IPTI Xtracts

Property Tax and Assessment News from Around the World

UNITED STATES – January 2022

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FLORIDA

Legislation to discount property tax bills for essential workers advances

Estimates show select essential workers would see property tax bills drop up to $540 per household.

Teachers, first responders, military members and others would all get another $50,000 property tax exemption under a proposal that drew unanimous committee support Tuesday.

The Senate Community Affairs Committee gave a thumbs-up to the legislation (SJR 1746) that could mean voters would be asked in November to approve an amendment to the state constitution that would mean a lower tax bill for about half a million people — or 4% of the state's workforce. Identical legislation (HJR 1) has been filed in the House but has yet to see committee action.

The bill affects teachers, law enforcement officers, correctional officers, firefighters, child welfare service professionals, active-duty members of the U.S. Armed Forces and members of the Florida National Guard.

"This will be a big, big impact in our communities for those that were really our first responders and those that we have seen have such a great impact in our communities," said Republican Sen. Jason Brodeur of Lake Mary, the bill's sponsor. "This is also an attempt to make housing more affordable for those folks."

Local property tax collections would drop an estimated $80 million, Brodeur said. He reminded the committee, though, that home values have skyrocketed, so these taxing entities have been collecting more property taxes lately.

"Home values have almost doubled, so their revenues have gone up significantly," Brodeur said.

The measure is estimated to save a maximum of $540 in taxes per qualifying household.

Chris Doolin, representing the Small County Coalition of Florida, had another take on the proposal, however.

"Bottom line, they are poor," he said of the smaller counties. "The ones that can generate the least (in tax revenues) are forced to be at the highest" tax rates.

Right now, many Florida residents are exempt from paying most property taxes on the first $50,000 of a home's value if it is a permanent residence and not a rental or commercial property. Other exemptions have been given to disabled elderly veterans and their widows, along with disabled first responders and their widows.

Lobbyist Edward Labrador of the Florida Association of Counties said he'll be in line for the new tax break because his wife is a teacher, but he would rather not get the discount.

"This is not a tax reduction — this is a tax increase," he said. "What you're doing is taking $83 million and shifting it to those who are owners of businesses, those who rent. You are shifting to those individuals who work in our community day in, day out and are not within these classes... You are making a choice and saying they are not deserving."

Democratic Sen. Gary Farmer said he would like to see more data — and a more comprehensive approach to rewarding essential workers.

"If the counties have less money, there's going to be something that gets underfunded ... that doesn't get done," he said. But he added, "We certainly want to help people who are underpaid, who stand in harm's way on a regular basis."

ILLINOIS

A property tax time bomb is ticking away in Chicago

Chicagoans will soon be on the hook for significantly higher property taxes.

Two years ago, Mayor Lori Lightfoot oversaw the passage of a city ordinance that left residents with guaranteed annual property tax increases. By continuing the tradition of not blocking Chicago Public Schools from increasing taxes to its levy limit and going back on her promise to not use annual tax increment financing surpluses to offset TIF-generated property tax increases, the mayor has all but guaranteed an increase in property taxes by some $1 billion over the next four years.

Because the members of the City Council are not in the undesirable political position of having to vote in favor of any of these increases over objections from voters, there is zero accountability to the residents they were elected to serve.

Unfortunately, even this massive increase likely will fall far short of what is needed to cover the budget hole created by Lightfoot's 60% ramp-up in city spending the past two years alone, without anything close to a permanent corresponding increase in city revenue.

The mayor has exhausted all but $150 million of the $3.1 billion COVID-19 relief from the federal government. This includes $1.8 billion in new COVID-19 funding from the Biden administration, 95% of which the mayor used to cover non-pandemic-related deferred obligations from her first two budgets and to finance new social programs intended to appease her progressive critics.

Consider that, despite the federal government lavishing nearly $6 billion on Chicago and its schools, collective property taxes increased by at least $562 million during the same period that CPS campuses were effectively closed for 12 consecutive months. This includes the mayor-controlled school board raising taxes and the mayor-controlled TIF program driving up property taxes.

