about 40 percent under-assessed. The mission of our administration has been to close that gap and make residential assessments less regressive."

But Kaegi said the BOR's assessments have undermined much of that mission. For instance, the BOR's 40 percent assessment reduction on the Vantage property translates into an extra $50 to $75 in property taxes for a homeowner living in a $500,000 house in the village, Kaegi said.

In Oak Park, the median residential property tax for the 2020 tax year was $10,422, an increase of $246 over the 2019 median, according to a report by Cook County Treasurer Maria Pappas.

The assessor's office has created an online data dashboard that allows residents to see the difference between residential and commercial tax assessments, along with the degree to which the county assessor's and the BOR's assessments diverge.

In 2019, the BOR assessed total non-residential property in Oak Park at $117 million and total residential property in Oak Park at $528 million.

The next year, the county assessor's total non-residential assessment was $203.4 million while the BOR's total non-residential assessment for that year was adjusted to $147.7 million, a decrease of 27 percent.

The assessor's total residential assessment for the 2020 tax year was $554.8 million, which the BOR adjusted to $543 million, just a 2 percent decrease.

According to the assessor's dashboard, the BOR's assessment lowered the market value of four out of the five highest valued properties in the village by between 40 percent and 51 percent, virtually halving those property tax bills.

Attempts to contact representatives with the BOR for comment on the appeals process were unsuccessful.

During last week's phone interview, Kaegi said he was attending a conference in Chicago of the International Association of Assessing Officers. Kaegi said when he talks to his colleagues from around the state and country about Cook County's assessment process, they're often stunned.

"We are a grotesque anomaly in the United States in several ways," Kaegi said.

Kaegi said Cook County sticks out in the number of appeals, the multiple levels of appeals and the lack of transparency in the data collection.

"The last time we reassessed Chicago, we had about 500,000 appeals," Kaegi said. "In Downstate Illinois, less than 10 percent of parcels appeal. The people who can work that system reduce their share of the property tax burden at the expense of everyone else who end up making up the difference. So, you disadvantage people who don't speak English or who can't afford lawyers."

Kaegi added that Cook County “is one of the few major urban centers in the U.S. that doesn’t have basic powers to collect data.”

The result is that powerful commercial property owners often game the system by throwing the county’s numbers into question based on dubious and murky arguments during the BOR appeals process.

Without automatic and accurate income and expense data provided to the county by commercial property owners, Kaegi said the BOR’s unpredictable assessment process, one dominated by powerful law firms, will continue to throw a hatchet into his reform efforts.

Kaegi said he’s hopeful that the data bill he’s been pushing in Springfield for the last few years will finally get passed now that Emanuel “Chris” Welch, whose district includes parts of River Forest, is Illinois House Speaker.

The assessor said prior attempts to pass the bill in a state dominated by a Democratic supermajority were stymied under former Speaker Michael Madigan — the founding partner of a law firm that files property tax appeals.

The problem with property taxes in the Chicago suburbs

Property taxes keep going up, but services aren’t improving. Paying more and getting less is a trend that residents want to see reversed.

Real estate agent Andrew Carlin knows Illinois’ property tax math all too well. He not only makes his living helping people buy and sell homes, he’s also a homeowner.

He purchased his 1,000-square-foot home in Lake County in 2016. Back then, the annual property taxes were about $2,500. The next year his bill jumped to $4,500. By 2021, Carlin’s property taxes hit $7,000.

“In Lake County, the property tax amount is a major driving factor in affordability and a buyer’s decision on purchasing a home,” Carlin said.

“We love where we live, not because of the municipal services, but because we grew up here and our families are here. We’re on the edge of selling and moving to a different community or a different township or a different county that has less government bodies that are funded by property taxes. That means going over the border right now to Wisconsin or potentially going to McHenry County in an unincorporated area.”

So where is property tax money going?

The reality is that tax dollars are getting diverted away from the things people value – like schools and public safety – and being spent on public pensions instead. Total residential property taxes in Lake County have increased 122% from 1999-2019 (51% when adjusted for inflation).

Only 19 percent of municipal property tax dollars raised for fire departments is spent on protecting the community from fires. Residents saw funding to fire departments cut by $1.3 million while funding for fire pensions increased by $13.8 million from 1999 to 2019.

The pension crowd-out problem is the same for police departments. From 1999 to 2019, Lake County property taxpayers spent an additional $32.2 million on police, but pensions consumed a vast majority of these funds. About 84 cents of every additional property tax dollar for municipal police departments in Lake County – more than $27 million – went to pensions rather than police protective services.

People like Carlin love Illinois. It's home. So it's disheartening to see people fleeing, either because they're forced out because their home is becoming unaffordable or they're losing confidence that Illinois is a place where they can prosper long term.

"I'm used to a business where I'm helping clients sell their starter home or their forever home, and buy their move-up home or downsize home," Carlin said. "The last nine months have been the most odd as far as the amount of people selling their home and not buying, which means they're selling and leaving for other states."

This is a huge problem for Illinois and one that politicians must fight to reverse. And the change has to come from Springfield.

Pension reform is the only way to make sure property taxes don't spike again year after year as the cost of public retirements continues to grow out of control.

The Illinois Policy Institute has proposed a constitutional amendment that would protect what workers and pensioners have already earned while controlling the growth in future benefits. That amendment was filed in the General Assembly in 2020 as House Joint Resolution Constitutional Amendment 38, but was not voted on or even debated in a committee hearing, in part because the legislative session was cut short by COVID-19.

Recent polling from the Paul Simon Public Policy Institute found 51% of Illinoisans support "an amendment to the Illinois Constitution that would preserve state retirement benefits already earned by public employees but would also allow a reduction in the benefits earned in the future, whether by current or future employees."

Lawmakers have the will of the people when it comes to getting pensions under control. Now it's time they find the will to do what's right and tackle pension reform.

10 'senior tax freeze' homeowners will have to pay $273,000 more this year in the wake of Sun-Times investigation

Cook County Assessor Fritz Kaegi has slashed their property tax breaks and is going after seven of them for $371,000 in back taxes he says they should have paid.

Cook County is demanding that 10 homeowners spotlighted by a Chicago Sun-Times investigation of property tax breaks given to seniors pay a collective $273,000 more this year in taxes.

In response to a Sun-Times report in late June, Cook County Assessor Fritz Kaegi has slashed the property tax breaks they'd been getting, in some cases for years.

And Kaegi has threatened to place liens on seven of those properties in an effort to collect $371,027 in back taxes primarily because the lucrative "senior freeze" tax breaks they'd gotten in past years were wildly miscalculated or they didn't even qualify to get them.

Kaegi took action on 10 of the 20 residential properties in the Sun-Times sampling of homes.

Nine of the homeowners have now asked for hearings to challenge Kaegi's actions. They've told his office they want a chance to prove their eligibility for the tax break, which freezes the property assessments on the primary residence of homeowners 65 or older whose household income is less than $65,000 a year.

The senior freeze program was created to help protect older homeowners from being priced out of their homes by soaring taxes, especially in gentrifying neighborhoods where property values are booming. Seniors who think they're eligible apply for the tax break. If the assessor agrees, their property assessment is frozen and remains at that same level year after year. That keeps their taxes from skyrocketing and, in some cases, might even push their taxes down.

The Sun-Times' examination of the freezes on 144,000 residential properties found the tax breaks shifted $250 million onto other property owners even though the freezes often were incorrectly calculated. That meant some seniors paid less in property taxes than they should have — and other taxpayers had to make up for that.

Presented with those findings, Kaegi and his staff at first blamed the miscalculations on computer errors.

Now, shifting the blame from computers to Kaegi's predecessors, they say the errors resulted from "policy decisions" made by past county assessors that lowered some frozen assessments in the owners' favor.

"It's not possible for us to know what happened on some of these because there isn't a record in the system that says this is how this occurred," Kaegi's spokesman Scott Smith says. "There was a segment of those who weren't meeting current policies. But, in addition to adjusting base years, we also flagged some of these to make sure that they qualify overall, that they meet the income requirements, all that kind of thing. So we had flagged those for an investigation, and those investigations are ongoing."

Here's a closer look at how Kaegi raised the taxable value — which leads to higher property taxes — on 10 properties in different parts of Chicago and the suburbs that the Sun-Times examined:

• Barbara Kaplan Israel, 75, and her husband Martin Israel, 71, the owners of a luxurious Magnificent Mile condo that they now are listing for sale at an asking price of $3.3 million, saw their tax bill skyrocket from $2,502 last year to $21,091 this year. Kaegi's staff recalculated the assessment, changing the base year when it should have been frozen to 2014 from 2016 — when they got a separate tax break while the condo was vacant and being rehabbed.

The Israels, who also own an oceanfront condo in Boca Raton, Fla., that has a $19,000 yearly property tax bill, couldn't be reached for comment.

Kaplan Israel is a retired stockbroker. Her husband was a commodities trader.

She once bought a pair of gold, ruby, sapphire and pearl pendant earrings at Jacqueline Kennedy Onassis's estate sale for $10,000 "to wear to black-tie parties" and ended up settling a lawsuit against Chanel in which she'd been seeking $160,000 over clothing she was having the couture house make for her.

• The tax bill soared from $1,702 last year to $18,703 this year on a five-unit building owned by 79-year-old Elvira Plass after Kaegi found the assessment on the building had been frozen years before Plass inherited the property from a relative who'd been getting a senior freeze since the program started in 1993. The assessor's office didn't increase the assessment when Plass acquired the property in the 4700 block of North Dover Street in 2007 and had left it frozen at that level until reporters asked about the property.

Kaegi says Plass could owe another $117,592 for back taxes since 2016.

Plass, who also owns two other apartment buildings on the North Side, couldn't be reached.

• Mary Lou Aguilar, 89, has been stripped of her senior assessment freeze and other exemptions on the multi-unit apartment building in the 1700 block of South Racine Avenue in Pilsen because the property no longer is in her name. It's listed as being owned by a limited liability corporation set up by her estranged grandson — and companies aren't eligible for the senior freeze.

Without the tax breaks, the building's tax bill rocketed to $13,903 this year from $754 last year.

And Kaegi's office says the owners could owe $45,699 in back taxes because Aguilar hasn't owned the property since 2008, according to the deed.

Aguilar's son and caretaker has requested a hearing to challenge Kaegi's findings, so his mother can afford to remain in her home.

Her grandson Miguel Aguilar says he has "nothing to do with that property anymore as of 2017. The LLC has been dissolved, and I hold no interest in the property. My relationship with Mary Lou is estranged."

• Kaegi also stripped the senior freeze and other exemptions from a West Town three-flat owned by an 83-year-old man and sent him a lien notice for $60,254 in back taxes. Luis Robles and his wife got the freeze in 2004. But then they demolished the building and built a new three-flat on the property. The assessor's office never reassessed the property based on the building that's there now until it was asked about it by the Sun-Times.

Without his exemptions, the Robles' tax bill soared from $2,319 last year to $20,513 this year.

Robles' son says he submitted paperwork and asked for a hearing to win back his father's exemptions frozen at 2006 instead of 2004. He says he expects the bill will rise a few thousand dollars but "not the

$20,000 they gave us initially, which didn't go over well with my dad. There's more than ample proof he lives there and doesn't make enough money."

• Maria Resendez didn't have to pay any property taxes last year on the small Bucktown bungalow in the 1900 block of North Wood Street that has been receiving a senior assessment freeze since 1993, when her late husband signed up for the new program.

Over the years since then, the assessor's office incorrectly altered the year her husband qualified for the program and somehow made her frozen property value fluctuate, Smith says. The assessor has reset her assessment to its original 1993 level, resulting in a tax bill this year of $511 for the 92-year-old widow.

• What appears to have been a typographical error might be the only explanation why the tax bill on Daniel Kotas' home in Orland Park fell to zero last year. Now, that mistake has been corrected, and his tax bill has jumped back to $8,441 this year.

The 76-year-old qualified for the senior exemption in 2018, and somehow the assessor's office froze the assessment on his home at $15,711 rather than the correct figure, which includes one more digit: $115,711.

"Without a record of who or why the change was made — which we do not have — we do not know why this happened," Smith says.

Kotas also has been notified that the assessor intends to file a lien for $10,595 in taxes for the past two years.

"This hit me as a surprise when they sent this," Kotas says. "That's all I can tell you. There's so much confusion in that office. You know, I'll pay my fair share. I just question this."

• A dropped digit also appears to have raised the taxes on a spacious Morton Grove home. Young Woo Park, 67, and his wife Im Soon Park, 69, paid just $261 in taxes last year for their house in the 9400 block of Normandy Avenue but owe $16,954 this year.

The Parks — he lists a job at Motorola, and she's a registered nurse — have qualified for a freeze since 2018. They couldn't be reached.

Kaegi also notified them that he wants to collect $20,087 in back taxes for the past two years.

• A retired Chicago Police Department employee, Gladys Dates, 88, has been getting the senior freeze assessment for two decades. The bill on her two-story home in Beverly totaled $1,217 last year. This year, her bill is $3,047, its highest since 2004.

And the assessor says she owes $36,021 in back taxes dating to 2016.

Again, the assessor's data show the home's assessed value had been frozen at a lower level set in 1993 instead of the higher level set in 2000, when Dates was approved for the assessment freeze.

Government records show her pension last year was more than $67,000 — more than the $65,000 maximum allowed for the senior freeze.

• For the past three years, Albert Owens didn't have to pay any property taxes at all on his home in the 151st block of Lexington Avenue in Harvey. This year, he's got a tax bill of $9,363 because he has had all of his exemptions taken away — including the senior freeze that saved him thousands of dollars. So he now must pay taxes on the full value of his two-story home.

Smith says the law allowing people's exemptions to roll over automatically in 2020 due to COVID-19 also required more audits than usual. As a result, he says of Owens, "For whatever reason, he didn't recertify with us based on the mailing that we sent."

Owens couldn't be reached.

• The Cook County treasurer's website shows that a co-op high-rise at 860 N. Lake Shore Dr. somehow got stripped on this year's tax bill, covering all 95 of its units, of its senior freeze tax break.

That happened even though, according to Kaegi's spokesman, "We are showing this property was eligible for the senior freeze" because 22 people who live there qualified.

Smith couldn't explain why the treasurer's office, which sends out the tax bills, doesn't reflect that.

"If it did not show up on the tax bill for some reason, we will issue a certificate of error," Smith says, to refund some of the taxes, which are due Oct. 1.

No one from the building's management returned calls.

The elimination of the senior freeze exemptions is partly why the high-rise's tax bill soared from $712,980 last year to $882,397 this year.

Last year, the senior freeze reduced the building's tax bill by $58,725.

INDIANA

Southlake Mall prevails in long-running property tax assessment dispute

Local government taxing districts that include Southlake Mall likely will have to pay millions of dollars in refunds to the mall's owners after a long-running property tax assessment dispute was resolved by the Indiana Supreme Court on Wednesday in the mall's favor.

The Indiana Supreme Court, in a 5-0 decision, ordered the valuation of the mall for property tax purposes restored to the 2010 assessment of approximately $110 million for the 2011, 2012, 2013 and 2014 tax years, undoing a 2014 reassessment that valued the mall at approximately $240 million.

The exact amount of the refunds to be paid by Lake County, Hobart, and the other taxing units due to the overassessment is not yet known.

But a former attorney for the Lake County Commissioners previously estimated the county alone may be on the hook to return as much as $12 million in property taxes paid by the mall during those years.

According to court records, mall owner Southlake Indiana LLC objected to the Ross Township assessor more than doubling the assessed value of the mall property at U.S. 30 and Mississippi Street that contains some 1.3 million square feet of retail space, a 12-screen AMC movie theater, and several restaurants.

The case eventually landed at the Indiana Board of Tax Review. Records show the board was unable to say whether the mall appraisal provided by the assessor or the valuation offered by the mall's appraiser was correct.

To resolve the issue, the Board of Tax Review created its own valuation for the mall for the four tax years at issue that was closer to what the assessor said the mall was worth than what mall officials believed the property was worth.

The appellate-level Indiana Tax Court affirmed the board's valuation of the mall, except for two minor issues, in December.

The Supreme Court, however, said both the tax review board and the tax court overstepped their bounds by independently devising and affirming a value for the mall, according to the ruling written by Justice Geoffrey Slaughter, a Crown Point native.

Slaughter said Indiana statutes clearly require the tax board, when a challenged valuation is 5% greater than the previous valuation, to accept as correct either the assessor's appraisal of a property or the property owner's appraisal — otherwise the valuation must revert to the previous assessment.

He said there's no statutory authority for the tax board to create its own assessment, as it did in this case, if it finds deficiencies in each of the provided appraisals.

Likewise, the tax court should not have affirmed the board's actions, Slaughter said.

"We apply the statute as written and do not second guess the Legislature's decision to limit the state board's flexibility when assessed values increase by more than the 5% percent threshold," Slaughter said.

"By failing to apply the reversionary clause, the tax court erred as a matter of law."

Brian Cusimano, attorney for the Lake County assessor, said he's very disappointed in the opinion issued by the state's high court.

"The assessor provided substantial evidence of the value of the property — an appraisal and a sale — which we believed supported the assessments issued by the Ross Township assessor," Cusimano said.

He pointed out the court-ordered reversion to the 2010 valuation reduces the value of the property to below even what the mall's appraiser calculated the mall was worth for the 2013 and 2014 tax years.

"In the coming months, we hope the Indiana Legislature will revisit the provisions of the statute so it is no longer applied in this way," Cusimano said.

Lead mall attorney David Suess said he's pleased Southlake finally will get a proper tax assessment based on Indiana law.

"The court's ruling vindicates the taxpayer protections wisely enacted by the General Assembly to prevent assessors from doing exactly what the assessor did in this case: substantially increasing Southlake's assessment without being able to prove that the increase was correct," Suess said.

"Our client looks forward to working with Lake County to promptly resolve all remaining assessment disputes."

Records show Southlake Mall recently was foreclosed on in Israel after its former owner, Starwood, refinanced its mall portfolio in 2018 and then defaulted last year due to the COVID-19 pandemic.

California-based Pacific Retail Capital Partners and New York City-based Golden East Investors were installed as trustees running the mall, the second-largest in Indiana and the anchor of Northwest Indiana's biggest commercial trade district.

A valuation of the mall provided to Starwood in 2018 by Chicago-based NPV Adviors pegged its fair value at $302 million as of Sept. 30, 2017.

GEORGIA

Soaring home sale prices prompt Augusta to ponder property revaluation

Officials warn a revaluation, in the current market, is likely to push more of the property tax burden onto residents.

Skyrocketing home sales prices could require the city and other Maine municipalities, to conduct a property revaluation that in the current market is expected to increase the value of, and taxes on, residences while lowering the tax burden on commercial properties.

That is prompting some officials to express concern the potential shift in the property tax burden could force some residents out of their homes. Specifically residents who may have now-more-valuable homes but low incomes and thus difficulty paying a higher property tax bill.

City administrators told city councilors, during a recent discussion about putting $200,000 into the capital improvement plan for a future property tax valuation, that the city's assessed property values are far below what homes are selling for in the hot real estate market. Because of this, the city may need to have a property revaluation done to bring its assessments more in line with selling prices.

And City Manager William Bridgeo warned that because commercial property values have not escalated as much as residential properties the new residential property values likely to result from a revaluation will increase the property taxes on residences and decrease it on commercial properties, even if the total amount of property taxes collected by the city remains the same.

"Commercial property valuations have not increased like residential property valuations have increased," Bridgeo told city councilors at their Aug. 26 discussion. "The problem is going to be that more of that $35 million (needed in property taxes) is going to end up, legally, having to come from the residential side than the commercial side."

Ward 1 City Councilor Linda Conti said news reports about a property revaluation in Portland indicated some residents there saw huge property tax increases, and some said they would have to sell their homes because they couldn't afford their new higher property tax bills. She expressed fear that could happen in Augusta, too and asked how people in that situation might be helped.

"There are some people who are land rich, maybe, and cash poor," Conti said. "How will we deal with them? Will we offer them ways they can … stay in their homes, or are we going to force them to sell and move? What if there are people in that situation, how do we deal with that? Just say, 'Oh, too bad, your house is worth a lot of money.'"

Bridgeo responded that there are a few programs available that could help low-income and, in particular, elderly residents, such as the circuit breaker program and the property tax credit. And he said it is possible that the state Legislature, since the matter could be a problem across much of the state, could take action this session to try to help by enhancing programs such as the homestead exemption, which allows residents to reduce the taxable value of their homes. But he said those programs are limited in Maine. He said municipalities in Maine, unlike in some other states, can't charge different tax rates for commercial properties than it does for residential properties.

"Maine municipalities are very limited by law in what flexibility they have," Bridgeo said. "Maine is one of those states that relies way too heavily on the property tax, and that's what we're stuck with in some regards. And there probably will be, unavoidably, some pain."

City Tax Assessor Lisa Morin said state law mandates municipalities not allow their assessments to fall below 70% of market value. She said Augusta has largely been at 100% since 2006, when its last revaluation was done. She said in the past year the city's ratio, between its assessed values and market values of homes, has taken a nose dive, to between 50% and 60% of market value.

Bridgeo said that means a house the city is assessing at a value of $100,000 could be selling for as much as $200,000 in the current local real estate market.

And with many Maine communities also experiencing a hot residential real estate market, Morin and Bridgeo warned appraisal firms capable of doing a revaluation could be in high demand. So Morin said she'd like to see Augusta line up a firm and get a revaluation scheduled.

The city's proposed new capital improvement plan includes $100,000 each year in fiscal years 2022 and 2023, for a total of $200,000 for a revaluation.

Susan Robertson, human resources director and assistant city manager, said the city may find itself needing to move more quickly on a revaluation than the initial draft of the capital improvement plan would finance.

Bridgeo said a property tax revaluation would be discussed as a standalone item at a future council meeting.

He also said there is a chance the current high residential real estate prices could come back down, if the current escalating trend changes.

"If we're in a bubble, a residential real estate bubble, and the bubble breaks in the next year or so before a revaluation is completed, that would change the whole dynamic, to the good for those of us who have residences in the city and pay taxes on those," he said.

Councilors said it will be important for the city to have a strong communication plan to inform residents if and when a revaluation is done, so they aren't shocked or fearful. Bridgeo agreed and said that the city's newly hired director of marketing and communications, Haley Gauvin, could take on the responsibility of working with other staff to provide information to residents on a revaluation.

KANSAS

Nebraska Furniture Mart could win back $1.5M from KCK in 'dark store' battle

Nebraska Furniture Mart, one of the busiest retailers in the region, stands to get a refund on property taxes it paid on its Kansas City, Kansas, location after winning an appeal to a state tax board.

The Kansas Board of Tax Appeals ruled last week that Wyandotte County overestimated the value of Nebraska Furniture Mart's sprawling location in Village West.

If the board's decision holds up — the county could appeal the decision in court — Nebraska Furniture Mart stands to collect a nearly $1.5 million refund. That refund would come from the Unified Government of Wyandotte County and Kansas City, Kansas Community College as well as school and library districts in the area. The Unified Government and other taxing jurisdictions use property tax to pay for basic services.

The amount of the refund itself isn't staggering. But cities and counties in Kansas fear that continued success by big-box retailers in appealing their tax bills could diminish the revenue they collect for basic services and shift the tax burden to small businesses and residents.

"Every taxpayer, whether a homeowner, a small business, or a large corporation, has the right to access the appeal process," the Unified Government said in a statement. "However, rulings by the Board of Tax Appeals that significantly shift how large commercial properties are valued, will affect how critical services and schools in our community are paid for."

Retailers on a roll

Indeed, the Nebraska Furniture Mart decision is the latest among several victories by retailers in Kansas that have convinced courts and tax boards that county appraisers miscalculate the value of their properties. They argue that appraisers place too much emphasis on the lease income that a business occupying the retail property generates rather than focusing on how much a buyer is willing to pay for the land and the building on the open market.

In other words, the retailers argue that appraisers should value property as though it is vacant when the new owner takes control of the property. Lawyers for retailers compare it to buying a house: A buyer will pay for the house and the land without regard for whether the seller is financially well-off or struggles to make ends meet.

“We value property on the assumption that the current owner-occupant will vacate, just as you would value a house,” said Linda Terrill, a Johnson County lawyer who is president of the American Property Tax Counsel and frequently represents Kansas retailers in appealing their tax bills. “It’s not dark, abandoned or empty.”

Terrill represented Nebraska Furniture Mart in its appeal, but stressed that she was not speaking about that case while it remains pending.

‘Dark store theory’ looms

Critics of retailers who appeal their taxes call the approach the “dark store theory,” an implication that retailers believe their properties should be evaluated as if they were closed, resulting in lower property values.

The Unified Government said it disagreed with the Board of Tax Appeals decision for relying on a methodology that is not consistent with how commercial property is appraised.

“The NFM building has never been vacant and, because of its desirable location, should not be compared to other vacant buildings,” the Unified Government said in a statement. “The Unified Government only seeks to ensure that all properties, commercial and residential, are valued fairly, so that the tax burden is shared equitable and appropriately.”

Nebraska Furniture Mart, which did not respond to a request for comment on this story, is the first Wyandotte County business to prevail before the Board of Tax Appeals using dark store theory arguments

But several big-box retailers in Johnson County have been successful in their appeals.

In April, the Kansas Court of Appeals sided with the Board of Tax Appeals in lowering the tax bill for the Bass Pro Shops store in Olathe.

In 2018, an analysis by then-Johnson County Appraiser Paul Welcome concluded that the county, as well as school districts, cities and libraries within it could lose close to $133 million if the dark store theory becomes the dominant methodology for large retailers, according to a story in the Shawnee Mission Post.

Terrill said Kansas courts are applying the law when they arrive at their decisions about tax appeals. She added that cities and counties should press their cases to the Kansas Legislature to make changes to the law.

“The decision of who pays and who shares what portion of taxation is up to the legislature, not the county appraiser,” Terrill said.

KENTUCKY

Property tax rates drop in Louisville Metro

Property tax rates are dropping slightly for all Louisville residents, according to Metro Government's Office of Management and Budget.

"Despite the impact of COVID-19, our economy is continuing its pre-virus momentum," said Mayor Greg Fischer. "A decrease in property tax rates is a tangible benefit for our citizens."

This year, the countywide Metro real property tax rate will go from 13 cents per $100 assessed value to 12.89 cents, according to a property tax ordinance filed today with Metro Council. That change amounts to a $1.10 savings for every $100,000 of assessed property value.

The Urban Service District real property tax rate will move from 36.71 cents per $100 of AV to 35.46 cents per $100 of AV. This equates to a decrease of $12.50 per $100,000 of property value.

"Ongoing growth in our local economy and the continued demand for real estate results in the growth in property values are the factors contributing to the downward movement in our property tax rates," said Metro Chief Financial Officer Monica Harmon.

Property taxes fund approximately 25 percent of the city's budget.

The proposed real property rate changes represent the allowable 4% growth on the existing property tax base under state House Bill 44 and do not require a general vote by the public.

The proposed rates are consistent with the FY22 budget adopted by the Metro Council in June, which increased the property tax revenue estimate from $157,030,000 to $163,350,000.

Metro residents have an opportunity to comment on the proposed property tax rates during a public hearing at noon on Thursday, Sept. 23 in room 106 at Metro Hall.

Once Metro Council approves the ordinance, the rates take effect on property tax bills released by the Sheriff in early November.

Here are Henderson County's 2021 property tax rates

Henderson County Fiscal Court finalized its 2021 tax rates this week and decided how to spend some of its pandemic relief money.

Magistrates gave final approval to keeping tax rates the same for the sixth consecutive year. The county tax rates are as follows:

- Real property is 12.8 cents per $100 valuation with an expected revenue of roughly $3.1 million. This is compared to 2020, when revenue was around $3 million.