It's important to realize that TIFs are nothing more than backdoor property tax increases that have been skillfully marketed as "investments." Yet Chicagoans are left in the dark about how those "investments," with taxpayers footing the bill via property taxes, have panned out.

When property tax revenue is diverted through TIFs, the city and its schools do not lose money because tax rates simply rise to meet their levy requests. Over the past two decades, TIFs have contributed to nearly $1 billion in higher annual property taxes. Over the past two years alone, the mayor could have offset the $147 million TIF-generated tax increase by using only a portion of the over $600 million in TIF surplus money. Instead, she elected to spend it all.

The massive property tax increase that's coming won't even spare the mayor's new progressive programs, let alone enable her to fill the growing number of vacancies on the Chicago Police Department. Chicago taxpayers already pay the highest property taxes among all but two Midwestern cities and the highest among large cities. While other large cities offset lower property tax revenue with high sales taxes, Chicagoans also pay the nation's highest sales taxes.

What are we getting for all these taxes? Certainly not safe streets or exceptional public schools.

But you can count on Lightfoot to demand the City Council's approval of property tax hikes that exceed the automatic $1 billion increase. Expect that demand to rival then-Mayor Rahm Emanuel's $600 million postelection "surprise" in 2015. She's left herself no other option.

These looming property tax hikes are the direct result of the absence of responsible budget-making at City Hall in addition to the lack of regard for long-term financial planning or real budgetary contingencies — problems that have been decades in the making, thanks to the current mayor's reckless spending choices, which have made an acute situation even more dire.

I offer recommendations for responsible budgeting and long-term financial planning in the hopes that these common-sense solutions gain traction.

Enacting such measures represents the city's only chance to defuse the property tax time bomb that's ticking away.

Paul Vallas served as budget director for the city of Chicago and as the CEO of Chicago Public Schools.

MICHIGAN

Detroit property values climb 30%, marking fifth straight year of growth, officials say

Residential property values in the city climbed an average of 31% last year, marking the fifth straight year of growth, Mayor Mike Duggan announced Tuesday.

Officials said the figures are based on a review of the last two years of housing market sales. In comparison, Detroit's values rose 8% per neighborhood from 2020 to 2021.

Duggan said Tuesday that property taxes citywide are expected to go up 3%, "as long as you maintain your house." Over the past two weeks, 399,087 assessment notices were mailed out to homeowners.

While property values have steadily increased in the city, Duggan said homeowners are protected against large property tax increases because of a voter-approved constitutional change in the 1990s. Under state law, the annual increase in property taxes is capped at the consumer price index or 5%, whichever is lower. Those taxes get uncapped when ownership changes and are adjusted to the state equalized value the year following the sales transfer.

The mayor said 203 out of 208 neighborhoods saw values rise and the city will be mailing out notices of proposed assessment changes this week. The majority — or 91 neighborhoods — saw a 30% to 49% boost. Another 85 neighborhoods saw values increase 10% to 29%; 21 others had values soar more than 50%, he said.

Five neighborhoods lost value, but none greater than 6%, according to the city's calculations. The city assessor's office could not comment Tuesday night on the metrics used to compute the assessments or detail which five neighborhoods lost value. An area that lost value is near where the Gordie Howe International Bridge is being built, Duggan said.

“This steady rise in property value is a reflection of ongoing improvements in neighborhoods such as blight removal, park improvements, commercial corridor upgrades and other key city services,” Duggan said during the announcement at Detroit Public Safety Headquarters.

“Home values in nearly every neighborhood are rising and helping to build new wealth, without significant tax increases. These numbers show that while there is still a lot of work to do, the city’s revitalization has reached nearly every corner of our city.”