- Personal property is 18.4 cents per $100 valuation with an expected revenue of roughly $576,923 up from $484,006 in 2020.
- Public Service Co. Real Estate is 11.8 cents per $100 valuation. Expected revenue is roughly $44,648. This is actually down slightly from last year's revenue, which was $45,142.
- Public Service Co. Personal is 17.5 cents per $100 valuation. Expected revenue is $378,171. In 2020, the anticipated revenue was $376,221.
- Motor vehicles is 8.5 cents per $100 valuation with an expected revenue of $293,600, which is above last year's at $289,018.
- Watercraft at 8.5 cents per $100 with an expected revenue of $12,385 which is down roughly $2,000 from 2020.

Magistrates also accepted rates from taxing districts including the Henderson County Public Library, the Henderson County Health Department, the Drainage Commission Tax Rates and the Henderson County Cooperative Extension Office.

The health department's tax rate is staying the same at .05 cents per $100 valuation.

The cooperative extension board and the library board of trustees each took the compensating rate which will give the agencies roughly the same revenue as in the previous year. The drainage commission left its tax rates unchanged.

Pandemic relief money

The fiscal court is moving forward with earmarking federal money coming to counties for pandemic relief through the American Rescue Plan Act.

Henderson County Judge-executive Brad Schneider proposed moving half of the $4.39 million the county's received to the General Fund to cover lost revenue — a move approved by magistrates.

Of the $2.2 million, the panel approved moving $591,577 to the jail to alleviate budget issues due to lost revenue from the pandemic. In addition, $450,000 will be transferred to the road department for blacktop and asphalt.

From the remaining $2,190,756 in pandemic money, county officials approved donating $300,000 through the United Way to the Henderson Recovery and Restoration Fund, recently formed to help nonprofit agencies.

Another $500,000 will be given to the Henderson Community College for workforce development initiatives.

"One of the largest challenges we've had in this community, even before COVID, was workforce training to improve our workforce, especially in skilled trades. It's going to be more important moving forward because of Pratt Industries coming in and other existing industries who are having challenges finding solid workers," Schneider said. "Training up the next generation of workers and retraining current workers will be a significant effort with a significant impact on our future."

The expenditures leave a little over $1.1 million in the county's General Fund and almost $1.4 million in the pandemic relief fund to use in the future, he said.

"We're not using all of the money at once. We're trying to be judicious, and hold some back for possible water projects and broadband opportunities," Schneider said.

The county is expected to receive another $4.39 million in June 2022.

Magistrate Charlie McCollom said he appreciates the judge and the "frugalness" being shown through the use of the federal money, especially by pouring some into road maintenance.

"Our last report showed that we should be spending $850,000 annually just to maintain them," he said. "Our whole community is served by those roads. People aren't going to bring industry here if we don't have those roads. We also have water projects we might want to do something with. We have people in the county who don't have county water. We might also want to do ditch work to alleviate flooding on Airline Road."

Magistrate Butch Puttman said each item in the proposal "makes Henderson County better. We are serving the public better and being good stewards of that money."

County Attorney Steve Gold cautioned that the U.S. Treasury is frequently changing the guidelines for use of the pandemic money and that should be watched carefully so the county stays in compliance.

The money is expected to be issued during the first week of September.

MASSACHUSETTS

Hadley mulls splitting tax rate as commercial property values drop

A decline in the values of large-scale commercial properties, largely due to the COVID-19 pandemic and factors such as reduced rents and fewer visits to hotels and restaurants, is likely to put a greater burden on residential taxpayers.

To confront the potential spike in property tax bills, the Board of Assessors and Assessor Daniel Zdonek are investigating whether to recommend enacting a so-called split tax rate in which the tax rate would be higher for commercial properties.

Under a possible plan presented last week, in which a 10% shift would be used, Zdonek told the Select Board and Finance Committee that increasing the commercial rate from $12 per $1,000 valuation to $14 per $1,000 valuation would allow the likely residential tax rate to dip to $11.85 per $1,000 valuation, with an average bill of $4,357. That would be a $155 increase for someone living in a typical home valued at $367,700.

This year, the tax of $12 per $1,000 valuation for a typical home valued at $350,200 produces an average bill of $4,202. Without a shift, that tax rate would be $12.50 per $1,000 valuation and a typical home valued at $367,700 would see the tax bill rise to $4,596, for a $394 increase.

Zdonek cautioned that the figures provided are estimates until the tax classification hearing in November, at which time a recommendation will be made.

Any shift will not increase revenue for the town.

There has been about a 10% decline in the value of commercial properties due to the rental income being hit hard, especially at the large malls and shopping centers. Zdonek said the total commercial value is dropping from $352 million to $322 million.

“That 10% that would have been paid by commercial is going to be shifted over to the residential class,” Zdonek said.

In most recent years, about two-thirds of the taxes are paid by residents, but now residential taxes make up 69.4% of the burden.

Any split of the tax rate could be temporary and readjusted when commercial sales rebound, Zdonek said.

No Hampshire County towns split their tax rate, though cities with a large commercial base do. Zdonek said Hadley’s commercial base is so large that it is taking more of a hit than other communities. He said he expects some communities to split their rates that have not done so previously.

Select Board member John Waskiewicz said Hadley officials have discussed the idea for many years, but his view is it’s not worth doing.

“You’re just looking for trouble by splitting it,” Waskiewicz said.

With businesses doing better as people get vaccinated against COVID-19, it wouldn’t be fair to the commercial sector to put this burden on them, Select Board member Joyce Chunglo said.

“We are trying to help the businesses stay in town, and if you’re trying to increase their taxes just to offset people’s home taxes, that’s not really fair,” Chunglo said.

Homeowners also are making good money when they sell their homes, Chunglo noted. “There’s been price wars on all of the homes that are being sold,” Chunglo said.

Finance Committee Chairwoman Amy Fyden said she won’t be easily persuaded to support a split tax rate.

“We look at this every year — there’s reason after reason why we don’t want a split tax rate,” Fyden said.

MARYLAND

Tornado Tax Relief for Residents and Businesses

The Maryland State Department of Assessments and Taxation (SDAT) is encouraging residents and businesses whose property has been damaged by the effects of Hurricane Ida to contact the Department, as they may qualify to have their property assessments reduced. Maryland residents can fill out this form and email it to their local SDAT assessment office. A list of all SDAT offices with contact information can be found on SDAT’s website here.

“SDAT is well-versed in natural disaster response, and we stand ready to assist Marylanders whose property has been damaged or destroyed in the path of Hurricane Ida,” said SDAT Director Michael Higgs. “We encourage those impacted to email this form to their local assessment office as soon as possible to have their damage surveyed.”

Multiple locations across Maryland such as Annapolis, Rockville, and Baltimore City have been impacted by flooding and power outages caused by Ida. SDAT’s assessors are currently logging affected properties and will begin surveying damage in the coming weeks. Please note that in order to have your property assessed, you must submit the attached form to your local assessment office.

When a decrease in value is confirmed by an assessor—either from an exterior inspection or from a resident submitting the attached application—an adjusted property assessment will be sent to the County Finance Office and a new tax bill may be issued. If a property owner has already paid their tax bill, a prorated abatement will be issued. If the extent of damage is not clear from an exterior inspection, the attached form will be mailed to the property owner for them to complete and send back.

In addition to real property tax relief, business personal property destroyed as a result of Hurricane Ida may also be eligible for a personal property assessment reduction.

The Department joins Governor Hogan and the Maryland Emergency Management Agency (MEMA) in reminding residents to take all necessary precautions and avoid all affected areas.

MICHIGAN

Riverfront event offers advice on Detroit tax burdens — plus pizza

Detroit — Volunteers offered water, pizza and hope along the riverfront Saturday to a steady trickle of residents struggling with their property taxes.

The Coalition for Property Tax Justice organized what was billed as something of a protest at Robert C. Valade Park, but wound up more of a clearinghouse for information and inspiration.

The coalition and others insist that Detroit illegally over-assesses homeowners, particularly at the lower end of the market. The city asserts otherwise: "We completely reject any suggestion this city continues to overvalue property," said Detroit Assessor Alvin Horhn.

All Yvonne Tucker knows is that she can't keep up with both current and back taxes — and she's been told the city owes her more than twice her annual tab.

Tucker, 63, sat down Saturday with representatives of the nonprofit Wayne Metropolitan Community Action (WMCA) to explore her options, which might include one program that could reduce or eliminate her debt and another that would exempt her from this year's fee.

A Detroiter for 58 years, she lives on the east side in a house she likes and a neighborhood she increasingly doesn't. Last week, she said, she saw two young men running down the street with pistols, at the same time her 13-year-old sons were due home from school.

"You want to tell me I owe $3,000 a year for that?" she said.

Possibly. But as program manager Nicole Pouncy of the Detroit Tax Relief Fund was telling people, the fund — fueled by the Gilbert Family Foundation — can coordinate with city and county agencies to make a tax burden far lighter.

Tucker, retired from the state unemployment agency, was told at a community meeting that she was overbilled for previously paid taxes by $7,100. She has been unable to collect repayment, she said, or even get a credit for current taxes.

The city has acknowledged issues prior to 2014, "and they're trying to right the wrongs," Pouncy said. One problem is that programs like hers sound too similar to frauds perpetrated from call centers in India.

"They think it's a scam," she said. "It sounds suspicious when someone calls and says, 'No, we're really going to pay your debt down to zero.'"

Amid a soft breeze and insistent bees, the coalition collected signatures for a petition "demanding compensation for Detroit homeowners impacted by housing injustice," and offered sign-up for help from the Property Tax Appeals Project, staffed by law students.

Some inequities have been both historic and undeniable. Sixth-generation Detroiter Edythe Ford, an officer with the east-side nonprofit MACC Development, noted that when her African American grandfather returned from World War II, he was denied the benefits of the GI Bill, while White veterans were able to lay the groundwork for generational wealth.

"They say they can't give you money back because of state tax law," Ford said, be it for over-billing or less precisely defined problems. "Detroit just needs to do something dynamic."

Horhn acknowledged that the city assessments were problematic before 2014, when Mayor Mike Duggan was elected to his first term. In April of that year, "the state took over the assessor's office, "and they wouldn't do that if everything was in line."

"Everybody is painfully aware of what happened," he said. The department was underfunded and poorly staffed, and "people did lose their homes. People were overtaxed."

But oversight ended after only two years instead of an expected four, he said, and his office offers a simple appeals process for homeowners who believe their tax bill is excessive.

Duggan decreased property taxes by 20% shortly after taking office. A state-ordered reappraisal of all Detroit residential property was completed in 2017, but thousands of homeowners were left facing foreclosure over back taxes.

A Detroit News investigation in 2020 found that homeowners were overtaxed by at least $600 million in the years following the Great Recession. Activists say studies show that the lower end of the housing market remains overbilled; Horhn cites figures that say otherwise.

West-sider Frances Lewis, 85, only knows that she needs help.

"I've been paying taxes on my house for 51 years," she said Saturday. "I don't want to lose it."

The purple-shirted volunteers from WMCA suggested some options, she said. One of them even came out from behind a table to tie Lewis' shiny gold sneaker.

"I think," Lewis said, "I'm a little less worried."

NEW HAMPSHIRE

Housing market trends expected to drive values up, tax rate down

The city of Keene is gearing up for its regular five-year revaluation, and given the rising cost of homes in the past year or so, property owners can expect their assessments to increase.

However, City Assessor Dan Langille said Thursday that while property values are expected to go up, this would cause Keene’s tax rate to dip due to the additional revenue coming in. He, along with a pair of representatives from Vision Government Solutions, gave the City Council a presentation that night on the revaluation process.

“What we’re seeing is a significant increase in taxable value for the city,” Langille said. “And as a result, we’re going to see a decrease in the tax rate. At this time, we do not know what that rate will be; that’s determined in the fall by the New Hampshire Department of Revenue.”

The city’s tax rate determines the amount taxpayers must pay based on the assessed value of their property. The values the city sets will be based on properties’ condition as of April 1, Langille said.

The city’s last reassessment, required every five years by state law, was in 2016, when the U.S. economy was on the tail end of its recovery from the 2008 recession, according to Langille. But since 2020, housing costs have begun to skyrocket, leaving Keene’s property values outdated.

According to Sandra Schmucki of Vision Government Solutions, which is working with the city on the reassessment, the process of collecting data that will be used to determine property values is already underway. This includes examining how much homes in Keene have recently sold for.

“We look at all the properties in the town and compare what we found to the sales,” she said. “We want to make sure that we’re assessing everything in a fair and consistent manner. And so, based on how the sales are looking, we make sure that all the other properties that are not sales are being assessed in the same manner.”

There are several benefits to doing a citywide reassessment, Schmucki said, including that the assessment puts taxpayers on a level playing field and adjusts for changes in the real estate market. While the city can easily collect information about the outside of a property, Schmucki said interior information is being reviewed over the phone or at the front door, due to COVID-19 concerns.

Steve Whalen, also of Vision Government Solutions, said next steps include sending notification to property taxpayers about the upcoming reassessment; these notifications should be sent sometime this week, he said.

Councilors had a number of questions, with Councilor Gladys Johnsen asking what role the pandemic is playing in the city's revaluation process. Schmucki said it is hard to quantify exactly how much COVID-19 has affected housing values, but that this is part of what the city is trying to determine by studying Keene's current housing market.

Meanwhile, Councilor Randy Filiault asserted that the city is owed more money from the state than what it's been receiving, including from the meals and rooms tax, as well as pensions and business profit taxes. He said the revenue the city collects from taxes is reaching "an unsustainable level."

"We've maxed out our taxpayers in this city," he said.

Councilor Bettina Chadbourne said many houses in Keene are being sold to out-of-towners who can afford to pay more than those who are already living in the city. She worried this might drive up property values in an unsustainable way, particularly when Keene is actively marketing itself to attract new people.

On the other hand, Councilor Philip Jones said it's long been the goal for the city's commercial property owners to be the biggest part of the tax base. But he said there are a number of vacant commercial spaces in town, "switching the burden" to residential taxpayers, and it's something the council needs to keep an eye on.

"You guys are picking up on some of the flaws in the property-tax system in New Hampshire," Langille said in response to the concerns raised by Jones and Chadbourne. "As assessors, our job really is [to be) more of a historian. We're recording what the market's doing ... but there's certainly flaws in the system."