The Morningside community on the city's east side experienced a 25% increase in property value, while Pulaski in southwest Detroit and Green Acers in northwest Detroit climbed 26%, the mayor said. Warrendale on the far west side rose 27%, Russell Woods jumped 36%, Grandmont increased 47% and East English Village soared 63%, he added.

To determine the assessments, the city examined market sales between April 1, 2019, and March 31, 2021, including more than 60,000 transfers. Of those, 14,200 met the definition of market value and were used to determine the 2021 assessment.

Detroit Assessor Alvin Horhn on Tuesday noted the metrics used to compute the assessment follow the State of Michigan, the Appraisal Institute, the International Association of Assessing Officers, which adopted the standards, including "the most probable price, not the highest or lowest average, buyer and seller are typically motivated, a reasonable time is allowed for exposure to the market, requires an arm length transaction in the open market, a willing buyer and a willing seller with neither taking advantage of the other."

The mayor's announcement came three days after Detroit City Council President Mary Sheffield hosted a community forum to gather feedback for a compensation ordinance she hopes to draft to address hundreds of millions in overassessments in past years.

Detroit Mayor Mike Duggan said during a Tuesday press conference the notion that Detroiter's are being overtaxed is false. "You can see from this that it's absolute nonsense," he said pointing to the graph.

Advocates have escalated calls for state and city leaders to investigate the ongoing "inaccuracy" and "inequity" in property tax assessments in Detroit since a January 2020 investigation by The Detroit News found the city failed to accurately bring down property values in the years following the Great Recession. As a result, Detroit overtaxed homeowners by at least $600 million over a six-year period, according to a Detroit News investigation.

Duggan has said the gap between home prices and assessments was largely closed in 2014 when he took office. At that time, he has said, the city's residential values were in a tailspin and lost an estimated $3 billion in value since 2010.

To aid struggling homeowners, the mayor has noted he implemented a 22% cut in assessments his first month in office and further reductions in 2015.

"We've had to listen to nonsense recently that says Detroiters are being overtaxed today. You can see from this, that is just nonsense," Duggan said in response to critics of the city's assessment practices. "The truth is there was a time way back ... but today, our taxable value is way below the market value. The only way you're likely able to be overassessed today is if you bought your house in the last year."

In response to Sheffield's Saturday forum, Horhn said the city has spent millions of dollars modernizing its assessment process, and new assessments have been reviewed and approved by the State Tax Commission.

"No one is being overtaxed," Horhn added Tuesday. But he stressed: "We encourage taxpayers to take advantage of their rights to appeal property taxes."

Duggan's announcement Tuesday contained some "very troubling mistruths," said law professor Bernadette Atuahene, a member of the Coalition for Property Tax Justice, which focuses on researching overtaxation in Detroit

"Based on the data we have from prior years, we still have a situation here in Detroit where the lowest value homes are being illegally assessed," said Athuahene, adding the group will conduct a study based on the city's new data. "Averages look good, but that's because the higher values are being under-assessed and the lower values are being overassessed."

In November 2020, the council narrowly rejected a proposal by Duggan's administration that would have given residents potentially overtaxed before 2014 a priority in affordable housing, home-buying discounts and job opportunities.

Duggan said he and Sheffield talked Monday about past overassessments. He said he's confident the administration and the council will "reach a solution that will work for everybody."

Next week, the city will begin its tax review process.

"We will sit down with you, explain the process and explain any questions you have," Horhn said.

Since 2018, the value of residential properties in the city has increased 60% overall, Duggan noted Tuesday. Detroit's residential property values now stand at $4.8 billion, an increase from a 2017 low of $2.8 billion, the city said.

“This strong property value growth provides greater stability, not only in our neighborhoods but also for the city’s economy and revenues,” said Detroit's Chief Financial Officer Jay Rising.

Russell Woods Sullivan Area Association President Melvin Chuney said he's pleased to have stuck around in the same neighborhood because his home value has skyrocketed with neighborhood improvements.