Aldermen ask Gagne why new assessments are so high

Manchester Board of Assessors Chairman Robert Gagne came before the Board of Mayor and Aldermen on Tuesday night to field concerns after the recently released 2021 city property revaluation saw a 40 percent jump in property values.

The revaluation, the first since 2016, saw property value increases in all types of property, ranging from a 14 percent increase for commercial property to 76 percent increases for four-to-eight family homes.

Across the board, residential property values rose more than that of non-residential properties, adjusting to the reality of Manchester's evolving real estate market.

Gagne told the board that the increased assessments came directly from a formula reflecting home sale values, which have spiked recently due to increased demand for rental investment properties, a lack of housing vacancies in the city and an influx of cash into the housing market.

Indeed, he told the board he was surprised at how commonly multi-family home exchanges were done through cash rather than mortgages.

Alderman Pat Long asked Gagne to post the formula for the assessment rate and tax rate on the city's website, which he said he could do through a .pdf file. Gagne added that he expects the city's tax rate, which will likely be finalized sometime in early November, to be $17.60 per thousand dollars of assessed valuation.

The 2020 tax rate is $24.66, with the drop coming from the millions of dollars of growth added to the city's overall tax base.

Several members of the board expressed concern over the assessment jump, such as Barbara Shaw (Ward 9).

When she received her home's assessment in the mail, she saw a 67 percent increase, stating that her own constituents along with constituents she is supporting in the adjacent Ward 8 during the current Aldermanic vacancy there saw an average jump of 46 percent.

While Shaw said she did not have a plan to address the issue, she felt that anyone seeing an assessment jump over 50 percent should receive an automatic review.

"It seems like the south end really got socked," she said. "I'm really upset about it."

Gagne reiterated that the rate came from home sale data, using condos in Ward 9 on Calef Road that sold for three times their previous assessed value as examples.

Alderman Ross Terrio (Ward 7) noted that the adjusted tax rate will be seen on Dec. 31 property tax bills.

Anyone seeking to challenge their home's newly assessed value must schedule a hearing prior to Sept. 16. Information on how to schedule a hearing is available on the website of Vision Government Solutions, the company that operates Manchester's online assessment database.

Information on assessed values of properties in the city can be found at gis.vgsi.com/manchesternh

Information on how to request an abatement is available on the Assessor's page of the city website.

Property values skyrocket in city's first revaluation in 5 years

Manchester homeowners are bracing for preliminary value notices that are being sent out this week after the city's latest revaluation.

Manchester is required by state law to reappraise all local real estate at least every five years. The last revaluation was performed five years ago.

Assessor Bob Gagne said in November 2020 the city's overall property value was pegged at $9,296,887,624.

As of Aug. 31, the estimated full market value exceeds $13 billion — a 40% increase, based on new construction and market changes.

Gagne said preliminary value notices were on track to be mailed to residential and commercial property owners on Friday, which will likely put them in mailboxes across Manchester by mid-week.

"When people get their new values, they should not apply the old tax rate, because if they do, their heads will probably explode," Gagne said.

Gagne said when the 40% increase in the tax base is applied to the current tax rate of $24.66, the resulting tax rate will drop to somewhere around $18.

"To narrow it down a little more, I expect it will be somewhere between $17.50 and $18," said Gagne.

The new assessments were determined by reviewing all permits and sales between April 1, 2020 and April 1, 2021, updated construction costs, land values and income and capitalization rates for the commercial properties, Gagne said.

The rates and values were then tested against qualified sales occurring between April 1, 2020 and June 30, 2021, "to ensure they are at market value," Gagne said.

Gagne provided a breakdown of the value change by land class and residential building style:

Single Family — 46%

Residential Condos — 52%

Two Family — 64%

Three Family — 61%

Four to Eight Family — 76%

Apartment — 57%

Vacant Land — 41%

Commercial — 14%

Industrial — 21% (excluding utilities)

Mixed Use — 22%

Mobile Home — 40%

Exempt — 28%

"For the most part, people know what's going on in the market," Gagne said. "They know what the house up the street or down the street sold for, what duplexes are selling for. Those are the numbers we're capturing, and the results are what it is.

"I know some people will come after the assessor with pitchforks. We're just looking at what the market is doing, and applying those numbers to the assessments, which is what we're required to do by constitution and by state law."

The new median assessed value for a single family home in Manchester is $304,300, an increase of 46%.

The new median assessed value for duplexes is $338,600, up 64%. Three-family homes come in at $385,700 — a 61% jump.

"There's no nefarious intent in the background to hit people," Gagne said. "You notice two-family and three-family homes showing pretty significant increases. That's not by design... that's by default. And people understand what the properties have been selling for.

"If they think something's wrong, they need to let us know about it. We're pretty confident that these numbers hold up pretty well with the sales that have been going on."

Any property owner wishing to have their new assessment reviewed with a representative of Vision Government Solutions can schedule a telephone appointment by calling 888-844-4300 between 9 a.m. and 4 p.m. Monday through Friday or by going to www.vgsi.com/schedules, clicking on Manchester, NH Hearings and following the instructions.

In-person hearings will be scheduled for residents who request them.

The new tax rate will be finalized near the end of November 2021.

Tax rates are set by the New Hampshire Department of Revenue Administration.

"We will try to get our info to them by Nov. 1," Gagne said. "As long as they get everything from the other departments, they generally can get a tax rate calculated for us within three or four days."

Mayoral candidate Richard Girard issued a statement last week calling on city officials to submit the necessary paperwork to the Department of Revenue Administration no later than Oct. 20 — so tax bills can be generated before the municipal election on Nov. 2.

"People should know how hard they've been hit by the tax man before they go to vote," Girard said. "The city can, and ought to make sure those tax bills arrive before people vote. This has the potential to stunt the growth of residential property values while driving rents higher as property owners move to recover their dramatically higher taxes."

NEW JERSEY

Margate gets a second, one-year reprieve to complete citywide revaluation

The Atlantic County Board of Taxation has given the city another year to begin a full revaluation of all properties.

According to the board, changes in the real estate market caused by the pandemic, is the reason for the extension of time to get the process started.

The board, which reviews the uniformity and accuracy of assessments in each Atlantic County community, first ordered the city to perform a revaluation of properties in October 2020. The board said that the ratio of assessed valuation to true value in Margate had a coefficient of deviation of 14.6% for residential properties and 20.29% for commercial properties. The coefficient of deviation percentage demonstrates that Margate's assessments are out-of-whack and need to be brought up to 100% of true value.

That order required Margate to begin its revaluation by Sept. 30, 2022 and become effective for the 2023 tax year. The order also required that the city's tax maps be up to date, then-Administrator Margaret M. Schott said at the time.

The last time the city conducted a full revaluation was 15 years ago, City Administrator Richard Deaney said at the Sept. 2 Board of Commissioners meeting.

On Dec. 15, 2020, the city's tax attorney, Hank N. Rovillard, requested an extension to allow the city time to update its tax maps, which were last updated in 2003. In his letter, Rovillard cited the volatility in the real estate market, and said the city's coefficient of deviation is below the 15% threshold for ordering a revaluation.

The city's request for a one-year extension was granted, with Schott indicating the new effective tax year would be 2024.

Although the city notified the county in February that it planned to comply with the new effective date, in August, Margate tax assessor James W. Manghan requested another extension, stating that "the uncertainty of circumstances beyond the control of the city," prompted the city to request another year to start the process.

Manghan cited "extensive mapping revisions" required by the NJ State Tax Map Unit, required software updates, budgetary costs, and the unavailability of state certified revaluation contractors to conduct inspections amid the COVID-19 pandemic as some of the reasons for the delay in starting the process.

Manghan estimated it would cost the city between $750,000 and $1 million to complete the revaluation.

Additionally, Manghan said, "real estate volatility within the COVID economy" could result in "historically high valuations" that would drop soon afterward, causing a need for further reassessment and result in a high number of tax appeals.

On Aug. 27, county Tax Administrator Keith Szendrey granted the city another year to complete the revaluation. The new order requires the city to complete the revaluation by Sept. 30, 2024 to be effective for the 2025 tax year.

A revaluation requires property owners to cooperate with inspections by state approved contractors licensed to do the new assessments.

County officials have said in the past that in essence, a third of the property owners would see their taxes increase, a third would see their taxes reduced and a third would likely stay the same

Property Taxes – The Most Unfair Tax of Them All

New Jersey's well-deserved reputation for having the highest tax burden in the nation is driven in large part by its over reliance on property taxes to fund education and other essential services. Polls over the years have shown property taxes to consistently be one of the top issues with New Jersey voters. Residents and business owners alike often cite high property taxes as the reason they are moving out of the state. With all of this common knowledge for so long, the question then becomes, how did we get here, and what can be done about it?

One of the biggest problems is that education is funded mainly through residential and commercial property taxes. New Jersey is one of only a handful of states that still uses this archaic system to fund education. This means that only property owners are responsible for the lion's share of footing the bill for education. For instance, a person with kids in public school who rents an apartment pays minimal through rent, while a retired senior citizen homeowner with no children in school pays approximately a third of their property taxes into funding education. Moreover, property taxes are based upon market values that appear on paper, without the property owner realizing any tangible financial gain. Therefore, taxes can go up based on a theoretical increase in assessed value without the benefit of a market transaction and net gain/loss to ground truth any prescribed worth.

Clearly, a strong educational system benefits everyone through increased property values, an educated workforce and desirable, attractive communities. However, that does not mean that a more equitable system to pay for it cannot be found.

One method that has been considered is dedicating a portion of the state sales tax to funding education. Under this system, anyone who purchases a taxable product or service is contributing to education, not just those who own property in New Jersey. This would also have a secondary benefit since lowering property taxes would give New Jerseyeans more disposable income which in turn, would result in increased sales tax revenues.

Thankfully, there is legislation introduced in New Jersey that would change the funding source for education from property taxes to the state sales tax and is currently awaiting committee review. Hopefully, it will be released from committee in the near future, at which time it will come before the entire Assembly for a floor vote.

With all of the legislation that makes it through the legislature and on to the governor's desk, it is mind-boggling that something that would be a game-changer for the New Jersey taxpayer has languished without even a committee review. As such, two things are certain. One, as long as education is funded mainly through property taxes, New Jersey will always have the highest in the nation and two, unless legislators are held accountable at the ballot box for their inaction, no relief will come to the beleaguered New Jersey taxpayer.

New Jersey's Inverted Property Tax Pyramid

It would be reasonable to assume that a public policy issue which has been identified year in and year out as the most troubling to New Jersey voters and taxpayers would draw the attention of the state's elected leaders as well as pledges to act with dispatch to address it.

As it applies to the property tax structure — a system which produces more than $30 billion a year in revenue to finance the operations of more than 1,200 government entities — though, the assumption is flawed and has been for years.

New Jersey has consistently led the nation in average property taxes paid — $9,112 in 2020, an increase of $160 — and there is little indication that the year-to-year increases will end anytime soon; they're baked into the system.

It is an issue cited more than any other in poll after poll as the most serious facing the state and has been cited as a driver of outmigration, retirees leaving lifelong homes, and as a major factor considered by corporate decision-makers seeking to re-locate or expand operations here.

In the often-cutthroat competition for tax ratables and the employment opportunities that accompany it, New Jersey's attributes — market location, transportation network, quality education system, etc. — have been offset by its high property tax rates.

Homeowners accustomed to opening the bad news mail from their local tax collectors' office have been overtaken by a weary resignation to the inevitable and unavoidable, falling victim to a sense of powerlessness and that nothing of consequence or lasting impact will stem the tide.

In fairness, the issue arises periodically, usually as grist for political campaigns as candidates promise beleaguered homeowners that relief is a phone call away. In nearly every case, the phone call ends in a busy signal.

The issue doesn't lack for ideas, but a lack of legislative will brought on by a belief that it is the governor's responsibility to recommend tax reform and a concern that legislative tinkering with the tax could adversely impact one faction or another and imperil a career in elected public service.

Among the suggestions floated over the years to confront what is arguably an unfair and broken system have been:

*Convening a constitutional convention similar to that which produced the state's constitution in 1947 but confined to an examination of the entire tax structure from local to state level and submit its findings and recommendations for legislative approval.

*Amend the current Constitution to cap property taxes at a percentage of assessed value or re-sale price, similar to the famous Proposition 13 in California in 1978. It also provides a restrictive two percent ceiling on annual increases.

*Amend the Constitution to permit property tax classification; that is to allow primary homes and large scale commercial developments to be taxed at different rates. The current Constitution requires all property to be taxed at a uniform rate.

*Examine the impact of allowing municipal governments to impose a local broad-based tax — sales or income — in return for dramatic reductions in property taxes, based on the concept that income is a fairer and more accurate measure of personal economic circumstance and ability to pay.

*Replace the current state aid to school districts formula with one to provide an equal dollar amount for each pupil, regardless of place of residence, a proposal which would represent a windfall for a great many suburban districts.

*Conduct a statewide audit of school districts as well as municipal and county governments to determine which are administratively top heavy and could be reduced at substantial savings.

*Mandate that school districts which fall below a certain enrollment level merge with neighboring districts potentially achieving savings of scale.

Consuming 50 to 60 percent of every property tax dollar, public education is the principal driver of the levy and is but one of the 1,200 government entities (565 municipalities, 610 school districts and 21 counties) to rely on it for everything from crayons for kindergarteners to jail cells for lawbreakers.

As the largest recipient of property tax revenues, school districts occupy the center of tax relief debates, most often involving proposals to redraw the aid distribution formula. Critics, including Republican gubernatorial candidate Jack Ciattarelli, for instance, argue that the current formula is so badly skewed that 60 percent of the aid is allocated to five percent of the school districts.

The issue of state aid is anything but new, having bounced around in the court system for nearly a half century, originating with a lawsuit brought against former Gov. William Cahill in 1971 challenging the constitutionality of the aid program. It's remained in one iteration or another through eight of his successors.

The usual response has been to take the path of least resistance by including aid increases in the state budget year after year and tout it as property tax relief, a position taken by Gov. Phil Murphy who is fond of claiming that each dollar in aid represents a dollar not drawn from the property tax.

His point is somewhat disingenuous since there exists no requirement that state aid funds be utilized locally to effect property tax reductions, leaving it to local school boards to determine how the funds should be spent.

While voters and taxpayers have consistently cited the property tax burden as the most serious problem they face, efforts to take it on in a comprehensive fashion have never gained significant traction in successive legislatures.

The homestead rebate program, designed in the 1970's as a relief mechanism, has been underfunded or not funded and eligibility so restricted that it benefits a narrow fraction of homeowners.

Likewise, the senior freeze program is age-restricted and omits the vast majority of taxpayers from its provisions.

It's not a dearth of ideas that has hampered a broad approach to tax relief; rather, it is a concern that such an approach presents political repercussions from those who would argue that an overhaul of the tax structure is a cover for tax increases.

While the various proposals offered over the years have drawn adherents as well as detractors, they've never been subject to intense scrutiny and debate. It is less risky to continue to live with an unfair and onerous system and nibble at the margins than it is to take it on as the serious issue it is.

Then property tax system has become an inverted pyramid with taxpayers struggling on the ground to maintain balance of its pointed end while watching the structure grow in height and width.

It may be only a matter of time before it all keels over.

NEW YORK

City postpones 2022 budget vote

The anticipated approval of the Port City's 2022 budget was postponed Monday, with the council planning to override the state property tax cap as a precautionary measure ahead of a vote on the spending and revenue plan next week.

The Oswego Common Council scheduled a Sept. 22 special meeting, which includes a public hearing on a local law to override the state's property tax cap. Port City officials said the 2022 budget does not exceed the state's tax cap, but the council plans to override the cap as a preventative measure — something municipalities frequently do when the planned tax levy nears the state limit.

"The override isn't necessary, but more of a precautionary measure," Oswego Mayor Billy Barlow said of the tax cap override.

New York's property tax cap, put in place in 2011 to slow the growth of property taxes across the state, limits tax increases to 2 percent or the rate of inflation, whichever is lower. The 2022 limit is 2 percent for just the third time in the law's decade-long history.

The $46,173,958 spending proposal would mark a roughly 1.1 percent spending increase from the current budget year. The total property tax levy under Barlow's proposal would increase by almost 3 percent, from roughly $12.46 million to nearly $12.83 million, with modest revenue increases expected to offset some of the additional spending.

On the surface, the city's tax levy is increasing by nearly 3 percent, or roughly $370,000. The state's tax cap, however, uses a complex formula that takes into consideration several factors, including payment in lieu of taxes (PILOT) agreements, reserves from previous budget years plus interest and various other exclusions.

Barlow noted the state puts together "a complicated formula to determine the tax cap," and said the proposed budget is under the tax cap but changes to the state's formula or an error in the city's budget could possibly push the city over the cap.

"The tax cap takes other things into account than simply the tax rate, so oddly enough, you cannot raise taxes but still exceed the set cap," Barlow said, noting the city must vote on the tax cap override prior to approving the budget.

City Attorney Kevin Caraccioli told councilors Monday the budget, as proposed, is currently under the tax cap levy limit but said "it's close" and if adjustments to the spending and revenue plan were needed it could exceed the levy limit. Caraccioli said adopting the tax cap override through a local law could prevent future issues, but a public hearing is required ahead of any local law.

“Once the hearing is completed, you can adopt the local law and you’re free to adopt the budget at that point in time,” Caraccioli said.

If a municipality, or other public entity subject to the tax cap, approves a tax levy in excess of the tax cap without an override, the funds are set aside in a reserve fund and state law requires the excess plus any interest earned to be used to offset the tax levy in the coming year.

The city’s budget proposal allocates $4.7 million for the city Fire Department, $4.9 million for police and $7 million for the city Department of Public Works.

Nearly 90 percent of the city’s spending in recent years has been allocated to personnel costs (50 percent), fringe benefits (15 percent) and contractual obligations (24 percent). Debt is the next largest city expense, with roughly 8 percent of costs attributed to city debt, according to budget documents provided by the city.

The total assessed value of taxable property in the city is roughly $839.14 million, up a little more than a 2 percent increase from the $814.82 million recorded prior to the adoption of the current budget.

Councilors held a budget workshop late last month to review major portions of the spending and revenue proposal. The meeting resulted in one alteration to the spending plan, which added $20,000 to the city’s events spending to restore the fund to the same level as the current budget year. Another minor change was made to correct a clerical error.

The council offset the additional spending with reduced retirement contributions, which came following an advisement from the state comptroller’s office noting municipal retirement payments would be lower in the coming year.

The Sept. 22 special meeting of the Oswego Common Council is scheduled for 6:25 p.m. in the council chambers at City Hall. City officials are expected to approve the 2022 budget at the meeting.

Hurricane Ida’s record-setting rainfall reveals challenges in retrofitting New York’s aging subway system

On Wednesday, flash flood advisories were hoisted throughout the East Coast. Meteorologists warned of extreme rainfall and the potential for flooding as the aftermath of Hurricane Ida, which made landfall in New Orleans on Sunday, swept across the already water-saturated region. Even so, Thursday’s catastrophic flooding of the New York City metropolitan area seemed to take many by surprise.

It shouldn’t have.

For decades now, climate scientists have warned of increasingly severe floods (particularly on the East Coast) as the planet warms. In a 2007 analysis of the New York subway system’s resiliency by the Metropolitan Transportation Authority, for example, it’s noted that “Columbia University’s climate change experts predict that the threat of flooding in the MTA system will only increase due to sea level rise, extreme weather events and a disappearance of permeable land in the region.”

Five years after that report was released, Hurricane Sandy made landfall. As researchers had warned, the city’s infrastructure wasn’t able to handle the heavy rainfall or accompanying tidal surge. Water poured into the subway tunnels. Electrical grids went offline. Wastewater treatment plants overflowed. Thousands of homes were destroyed by rising water, fire and wind. At least 43 people died. The economic loss from Superstorm Sandy was estimated at around $19 billion, with another $32 billion needed statewide.

Since then, billions have been invested to harden the city’s infrastructure against future natural disasters. The MTA, for example, added a drainage system, plastic track ties and floodwalls to Staten Island’s St. George Terminal. Elsewhere, a seawall was built around the 207th Street Yard, among thousands of smaller improvement projects.

But if Wednesday’s storm is a sign of what’s to come, those updates might prove to be a temporary fix. Despite the city’s best mitigation efforts, images emerging from Hurricane Ida’s journey across the NYC metro area depict scenes reminiscent of Superstorm Sandy—of floodwater again cascading into New York’s subway tunnels.

That’s because New York’s subway system wasn’t designed to be weathertight. Instead, gratings and entrances were built to allow people and air to freely circulate, according to a report on the city’s subway flooding problem published last month by the Regional Plan Association, an NYC metro area-focused economic development nonprofit.

“Wet subway woes are not new in New York. Even on a dry day, about 14 million gallons of water are pumped out of the subway system. Now, however, ‘once-a-century’ flood events occur every couple years, regularly inundating stations despite earnest efforts from the Metropolitan Transportation Authority,” the report reads. “The (MTA) has invested $2.6 billion in resiliency projects since Hurricane Sandy, including fortifying 3,500 subway openings like vents, staircases and elevator shafts against flooding.”

It’s not just the subway system that wasn’t intended to handle semi-regular flooding. Based on flood models built by the Regional Plan Association and the Department of Environmental Protection Agency, it’s clear “the city’s sewer infrastructure was not designed to handle rainstorms of such magnitude,” either, the report says. The city’s century-old infrastructure is showing its age.

And increasingly, catastrophic stormwater events are becoming the norm.

A few weeks ago, on Aug. 21, New York City saw a record amount of rainfall: Almost 2 inches fell in Central Park in one hour starting at 10 p.m. That record was shattered Wednesday when 4 inches of rain was recorded at one facility in a single hour. Across the New York Metropolitan Area, upwards of 8 inches of rainfall fell during the storm.

Scientists say it’s a harbinger of what’s to come.

Along the East Coast, “The mid-2030s, in particular, may see the onset of rapid increases in the frequency of (high-tide flooding) in multiple U.S. coastal regions. We also show how annual cycles and sea-level anomalies lead to extreme seasons or months during which many days of (flooding) cluster together,” according to a study from NASA published in June by the journal Nature Climate Change.

Beyond infrastructure updates, the New York Academy of Sciences' 2019 report notes that rising sea levels will eventually flood some neighborhoods altogether, forcing residents to migrate to higher ground—infrastructure will have to move along with it. Currently, about 400,000 people live in New York City's 100-year floodplain, according to a study on the impact of climate change in New York City published in the Proceedings of the National Academy of Sciences.

Rebuilding and updating infrastructure to address climate change is a mammoth project. In this, cities and counties should take a proactive, not reactive approach, based on the findings of the Regional Plan Association's report.

Resiliency projects "will likely be some of the most expensive we undertake in the next generation," the report continues, laying out a few suggestions New York City, in particular, might consider adopting once the floodwaters have receded.

"The city should prioritize transit oriented development and land value capture mechanisms that aim to reduce or slow the release of stormwater into the right of way, sewer systems, and transit infrastructure," the analysis reads. Additionally, it should "prioritize implementation of the unified stormwater rule, which will require projects on lots sized 20,000 square feet or more to install stormwater retention systems and/or a detention tank to slow the release of runoff and waste water into the sewer systems."

NORTH CAROLINA

Inconsistencies' in Northside Neighborhood Property Valuations Lead to Comprehensive Review

While the appeal period for 2021 property valuations has ended for most Orange County residents, property owners in the Northside Neighborhood and surrounding areas still have the chance to appeal following an unplanned, comprehensive review.

North Carolina counties are required to revalue properties regularly to ensure a fair and equitable distribution of the property tax burden. The Orange County Tax Office completed its 2021 revaluation and mailed notice of new values to all property owners in late March.

Since then, the county has received 2,067 appeals – requesting The Board of Equalization and Review to reassess the determined property value. 196 of those appeals are from the Northside Neighborhood Conservation District.

According to the Marian Cheek Jackson Center, long-term, Black-owned Northside properties are drastically overvalued in comparison to investor-owned rentals and other nearby properties in mostly white, affluent neighborhoods.

The center said, on average, Black residents in local historic neighborhoods saw a 53 percent rise in taxes this year and an overvaluation of roughly $107,000 each.

Following initial reevaluations being sent out to Northside neighbors in March, the Orange County Tax Office began conducting reviews and field visits – for the 196 properties that appealed – from May to July.

Nancy Freeman, the tax administrator for Orange County, said these visits highlighted various discrepancies in how some properties were valued as compared to their neighbors.

“After the revaluation notices were mailed, the tax office was made aware of inconsistencies in the value of properties within neighborhoods 7102, 7104 and 7110, which includes Chapel Hill’s Northside Neighborhood Conservation District,” said Freeman. “It also includes Carrboro’s Lloyd-Broad Neighborhood preservation district.”

To address these inconsistencies, the tax office chose to expand its review of these historic neighborhoods – taking the time to re-evaluate each property even if the owner hadn’t submitted an appeal application.

Freeman said there was a total of 665 properties reviewed in those three affected neighborhoods.

“Of the 347 smaller, conforming properties, the value on 342 of those were lowered,” said Freeman. “Of the 197 larger, legally non-conforming properties, 103 of those increased – their value was increased.”

Property owners in those neighborhoods, including Northside residents, should have received new value notices sent either August 26 or September 7.

Because of the larger-scale review process, the deadline for those residents to further appeal their case to the North Carolina Property Tax Commission has been extended to September 25 and October 7 respectively – up to 30 days after the decision notice was sent out.

The importance of a thorough property valuation process was made more apparent through an additional review done on the East 54 Condominiums in Chapel Hill. According to the tax office, out of those 93 properties, 72 decreased in value, 19 increased in value and 1 no change. On average, that’s a $31,000 reduction.

Freeman said community collaboration and cooperation is critical to help the tax office conduct fair and equitable reevaluations – whether that’s allowing staff members onsite for field visits or raising concerns to local elected officials.

“The continuing work with the community, and being able to get information from the community,” said Freeman, “is very important for us to do accurate work and to avoid having situations like this where we have these disparities.”

On October 5, the Orange County Board of Commissioners plans to look at how to alleviate the burden of Northside Neighbors and address the bigger issue of inequity in the community.

OHIO

Franklin County businesses impacted by COVID-19 public health orders can now file complaints

The Franklin County Board of Revision is now accepting complaints from businesses and property owners who believe the pandemic and public health orders affected the value of their property.

The special filing period began on Aug. 3 and extends through Sept. 2, and anyone who was eligible to file a standard BOR complaint can file a COVID-19 complaint even if they already filed a standard complaint for the 2020 tax year, Franklin County Auditor Michael Stinziano announced this week in a press release.

To qualify for a change in value, property owners must "allege with particularity in the complaint how such a circumstance or order caused the reduction in true value of the property."

"I encourage any business or property owner who believes their property value was impacted by the pandemic to file a complaint through the Board of Revision," Stinziano said. "Our goal is to establish fair and accurate property values, and this process presents an opportunity for businesses affected by COVID-19 to have their property values adjusted accordingly."

Stinziano said he is holding a series of virtual informational sessions this month to educate property owners about this opportunity.

OREGON

What are the big ideas on property tax?

Heads up, homeowners. For Oregon reformers, you are next.

A legislative committee is meeting this week to look at property taxes.

Will you end up paying less? Or more?

We don't know exactly what ideas the committee will consider. But it's not hard to guess, because legislators bring some ideas up repeatedly.

The big one is: Reset on sale.

Property values in Oregon do not reset on sale. They are artificially limited thanks to Measures 5 and 50. Basically older homes had an artificial value created to determine their taxes — the assessed value. Their maximum assessed value was set at their real market value in 1995 minus 10%. And they can only go up by 3% a year. That has benefited people in older homes in areas that have been gentrifying.

The system we got from the ballot measures has also created other oddities such as two similarly sized homes in a neighborhood having very different tax rates.