"The development is just crucial around these neighborhoods," said Chuney, a retired Detroit police officer who purchased one of 1,100 homes in Russell Woods in 2013. "... I thank God to be here and to see this turnaround."

Homeowners are able to appeal the proposed changes over the next three weeks.

The city has extended the assessor review through Feb. 22 and the appeal process will take place remotely online, by letters, or email at assessorreview@detroitmi.cov or online at detroitmi.gov/aborappeal/2022.

When challenging, residents should provide photos of the interior and exterior of their property, officials said.

NEBRASKA

Future of Nebraska casinos waiting on governor's approval, millions in property tax relief expected

The push for casinos in Nebraska has continued into the new year, and 10/11 spoke with representatives from the Nebraska Horsemen organization on where those plans currently stand.

The 678 rules have officially been passed by the Racing and Gaming Commission in December 2021. Those rules are now waiting to be approved by the Attorney General and Governor's office, but Nebraska Horsemen Chief Executive Officer, Lynne McNally expects this to happen sooner than later.

She said Lincoln is expected to receive about $3.5 million a year from their race track after the gaming license is approved and Omaha $7 million a year.

"I don't think that the governor is going to take an extraordinarily long time to approve them. I think he recognizes and understands that when he approves them, all six facilities will be able to return money to the state of Nebraska in the form of property tax relief," McNally said.

On top of the revenue expected from the casinos, the property tax relief fund is expected to receive about $100 million a year.

Even though the timeline is unknown, that hasn't stopped the blueprint for Lincoln's Warhorse Casino.

Construction can't officially begin until the governor's final approval, but right now they're finishing renovation plans, completing drawings and improving roads, including the addition of a roundabout in Lincoln.

Even though construction for the full casino will take roughly 20 months, Lincoln residents will still reap the benefits after the license is approved.

"The day that we receive our gaming license we will be open for a transitional facility," McNally said, "I would say within four to five months you would be able to play a slot machine after that five months time and construction will be going on for the full facility during that time."

As of January 2022 there is no approval to build brand new casinos. These plans are all within the current six licensed race tracks in the state, which will be the ones eligible for the gaming license.

NEW YORK

NYC Property Taxes To Rise After City Hikes Real Estate Valuations

The New York City Department of Finance's assessments of property values jumped from last fiscal year, driving up landlords' obligations as the city's tax rate remains unchanged.

The total market value of New York City property went up by 8.2% for the fiscal year 2023 to reach $1.4T, Crain's New York Business reports. That marks a 2.1% increase from the pre-pandemic fiscal year of 2021.

Specifically, the market value for Class 2 properties, which includes rental apartments, jumped 8.2% from the fiscal year 2022, though it remains 0.2% lower than pre-pandemic. Class 4 properties, which included office, retail and hotels, saw assessments jump 11.7% year-over-year, though they are still 7.7% lower than pre-pandemic levels.

Even as assessments were slashed last year by more than 20% in some cases, property owners said at the time the reductions weren't enough relief and that they would fight the city with greater force than ever before.

“Jacking up the property taxes for affordable apartment buildings in low-income neighborhoods is immoral. We need to be providing the people in these communities more help, not more costs that will lead to higher rents or worse housing,” Small Property Owners of New York President Ann Korchak said in a statement regarding the assessments. “Mayor Eric Adams needs to clean up this mess that de Blasio left him.”

Landlord group the Community Housing Improvement Program said that before the pandemic, around 30% of a stabilized building’s rent collection would be spent on property taxes. In 2020, CHIP said that proportion increased to 40%.

The group said some members are reporting assessment jumps of more than 40%. Rents are also increasing across the city. In December, median rent went up 21% year-over-year to reach almost $3,200 in Manhattan.

Niagara Falls takes another step toward citywide reassessment

The Niagara Falls City Council voted 4-1 Wednesday to seek bids from companies to help the city reassess all property.

That hasn't been done since 2006, when public anger aborted a revaluation plan.