What's the real problem with this system that helps keep property taxes low? Doesn't it ensure government has to spend money carefully? Yes, but ...

The "but" is that the controls on property tax revenue can mean governments can be more reliant on fees. And fees can be relatively more difficult for low-income people to pay while people who are richer benefit from owning homes.

Of course, any changes that are made to the property tax system could be hard on some family incomes. That's why reformers talk about including some safety valves. There could be exemptions to protect a certain value of a homestead from taxes, relief for seniors and also flat-out refunds for taxes that are believed to be too high. But how and where would those be set?

One other idea the committee is set to discuss is the prepayment discount — such as getting a 3% discount for paying your property taxes in full by mid-November. We don't know if the committee will talk about getting rid of the discounts. It might.

If you are interested in what your government might do to your property taxes, a House Interim Committee on Revenue meeting that was held earlier this week is available online so you can see what was discussed.

TEXAS

Bexar County commissioners approve 'symbolic' property tax cut

A "symbolic" property tax cut sparked some tense debate in Bexar County Commissioners Court on Tuesday as the court passed a $2.8 billion budget.

Commissioners voted 3-1, with one abstention, to cut the tax rate for the county's portion of property tax bills from $0.301097 to $0.299999 for every $100 of valuation. That equates to somewhere between a $3 to $4 savings a year for the average homeowner, staff said.

However, due to higher property values, homeowners will likely end up paying more than they did before anyhow.

On the other side of the balance sheet, decreasing the tax rate cuts about $1.7 million of revenue from the county's general fund, compared to if commissioners had kept the rate flat. Precinct 1 Commissioner Rebecca Clay-Flores and Precinct 2 Commissioner Justin Rodriguez argued unsuccessfully to their colleagues that the tradeoff was not worth it.

After the pair's attempt to keep the tax rate flat failed, Clay-Flores abstained from the subsequent votes to implement the lower tax rate.

"I abstained from voting on this because I am not going to tell my constituents that I'm saving you four measly dollars. I represent Precinct 1, which has been left behind for far too long. Four dollars does nothing for my community," Clay-Flores said.

The tax reduction was the idea of Precinct 3 Commissioner Trish DeBerry, who acknowledged that the savings were small. However, she said it was about incremental change and pointed to her requests to consider homestead exemptions for the county and hospital district's portion of property tax bills.

"So it is symbolic that this court has taken the action to say that we are moving from a decrease standpoint in the right direction," DeBerry said.

Precinct 4 Commissioner Tommy Calvert and Judge Nelson Wolff voted with DeBerry to pass the lower rate.

Property Tax Basics

Property taxes are local taxes that provide the largest source of money local governments use to pay for schools, streets, roads, police, fire protection and many other services. Texas law establishes the process followed by local officials in determining the value for property, ensuring that values are equal and uniform, setting tax rates and collecting taxes.

Texas has no state property tax. The Texas Constitution and statutory law authorizes local governments to collect the tax. The state does not set tax rates, collect taxes or settle disputes between you and your local governments.

Who Does What?

Your local property tax system has several main components.

The property owner, whether residential or business, is responsible for paying taxes and has a reasonable expectation that the taxing process will be fairly administered. The property owner is also referred to as the taxpayer.

An appraisal district in each county, administered by a chief appraiser, appraises the value of your property each year. The appraisal district's board of directors hires the chief appraiser. Local taxing units elect the board directors and fund the appraisal district based on the amount of taxes levied in each taxing unit. For more information about your local appraisal process, please contact your county's appraisal district. The appraisal district can answer questions about exemptions and how your appraised value was determined.

An appraisal review board (ARB) is a board of local citizens that hears disagreements between property owners and the appraisal district about the taxability and value of property. In counties with a population of 120,000 or more, members of the ARB are appointed by the local administrative district judge in the county in which the appraisal district is located. The board of directors appoints ARB members in all other counties. Protests concerning the appraised value of your property should be directed to your ARB. Your appraisal district can provide you with contact information for the ARB.

Local taxing units, including the school districts, counties, cities, junior colleges and special districts, decide how much money they must spend to provide public services. Property tax rates are set according to taxing unit budgets. Some taxing units have access to other revenue sources, such as a local sales tax. School districts must rely on the local property tax, in addition to state and federal funds.

In many counties, taxing units contract with the county tax assessor-collector to collect all property taxes due in that county. The assessor-collector then transfers the appropriate amounts to each taxing unit. Although some taxing units may contract with an appraisal district to collect their taxes, the appraisal district does not levy a property tax. For information about local taxing unit budgets and tax rates, please contact the individual school district, county, city, junior college or special district.

The role of the Comptroller's Property Tax Assistance Division (PTAD) is primarily limited to monitoring responsibilities. PTAD conducts a biennial Property Value Study (PVS) for each school district for state funding purposes. The PVS, an independent estimate mandated by the Texas Legislature, ensures that property values within a school district are at or near market value for equitable school funding. The Comptroller's values do not directly affect local values or property taxes, which are determined locally.

PTAD also performs Methods and Assistance Program (MAP) reviews of all appraisal districts every two years. The reviews address four issues: governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodologies. PTAD reviews approximately half of all appraisal districts each year. School districts located in counties that do not receive a MAP review in a year will be subject to a PVS in that year.

What Do They Do?

The Texas local property tax is just that — a local tax, assessed locally, collected locally and used locally.

More than 4,100 local governments in Texas — school districts, cities, counties and various special districts — collect and spend these taxes.

Several types of local governments may tax your property. Texas counties and local school districts tax all nonexempt property within their jurisdictions. You also may pay property taxes to a city and to special districts such as hospital, junior college or water districts.

The governing body of each of these local governments determines the amount of property taxes it wants to raise and sets its own tax rate. Many, but not all, local governments other than counties contract with their county's tax assessor-collector to collect the tax on their behalf.

When Do They Do It?

The property tax process for each tax year includes a series of steps.

Steps for Property Tax Process

When the last day for performing an act falls on a Saturday, Sunday or legal holiday, Tax Code Section 1.06 designates the deadline as the next regular business day.

Where Does the Money Go?

The local property tax is the largest single funding source for community services. State government receives no benefit from these local taxes. Your local property taxes help to pay for your public schools, city streets, county roads, police departments, fire protection and many other vital programs.

Why Do They Do It?

The Texas Constitution sets out five basic rules for property taxes in our state:

1. Taxation must be equal and uniform. No single property or type of property should pay more than its fair share. The property taxes you pay are based on the value of property you own. If, for instance, your property is worth half as much as the property owned by your neighbor (after any exemptions that apply), your tax bill should be one-half of your neighbor's. This means that uniform appraisal is very important.
2. Generally, all property must be taxed based on its current market value. That's the price it would sell for when both buyer and seller seek the best price and neither is under pressure to buy or sell. The Texas Constitution provides certain exceptions to this rule, such as the use of "productivity values" for agricultural and timberland. This means that the land is taxed based on the value of what it produces, such as crops and livestock, rather than its sale value. This lowers the tax bill for such land.
3. Each property in a county must have a single appraised value. This means that the various local governments to which you pay property taxes cannot assign different values to your property; all must use the same value. This is guaranteed by the use of county appraisal districts.

4. All property is taxable unless federal or state law exempts it from the tax. These exemptions may exclude all or part of your property's value from taxation.
5. Property owners have a right to reasonable notice of increases in their appraised property value.

Broad questions about the nature and purpose of property taxation in Texas can be directed to your local state representative or senator. Contact information for all members of the Texas Legislature can be found at Texas Legislature.

How Can I Challenge What They Do?

If you are dissatisfied with the results of a decision by your local ARB, you have the right to appeal its decision to district court in the county where the property is located. Alternatively, you may appeal the ARB's determination to binding arbitration or to the State Office of Administrative Hearings (SOAH) provided certain criteria are met.

Binding arbitration is conducted by an independent third party. The Comptroller's office maintains a registry of qualified arbitrators and processes requests for arbitration and accompanying deposits, but plays no other role in this process.

If the property value as determined by the ARB order is over $1,000,000, you may file an appeal with SOAH. The decisions of SOAH administrative law judges are final and may not be appealed. For more information on this process, visit the SOAH website.

Needed Property Tax Relief In Texas Clears Key Committee Hurdle

A bill to slash property taxes by at least $2 billion was passed unanimously by the Texas Senate Finance Committee this week on August 30, clearing the way for final approval by the Senate. This bipartisan tax relief plan, Senate Bill 91, takes aim at the state's onerous school district Maintenance and Operations (M&O) taxes. Known as the "Robinhood Tax," M&O property taxes are imposed by Texas municipalities and account for nearly half of the total annual property tax burden, totaling $56 billion last year.

SB 91 would allocate at least $2 billion and up to $4 billion in state dollars to pay down local M&O taxes, creating substantial tax relief for Texans. For the owner of a median $300,000 home, tax savings under the new bill will come out to about $200 next year, according to Senator Paul Bettencourt, the author and primary sponsor of the tax plan.

"Texans will see a reduction of at least 6.6 pennies on their school district tax rate in the 2022 property tax year," said Bettencourt at Monday's Finance Committee hearing. "Each billion available for compression will lower the M&O tax rate for all property owners in Texas."

This new round of tax relief is contingent upon a revenue trigger being met. The total amount of tax savings under the new bill will depend on a key revenue estimate for the 2022-23 fiscal year, to be provided by the Texas Comptroller on June 1, 2022. If the Texas economy continues to grow at its current pace, school district M&O taxes could be lowered by as much as $4 billion as surplus state tax revenue subsidizes local property taxes.

Vance Ginn, chief economist at the Texas Public Policy Foundation, testified in favor of SB 91 at Monday's hearing. Ginn points out that property taxes are inefficient, as they rely on subjective valuations by appraisal review boards, and can often force people out of their homes if not paid, meaning no one truly owns their property in Texas. Moreover, Ginn argues, property taxes tend to hurt low- and fixed-income earners the most. Booming housing markets, of which Texas has many, lead to rising home valuations and higher property taxes, regardless of the homeowner's ability to afford the additional tax burden.

Not only is property tax relief clearly needed, Texans are demanding it. Recent polls show that 82% of Texans consider property taxes to be a "serious issue," while more than two-thirds would be upset if no legislative action is taken to lower property taxes this year. Their concerns are valid; over the last 20 years, local property taxes have grown faster than the average taxpayer's ability to pay for them, helping make Texas the state with the 7th worst property tax burden on homeowners.

By passing SB 91, Texas legislators can heed the advice of Americans for Tax Reform and its coalition partners to ease a crushing tax burden on Texas families. "Texans cannot afford to wait until 2023 for the Legislature to address these issues," noted a joint statement released on Monday by the Texas Public Policy Foundation, the Texas Conservative Coalition Research Institute, and Americans for Tax Reform. "Not only is the burden too high, but the system is designed to allow insatiable local governments to keep squeezing every last dime out of taxpayers."

SB 91 now awaits a full vote in the Texas Senate and subsequent votes in the House before it can go to Governor Greg Abbott's desk. ATR will be following this legislation closely.

What's the Deal with Property Taxes?

Monthly column submitted by State Representative Dr. Glenn Rogers:

Texas' relationship with property taxes is as old as the state itself. For over a century following our independence from Mexico, state property taxes supported over half of the total state revenue. During this time, the system placed a heavy burden on local officials to collect and assess taxes without any guidance from the Texas Government. Texans were being taxed at high rates with little transparency. Then, in 1979, as the state property tax rate began to spiral out of control, State Representative Wayne Peveto authored a bill that reformed the local property tax system to shift away from an unreliable state property tax method.

The "Peveto Bill" did much to create the current system of taxation we have today. Local property taxes levied by various local institutions, such as school districts, counties, cities, and special purpose districts, are to be run through dedicated county appraisal districts. Counties established appraisal review boards to protect citizens' rights to contest their appraisals and hold elected officials accountable for taxation rates. These reforms helped standardize the property tax system in Texas. Three years later, after decades of delinquency and runaway spending, the State Legislature abolished state property taxation.

In 2021, the property taxing system is once again desperately in need of repair. Despite having one of the country's lowest effective tax rates, Texas now has the sixth highest property tax rate in the country. In rural areas, like House District 60, the effects of this tax burden have drastic impacts on our residents.

First, rural areas tend to have lower median or fixed incomes. Second, rural Texans tend to be older and closer to retirement, further limiting their ability to "pay to stay." Third, rural Texas has a weaker renting base. In Dallas or Houston, the numerous apartment complexes and multi-family living centers allow the individual tax load to be shared among many residents. In rural communities, single-family homeownership is the primary form of available housing — levying the entire burden on the permanent homeowner.

Even though rural Texas has less ability to pay higher taxes, it is in great need of vital public services like education, healthcare, and utilities, all of which further increase the local tax rate. This burden damages the growth of our small-town communities. It hurts young couples trying to settle down for the first time, families looking to escape failing urban school systems, and retirees on a fixed income who can no longer afford the house they have owned for decades.

It is important to note that the state does not have a property tax rate nor does the state collect property taxes. Local taxing entities set the rates and collect the taxes. Fortunately, the Legislature has taken steps to try and reduce the property tax burden on our residents by capping tax rates, ending unfunded mandates, and providing homeowners more transparency and the ability to veto large tax increases. In 2019, the Legislature passed Senate Bill 2, the Texas Property Tax Reform and Transparency Act, which provided much-needed reforms and relief to the property tax system. This session, I joint authored and supported House Bill 3833 by Representative Phil King (R-Weatherford), which will save property owners $472 million over the next five years. My office also filed several pieces of legislation that would have reduced property taxes for homeowners and landowners alike. Moreover, I supported House Bill 2723 by Representative Morgan Meyer (R-Dallas), which improves transparency provisions from 2019 by launching a statewide website at texas.gov/propertytaxes, where property owners can find their local truth-in-taxation website.

During the special session, Governor Greg Abbott placed property tax relief on the Legislature's agenda to be addressed. Senate Bill 8 removes the delay in homestead exemptions for new homeowners in their first year of ownership. At the same time, Senate Bill 12 and Senate Joint Resolution 2 provide at least $197 million in relief for elderly and disabled homeowners. The Legislature will also appropriate funds to the State Property Tax Relief Fund to rebate homeowners for their heavy tax burdens.