Since then, Niagara Falls' assessed property valuations have sunk to 67% of their true market value, according to the state Office of Real Property Services.

"We have not had the political will, the guts, to do something," Council Chairman John K. Spanbauer said. He said homes in the city's most desirable areas are underassessed, while those in run-down neighborhoods are overassessed.

"Reassessment is inevitable," new Councilman Donta Myles said. He voted yes although he said current property values are "inflated." He suggested the city wait to carry out the plan until the market cools down.

New Councilman David Zajac voted no, saying he wants more information on the issue.

A lame-duck Council voted last month to start the reassessment process. The appraisal firm will be paid with American Rescue Plan money.

New York City Property Tax Blueprint an Incomplete Solution

Highlights

- The New York City Advisory Commission on Property Tax Reform issued a report on modernizing and simplifying the city's property tax system, but without discussing implementation.
- Although the Blueprint is aimed at reducing tax rates, improper implementation likely would decrease the value of most residential real estate, while increasing real property taxes.

- The Blueprint also opens the door to substantial tax increases without regard to impact on owners of owner-occupied housing and less-than-wealthy homeowners.

Former New York City Mayor Bill de Blasio's Advisory Commission on Property Tax Reform (the Commission) issued a report on Dec. 28, 2021, titled "The Road to Reform: A Blueprint for Modernizing and Simplifying New York City's Property Tax System" (the Blueprint). Notably, however, the proposal fails to discuss implementation which, if handled improperly, would reduce the value of all but the least expensive housing.

Although the Blueprint contains 66 pages of charts and statistics, the bottom line is that the real property taxes owed by owners of residential real estate, including the owners of co-ops, condos and 1-3 family homes valued at more than a moderate amount will likely increase significantly, even though changing the system would result in the tax rate being reduced. The claim is that enacting the Blueprint will result in the New York City Department of Finance (DOF) initially collecting the same amount of money from all homeowners as they would under the old system, but will quickly change as the assessments increase. However, the Blueprint ignores the impossibility of effectuating the plan and provides City Hall the ability to substantially increase the taxes it collects without regard to the impact it would have on owner-occupied housing and less-than-wealthy homeowners or on the cost and time to properly implement the new system.

The following three quotes from the Blueprint demonstrate the goal of the change and sum up all 66 pages:

> There is considerable evidence that this [the current rent system] has resulted in the undervaluation of coop properties relative to sales-based market value, in part because (depending on the age and location of the coop building being valued) comparable buildings may fall under rent stabilization laws and regulations that constrain rental income. – Page 21
>
> Table 6 below shows that, as with coop units, DOF value generally captures only a portion of the sales-based market value of condo parcels … Again, like with coop units, DOF values capture a decreasing share of the sales-based market value of a condo unit as sales-based market value increases, as shown in Table 7. – Page 23
>
> However, when using a common valuation method across all property types, that being sales-based market values, class 1 represents 24 percent of value. Coop and condo buildings' market value shares go from 9 percent in DOF value to 22 percent. These buildings currently account for 15 percent of taxes paid. – Page 27

Attempting to Utilize Fair Market Value

The Blueprint proposes a system in which all residential property would be assessed at its fair market value, which would increase the assessments substantially, but result in a lower tax rate. Although that seems like a reasonable solution to the flaws in the current system, the problem is its implementation. A system based on fair market value would enable the city to raise significantly more taxes from every owner of more than moderately priced homes, which is not possible under the current system.

Moreover, it is not just co-ops and condos that would have their taxes increased significantly, but expensive 1-3 family homes would also be adversely affected as a result of the elimination of their assessment cap. All residential property would be taxed at fair market value, so 1-3 family homes would also increase once the 6 percent cap is removed.