This special session, I also co-authored House Bill 122 by Representative Tom Oliverson (R- Cypress). This bill would authorize the State of Texas to use 90% of its $7.92 billion dollar budget surplus to be put in the Property Tax Relief Fund to pay down school district taxes to negligible amounts for the majority of Texas homeowners. House Bill 122 would be the largest property tax relief appropriation in Texas history, and would put property taxes on the path to being permanently phased out. Time will tell if this legislation will make it though before the session is over.

Due to a lack of quorum in the Texas House, millions of property tax relief to our communities have stalled. Fortunately, the Texas House is now back at work to provide this necessary legislation to Texans. We need action right now to provide this essential relief and save rural Texans from being taxed out of their homes.

UTAH

What is Happening with Property Taxes This Year?

Every year there are many different factors that contribute to changes in property tax amounts for individual parcels. Here are four of the most important.

1. Taxing entity tax increases:

This is when a particular taxing entity (for example: a city or town, the county, school district, cemetery district or other special service district) increases the amount of taxes that they are requesting. This is an increase in the entity's budgeted income from property taxes to cover an increase in anticipated expenses. To do so, the entity must notify the public, notify individual parcel owners, hold a public hearing and enact the change in a public meeting. These changes only affect the parcels that lie within the boundaries of the taxing entity's taxing area. For example only residents of Castle Valley Town would be affected by an increase in the town's budget but all parcels in the county would be affected by an increase in the school district's budget.

What's happening in 2021? The following taxing entities are proposing to increase their budgets. Please contact these entities directly with questions about why they are proposing an increase (links below).

Moab City - only affects parcels within the city's boundaries.
Grand County School District - affects all parcels in the county.

2. Valuation changes to your parcel:

When your parcel is reassessed and the valuation of your parcel changes, this usually changes your property taxes. When market values are increasing, you will usually see an increase in your valuation and a resulting increase in your property taxes. However, this does not mean that the taxing entities get more money. When you pay more due to a valuation change, other property owners who were not reassessed pay less.

What's happening in 2021? Parcels located in Spanish Valley (district 2) were reassessed and many parcels have seen dramatic increases in value. This is due to market values increasing and reflects an increase in the amount for which these parcels could be sold. Parcels outside of Spanish Valley may have also been reassessed for various reasons including improvements to a parcel that require a building permit.

3. Valuation changes to other parcels:

A different area of the county is reassessed at least once every 5 years. When your turn comes around to be reassessed you may see an increase in your taxes. In years when other parts of the county are reassessed you may see a decrease. There are several other reasons why a particular parcel may be reassessed including a newly built improvement or a directive by the State. Centrally assessed parcels are assessed every year by the State and include oil/gas operations, utilities, pipelines, airlines, mining operations and other industrial operations. Changes in the valuation of these parcels effect residential and business parcels in the rest of the county. When centrally assessed values go up, everyone else's taxes go down and vice versa.

What's happening in 2021? Districts other than Spanish Valley, will benefit from the reassessment and downward pressure on the tax rate. Centrally assessed parcels saw an overall increase in valuation this year which will also benefit all other parcels.

4. Change in the primary residential exemption:

Primary residences, and up to 1 acre of land with them, receive a 45% reduction in value which results in a 45% reduction in taxes owed. If your parcel's status as primary residential is changed, you will likely see a dramatic increase in taxes owed. Long term renters can make a parcel eligible for the exemption. It doesn't have to be the owner's primary residence as long as it is someone's primary residence. Contact the Assessor's Office for questions about this exemption.

Other factors

Here are some other factors that influence property taxes every year:

- The five year average of the collection rate - The collection rate is the percentage of taxes requested that are actually collected. An increasing collection rate puts downward pressure on the tax rate and vice versa.

- The five year average of changes due to Board of Equalization (BOE) appeals - Every year changes are made to parcel valuations when a property owner appeals to the BOE. An average of these changes is factored into the certified tax rate.
- Tax relief - Some property owners qualify for tax relief based on certain criteria.
- New growth - Some increases in value are categorized as new growth and don't put downward pressure on the tax rate. Instead these value increases are allowed to increase the budgets of the taxing entities. When a new home or business is built, the taxing entities presumably have to provide them with services and therefore have more expenses.

VIRGINIA

Hotel assessments slashed in Henrico, Chesterfield due to pandemic

Economic fallout from the pandemic shaved hundreds of millions of dollars off the taxable assessed value of hotels and motels in Henrico and Chesterfield counties in 2021, while such values largely held steady in the city.

The decline was felt the most in Henrico, where the vast majority of the nearly 80 hotels and motels in the county saw their values diminish.

The combined assessed value for the nearly 80 such properties in Henrico fell to $288.6 million during 2021. That's down 50 percent from $586.7 million in 2020, according to data provided by Henrico.

A similar, though not as drastic decline was levied on the four dozen or so hotels and motels in Chesterfield County, with a total combined assessed value of $177.4 million in 2021, which was a 13 percent decrease compared to $204.5 million in 2020, according to data provided by the county.

The decline in the two localities is due to how they calculate the value of hotels and motels. In Henrico, hotel and motel assessments are driven largely by properties' revenue. Chesterfield focuses on average daily room rates, number of rooms and occupancy when it assesses the value of hotels and motels.

"You can see there's clearly a significant difference between the two (years). The reason for that is we value hotels on the income approach and the pandemic played a significant role in the economics of hotels," Henrico Real Estate Division Director Jason Hughes said.

The Henrico hotel that saw its assessment drop the most among its peers was the Westin Hotel at 6631 W. Broad St. at Reynolds Crossing. The property was assessed at $13.5 million in 2021, a 78 percent drop compared to its assessment of $61.2 million the previous year.

Rounding out the top three assessment declines in Henrico was the Springhill Suites by Marriott Glen Allen at 9701 Brook Road (a 73 percent drop to $2.5 million from $9.1 million) and the Marriott Short Pump at 4240 Dominion Blvd. (a 72 percent drop to $9.4 million from $33.2 million).

In Chesterfield, the top three biggest declines were: the Days Inn by Wyndham at 2410 W. Hundred Road (a 44 percent drop to $2.1 million from $3.8 million), the Hampton Inn at 800 Research Road (a 37 percent drop to $4.5 million from $7.1 million) and the Hampton Inn at 3620 Price Club Blvd. (a 36.6 percent drop to $3.6 million from $5.7 million)

Henrico and Chesterfield were still working on what assessments might look like for 2022 as of earlier this month.

Richmond stays level

Within Richmond city limits, the vast majority of hotel and motel assessments were flat from 2020 to 2021. That's because the city assessor's office decided that, given the unusual circumstances of the pandemic, it would be better to hold tight with 2020 assessments.

The roughly 50 hotels and motels in the city were assessed at a combined $257.3 million for 2021, a roughly 5 percent decrease compared to the combined assessment of $271.1 million in 2020, according to online property records.

"The pandemic hit in March of '20 and, needless to say, it was an experience none of us had come across in our professional lives," City Assessor Richie McKeithen said. "We thought the best thing to do was to hold the actual assessment for that particular year because we didn't know what the future would bring."

The slight downward change was driven by several successful appeals to city staff and the board of equalization.

Richmond typically assesses hotels based mostly on revenue and market sales. Motels are assessed based on property improvements, McKeithen said.

Richmond's total assessment of hotel and motel properties for the upcoming 2022 assessment year is $281.6 million, which is a roughly 9.5 percent increase from 2021.

Hotelier response

Lower or stable property assessments translated into lower or level tax bills, which some local hoteliers said was a helpful financial relief in a time of lower occupancy, operating restrictions and staff shortages.

"Henrico County did adjust the assessment which helped us out tremendously," SINA Hospitality CEO Ravi Patel said in an email.

SINA's local footprint includes Fairfield Inn & Suites by Marriott near Richmond International Airport (which dropped 46 percent to $3.8 million from $7.1 million) and Fairfield Inn & Suites by Marriott in Midlothian (which dropped 7.5 percent to $5.6 million from $6.1 million).

"Any and all relief has been greatly appreciated based upon significant losses," said Paul Cooper, CEO of Retro Hospitality, a consulting firm that helps manage Quirk Hotel in Richmond, as well as other hotels elsewhere in Virginia. “Minimizing the losses has been a benefit and I think it translated directly to keeping people employed and offsetting fixed costs.”

Cooper said leisure travelers are coming back though business travelers are still elusive at Quirk. He declined to share occupancy rates but said Retro Hospitality is optimistic about the rest of the year and that reservations are stronger than expected.

Not every hotel operator was happy with decreased assessments, though.

“Assessments represent the current value of the hotel and the drop in the value of the hotel outweighs any reduction in the tax burden,” Shamin Hotels CEO Neil Amin said in an email.

Shamin owns dozens of hotels around the region, including the Hampton Inn & Suites in downtown Richmond, the Sheraton at RIC and Hyatt Place in Innsbrook.

Shamin’s Hilton Richmond Hotel & Spa at 12042 W. Broad St. in Short Pump was placed into receivership last year after Shamin defaulted on a $45 million loan secured by the property and its 2021 assessment fell 65 percent to $12.4 million. The property is headed to a public foreclosure auction this month.

Like Cooper, Amin said his hotels have seen leisure demand rebound but business travel hasn’t yet come back around.

Hotel occupancy in the Richmond and Petersburg areas was about 73 percent in August, compared to an occupancy rate of about 50 percent in August 2020, according to the latest monthly report on the Virginia Tourism Corp.’s website.

The average daily rate was about $99 in August and about $75 in August 2020.

The Hampton Inn & Suites at 700 E. Main St. in Richmond had the highest property assessment among hotels in the city. The hotel was assessed at $34.9 million, which was level from 2020.

The 10 highest-assessed hotels in 2021 in Richmond, Henrico and Chesterfield:

• Hampton Inn & Suites at 700 E. Main St. (Richmond), $34.9 million (no change from 2020)
• Hilton Richmond Downtown at 501 E. Broad St. (Richmond), $34.8 million (18 percent decrease from 2020)
• Courtyard by Marriott Richmond Downtown at 1320 E. Cary St., (Richmond), $25.1 million (no change)
• The Jefferson Hotel at 101 W. Franklin St. (Richmond), $25 million (no change)
• The Omni Richmond Hotel at 100 S. Twelfth St. (Richmond), $24 million (21 percent decrease)
• Graduate Richmond at 301 W. Franklin St. (Richmond), $20.1 million (no change)
• The Westin Hotel at 6631 W. Broad St. (Henrico), $13.5 million (78 percent decrease)
• Hilton Richmond Hotel & Spa at 12042 W. Broad St. (Henrico), $12.4 million (65 percent decrease)
• Quirk Hotel at 201 W. Broad St. (Richmond), $12.2 million (no change)

• DoubleTree By Hilton Hotel Richmond – Midlothian at 1021 Koger Center Blvd. (Chesterfield), $11.4 million (22 percent decrease)

WASHINGTON

Tax Increment Financing Now Available to Some Washington Local Governments

During the most recent legislative session, the Washington State Legislature passed HB 1189, which authorizes the financing tool for local governments known as tax increment financing (TIF). This blog will provide an overview of the legislation and how local governments can access this new tool.

Background

Most states currently have TIF as an option for municipalities to help finance infrastructure projects that will spur economic development in economically stagnant areas. TIF allows local governments finance public infrastructure in targeted areas, with the goal that these improvements will encourage additional private development and investment. Any improvements to a targeted area may eventually result in increased property values, bringing benefits to property owners, investors, residents, and the local government.

As noted on our Tax Increment Financing webpage, there have been several attempts to authorize TIF in Washington State, but those attempts have either been rejected by voters or struck down by the courts. Washington State had allowed similar mechanisms to TIF in the past, but these versions were less successful as they relied on investment from the state general fund. Another hurdle to allowing TIF in Washington State has been the Washington State Constitution requirement that state property taxes be allocated to the common school fund. HB 1189 was drafted to both address this issue and not impact the state portion of property taxes.

Requirements for TIF

Under HB 1189, TIF is now available to counties, cities, towns, and port districts. These entities can use TIF for infrastructure projects typically undertaken by local governments, such as street and road maintenance or electric, broadband or rail service (Section 1 (7) of HB 1189 offers a detailed list of eligible projects.)

In order to utilize TIF, the county, city, or port district must pass an ordinance (or resolution, in the case of port districts) that designates an increment area (i.e., a specific geographic area that is expected to benefit from the development), identifies the infrastructure improvements to be financed, and states whether or not bonds will be issued.

Local governments must adhere to the following guidelines when creating increment areas:

- The local government must prepare a project analysis (see discussion below).
- There can be no more than two active increment areas at a time and those increment areas cannot overlap.

- An increment area cannot have an assessed value of more than $200 million or more than 20% of the total assessed valuation of the jurisdiction creating the area, whichever is less.
- Once an increment area is established, the boundaries cannot be modified.
- The local government cannot use TIF revenue for additional improvements that were not listed in the ordinance creating the increment area.
- The ordinance must include a start date for when the improvement will begin.
- The local government can only receive TIF revenues for the period required to pay the costs of the improvements.
- The increment area must be retired no more than 25 years after the adoption of the ordinance that created the increment area.

Impact on Property Taxes

Washington State limits taxing districts to a 1% increase annually on property taxes (outside of voter approved levies). Under TIF, the properties within an increment area are assessed the local property taxes for all local taxing districts based on the increase in assessed value after the increment area is created. The rates used are the current year's levy rates for each local taxing district. These taxes must be used to finance the improvements specified when the increment area was formed.

Generally, property taxes are assessed in the following manner:

- The previous year's total levy + 1% + new construction

With TIF, property taxes are assessed as follows:

- Previous year's levy+ 1% +new construction+(TIF assessed increase X levy rate / 1000)

The TIF portion of the property taxes is remitted to the local government that created the TIF. All other local taxing districts continue to receive the 1% increase to their previous year's levy, plus new construction.

Project Analysis

Before creating an increment area, the local government must complete a project analysis. The project analysis must include, but is not limited to:

- Objectives for the increment area,
- Duration of the increment area,
- Identification of all parcels to be included in the increment area,
- A description of the expected private development within the increment area, including a comparison of scenarios with and without the proposed public improvements,
- A description of the improvements, including costs and methods of financing,
- A discussion of how private development would not reasonably be expected to occur in the foreseeable future without these improvements,
- An assessment of property value in the increment area and the amount expected to be generated from the increased increment assessment,
- Job creation and private development expected from the project, and

- An assessment of any impacts and necessary mitigation to address impacts on affordable and low-income housing; the local business community; local school districts; and local fire service (an impact of 20% of assessed valuation in the fire district or an increase in level of service to the increment area requires a negotiated mitigation plan).

Other Requirements

Once a local government has compiled the required project analysis, it must also:

- Hold two public briefings exclusively on the project,
- Publish a notice in a local newspaper,
- Submit the project to the office of the Washington State Treasurer, and
- Give a certified copy of the ordinance or resolution (in the case of port districts) creating the increment area to the country treasurer, county assessor, and governing body of each local taxing district within the increment area.

A local government needs to consider these requirements and restrictions when looking at TIF as an option for encouraging economic development in their jurisdiction. Discuss your objectives and goals with your legal counsel when considering TIF

Rising housing prices drive jump in assessed property values, Assessor's Office says

Median residential home values increased by about 20 percent in Thurston County over the past year amid pandemic-related impacts, the Thurston County Assessor's Office reports.

Commercial real-estate struggled over the past 20 months while residential values saw significant growth, according to a news release from the Thurston County Assessor's Office. Whether this is a short-term market aberration, or a structural change remains to be seen, the release says.

"It's been a seller's market for the last year, with sale prices often exceeding list prices," the release says. "Low inventory and buyer urgency were key factors."

The Assessor's Office sets assessed property values used to calculate property tax bills, and those assessed values are based on market values. The news release was issued last week as Thurston County property owners were receiving their annual Official Valuation Change Notices, and startled and angry people took to social media to express fear that their valuation increases would boost their property tax bills beyond their ability to pay them.

The release sought to calm those fears.

Local taxing authorities set their own budgets and tax rates while the Assessor determines assessed values based on market rates. Taxing authorities include school districts, fire districts, cities, counties and others.

Levy rates remain the same for all property types. However, values determined by the Assessor affect the amount of property taxes an owner pays.

Since most residential property values have increased substantially, they will simply be taxed at a lower rate to bring in the revenues local governments and school districts need.

“Each property owner’s taxes are derived by dividing each taxing authority’s approved budget, and any voter approved measures, into the taxing authority’s total taxable value,” the release says. “As a result, a change in your assessed value generally has a minor effect on a given property’s taxes.”

In the news release, the Assessor’s Office attributed the rise in property values to work-from-home policies that have driven Pierce and King county purchasers south to Thurston and other more affordable markets.

The median value of a detached single-family home in Thurston County was $373,200 over the last year, according to the release, but values have continued to rise in the most recent data from real estate sources.

Redfin, a real-estate brokerage, indicates the median sale price for a Thurston County home was $460,000 in July, which is a 21.1% increase over the previous year. Another real estate listing website, realtor.com, shows a median sold price at $450,000 for July.

For comparison, King County’s median sale price increased by 18.2 percent to $791,972 in July and Pierce County’s median sale price grew by 19.4 percent to $505,000, according to Redfin.

The median sale price in Olympia reached $475,000 in July, which is up 11.8 percent compared to last year, according to Redfin. Meanwhile, Lacey’s median sale price was $469,542 in July which is 24.7% higher than the previous year.

In Tumwater, Redfin’s data show a median sale price of $450,000 in July, 20.7 percent higher than last year. Elsewhere, the median sale price increased by 16.3 percent to $418,000 in Yelm and by 23.6 percent to $457,500 in Rochester.

The median sale price for Rainier increased by 21 percent to $412,500, according to Redfin. Notably, Tenino’s median sale price increased by just 2.1 percent to $382,750, the data show.

Though residential values have risen, other sectors of the real estate market were affected differently in the past 20 months.

Commercial real estate values increased by just 1.3 percent due to repeated COVID-19-related shutdowns, according to the release. Meanwhile, apartment values grew just 1 percent — a modest increase given this sector’s strength the previous year, the release reads.

Values in the retail and restaurant sector changed depending on size. Smaller and independent uses lost some value while larger and franchised uses modestly grew by 5 to 7 percent, per the release.

At the same time, the release says warehouse and industrial uses slowed to 1 percent growth following strong showings in the last several years. Values for vacant land and office or medical uses remained relatively flat or saw slight increases, per the release.

DON’T AGREE WITH YOUR PROPERTY ASSESSMENT?

You can contact the Assessor’s Office at 360-867-2200, ValueInquiry@co.thurston.wa.us or visit the office at 2000 Lakeridge Drive SW, Building 1, from 8 a.m. to 5 p.m. weekdays if you believe any property characteristics are incorrect.

Otherwise, you can file an appeal of your assessment with the county Board of Equalization by Oct. 22, 2021. For more information on the appeal process, go to www.thurstoncountywa.gov/boe

WISCONSIN

Beaver Dam to settle Walmart 'dark store' property tax lawsuits

The city of Beaver Dam will settle with Walmart in several court cases under the "dark store loophole."

Beaver Dam will settle lawsuits from Walmart after getting caught in the “dark store loophole.”

The Common Council approved the settlement agreements Monday. Walmart filed multiple cases against the city in 2019 and this year to lower the property value on its store and distribution center, which would lower its property taxes. Big box corporations have taken such legal action across the state, sometimes reaching settlements with municipalities and sometimes failing in court.

The settlement approved Monday will not affect the store. The distribution center value will lower and issue a refund of about $112,000. All the lawsuits will be dismissed.

Director of Administration Zak Bloom said Tuesday the city will issue the full refund to Walmart upfront and then charge back the other taxing jurisdictions – which are the county, the school district and the technical college – for their shares in a process through the state Department of Revenue. The city’s share is roughly $45,000. The process will take some time to allow the other entities to budget for the change.

Attorney Ted Waskowski, part of the negotiations for the city, said his thinking was driven by the valuation of distributions centers in Tomah and Menomonie. He said the settlement was a good accomplishment on the numbers.

Waskowski also said it will leave Beaver Dam’s city attorney without any litigation to handle. City Attorney Maryann Schacht has announced she will retire around the end of the year.

A trial was scheduled in the 2019 cases for October.

Municipalities across Wisconsin have faced the issue of the so-called “dark store loophole,” where corporations seek to have their properties values as though they were empty, which would lower their property values and the taxes they pay to support city services while shifting more burden onto other taxpayers. Wisconsin communities, Beaver Dam included, have officially opposed such tactics and have urged the state legislature to close the loophole, which it has not.

At a glance: property taxes in Wisconsin

How is the value of property assessed for tax purposes?

Assessors at the county and local level assess all real and personal property as of the close of January 1 of each year. The Department of Revenue has a duty to attempt to true up these assessments periodically to an amount within 10 per cent of fair market value.

All property is taxable and subject to tax unless exempted by statute. Common types of exempt property include state and municipal property, public and private school property, cemeteries, property used for abatement of air and water pollution, household furniture and furnishings, manufacturing machinery specific processing equipment, apparel and musical instruments for personal use, money, bonds and stocks, motor vehicles and aircraft, livestock, inventories and merchant’s stocks, and computers and electronic peripheral equipment.

State rate

What is the state property tax rate?

There is no state property tax rate. Rates are based on the revenue needs of local taxing authorities such as counties, municipalities, local school districts and technical colleges, and sanitary or other districts.

Local rates

What is the range of local property tax rates levied in your state?

Property tax rates are often expressed in mills (dollars per $1,000 of value). According to the Wisconsin Department of Revenue, the state-wide average net tax rate, which is calculated on taxes after subtracting the $940 million school levies property tax credit, was 18.38 mills for the 2019–2020 property tax year. This rate was calculated based on the total equalized value of taxable property in the state, which was approximately $580.9 billion.

The base is the value of all taxable property in the district. The clerk calculates the rate after the governing body of the town, village, or city determines how much money must be raised from the property tax. In Wisconsin, the town, village, or city treasurer collects property taxes for the municipality, the school, the county, and the state. The assessor of each taxation district determines the assessed value of all taxable property, with the exception of manufacturing property. The Wisconsin Department of Revenue (DOR) annually assesses all manufacturing property in the state. The assessor is appointed or elected at the local level.

Exemptions and deductions

What exemptions and deductions are available?

Exempt property generally includes most personal property (i.e., household furniture and furnishings, machinery and equipment used in manufacturing, computer equipment, property of the state and local municipalities, public and private schools and colleges, certain low-income housing facilities, retirement homes, certain military organizations, cemeteries, churches and other religious, educational or benevolent associations). Special provisions apply for managed forest lands.

Filing requirements

What filing requirements and procedures apply?

Initial payments are made to local treasurers (or if later in the year, to the county treasurer). Municipalities turn a sizable portion over to other governmental units (school, county). State law requires a municipality to mail the property tax bill to the taxpayer or the taxpayer's designee. If the tax bill is mailed to the taxpayer's designee, the designee must provide the taxpayer with a copy of the bill. The tax bills are usually mailed in December.

An owner of exempt personal property is generally not required to report the value of such property to local officials or the state other than the filings required by manufactures to apply for assessment as manufacturers by the Department of Revenue.

Transferors of real property are required to electronically file transfer returns.

Real estate transfer tax

How is the transfer of real estate taxed in your state (including tax base, rates, exemptions, and filing formalities)?

Wisconsin taxes any non-exempt transfer of real estate at a 0.3 per cent rate, which is imposed on the grantor. Prior to the conveyance being recorded, this tax must be paid, and a transfer return must be filed electronically with the Wisconsin Department of Revenue.

Revaluation notices going out Friday to Eau Claire property owners

Homeowners, businesses and landlords are soon to receive notices of how much their property values have changed following recent rises in home prices and COVID-19 hurting demand for offices.

About 25,000 assessment notices are going in the mail today, alerting property owners to the new values the city will use to calculate how much they must pay in taxes.

“The goal is all property be assessed at fair market value,” Finance Director Jay Winzenz said.

Required by state law to determine everyone’s “fair share” for local property taxes, revaluations are done every few years to bring the city’s assessed value closer to how much land and buildings would sell for on the open market.

The city’s process began last fall and ended recently, using sales records, visual observations, building permits, on-site visits and other evidence to determine the value for homes and businesses in Eau Claire.

Eau Claire does revaluations every three to five years — depending on the volatility of the real estate market, city Assessor Heidi Ender said. The city’s previous revaluation was done in 2018.

This time there was an average 18% increase in assessed value among residential, commercial and certain kinds of business-related equipment subject to taxes. (Industrial properties such as factories are assessed by the state government, separate from the city’s process.)

Fueled by a hot market in recent years, houses rose in value by 23% on average, according to Ender.

“What we found citywide is homes sold for significantly higher than they did several years ago,” she said.

Apartment buildings also appreciated in value above the overall city average, she added.

Meanwhile, office buildings didn’t have the same value growth because demand for them diminished during the COVID-19 pandemic as more people worked from home.

The newly established value of properties in Eau Claire will be used in tax bills that will be sent out in December and due for payment in 2022.

Taxing misconception

Winzenz and Ender spoke via videoconference Thursday morning with the Leader-Telegram to address common myths that circulate when a revaluation happens.

The main misconception people have is that their property taxes will rise by the same percentage that their assessment did.

"Just because your property value goes up doesn't necessarily mean your property tax bill is going up correspondingly," Winzenz said.

The property tax levy — the total amount the city can collect for government services and projects — is subject to state limits and city policies on borrowing.

And local tax levy increases have been far smaller than the degree that property values have been rising. For example, the city's tax levy increased by only about 2% in the 2021 budget.

The tax revenue limits remain in place for the city's upcoming budget talks, which will take place this fall and determine the 2022 property tax levy.

"This isn't being done as an additional revenue source for the city," Winzenz said of the revaluation. "It's being done to ensure equity between different types and classes of property within the city of Eau Claire to make sure they're paying their fair share."

And for homes that grew in value less than the 23% average for residential property, their owners will likely see those property tax bills decline, he said.

How it works

Home sales from 2019 and 2020 were the most important piece of the revaluation, as those prices were used to model how comparable houses that are not on the market would be valued, Ender said.

The revaluation process also involves looking at each property from the street to see if any significant changes to the buildings can be spotted from an exterior look at them. Starting last fall, every assessor in Ender's office spent time driving by properties to see if they appeared to change when compared to records from the last revaluation three years ago.

Assessors also will follow up on building permits to see if homeowners did any major renovation projects like finishing a basement that would boost their property's value.

In typical years, assessors also like to get a quick look inside recently sold homes with owners' consent after its sold to verify information about its interior.

But during the COVID-19 pandemic, those quick tours have been substituted with information found on real estate websites, questionnaires sent to the new homeowners, photos submitted by them and even a few virtual tours inside of those homes.

For commercial properties open to the public, the assessors did go inside of them to look for changes in them that would impact their values.

Challenging assessments

For those seeking to correct an error or contest their assessment, there are opportunities to do so.

Open book hearings — informal meetings with assessors — are available from Tuesday through Friday, Sept. 10 and on Sept. 13. Property owners are asked to email or call ahead to schedule an appointment.

If an owner still disagrees with their property's value following that, they can take their challenge to the formal Board of Review on Oct. 4.

Property owners are advised to review the assessment notices they will soon receive to verify information in them, such as room counts, is correct. Any errors discovered should be brought to the attention of assessors at this month's open book hearings.

For those who want to contest the amount their property is assessed at, Winzenz said records of a recent sale of the property is the strongest evidence to argue for a change. Beyond that, recent sales of comparable homes in the same neighborhood also would be good to have to argue for a valuation change. Appraisals can also be submitted, he said, but don't hold as much weight as recent sales information.

For the upcoming open book meetings, Ender is anticipating between 100 and 150 calls from property owners, based on her previous experience.