The big question that the Blueprint leaves unaddressed is, what method would the assessors utilize in determining the fair market value of co-op apartments and condo units and therefore the taxes paid by co-op and condo owners? There are three approaches. The first is aggregating the fair market value of all the units/apartments in the building. Second is preparing an appraisal of the building based on what it would be worth if it were sold currently, regardless of whether it is a co-op or condo. The problem with the first approach is it would mean that the owners of an unimproved one-bedroom apartment on the second floor of the building would have their taxes increased when the penthouse is sold for an astronomical price, because the increased tax on the building would be allocated to each apartment or unit based on the pro rata share of the shares or common interests allocated to the unit.

It is important to note that neither the co-op shares per apartment nor the condo percentage interests per unit are based on value, but usually on comparable size and location in the building. Accordingly, the new system would hurt anyone owning a unit worth less than the most expensive unit in the building. Similarly, if the assessment is based on the aggregate value of the building (the second approach), the same problem results.

The third alternative would require that each apartment be assessed separately, which is the way assessments work in the rest of the country, but would necessitate New York City being prepared to assess 750,000 units of co-op and condo housing – a herculean task that would require an army of assessors working for a decade. It would also necessitate every co-op apartment in New York City obtaining a separate block and lot number, as well as amending the organizational documents to deal with the responsibility for real estate tax payments and relative priority of liens. Although that would be the only fair way to utilize a system based on fair market value so that no one would be hurt by the condition of someone else's apartment, it is unlikely that City Hall would undertake such an effort. It is also the only way that improved apartments would not impact the unimproved apartments. Unfortunately, based on the manner in which these things are frequently handled, the legislature would enact the law and leave it to the understaffed DOF to implement without any guidance.

Of course, all of the owners would be impacted as city- and state-mandated improvements are made because the value of the units would be affected, which creates an incentive for increased government mandates. A system based on fair market value is fair in principle, but unattainable because the value of every unit is different. And unless New York City is prepared to assess every unit, the system will never be fair. The result would be going from a system where many units are separately under-assessed to a system where many units would be over-assessed, which will create a hardship and make homes unaffordable but provide New York City more revenue.

A Question of How

Ultimately, the Blueprint ignores the biggest hurdle: how to implement a system that is fair to all of New York City's homeowners. This has never been simple, which is why the temporary co-op and condo abatement has been in place for 25 years. Advocating the utilization of fair market value has always been the goal, but the question is how to allocate the resulting taxes. The Blueprint dealt with the problem by ignoring it in its list of 10 final recommendations in the Blueprint:

1. Create a new expanded residential class, consisting of 1-3 family homes, co-ops, condominiums and 4-10 unit rental buildings. The property tax system would continue to consist of four classes of property: residential, large rentals, utilities and commercial.
2. Use a sales-based methodology to value all properties in the new residential class.
3. End fractional assessments for all property types. Each property would be assessed at its full market value. This will result in an increase in the taxable base, and the tax rate required to generate the same level of revenue will decrease.

4. Eliminate current assessed value growth caps for the new residential class and instituting a five-year transitional treatment for market value growth, whereby year-over-year changes in market values are phased-in over five years at 20 percent per year.
5. Create a partial homestead exemption for primary resident owners in the new residential class. This exemption should be either a flat rate or a graduated marginal rate exemption for primary resident owners with incomes up to $500,000, with a phase-out of the benefit for owners with incomes exceeding $375,000. The Commission recommends retaining all existing personal exemption programs and eliminating the current co-op and condo abatement, since recommendations 1-4 negate the need for an abatement to address inequities between 1-3 family homes and co-ops and condos.
6. Create a circuit breaker, based on the ratio of property tax to income, in order to reduce the property tax burden on primary resident owners. The circuit breaker should be for primary resident owners with a ratio of tax paid to income exceeding 10 percent and incomes below $90,550, with the benefit phasing out for incomes exceeding $58,000. The benefit amount would be capped at $10,000.
7. Eliminate the current class share system and replacing it with a system that freezes relative tax rates for five-year periods. Under the new system, while the Mayor and the City Council can adjust tax rates, the tax rates for all classes may only be altered on a proportional basis within each five-year period. There would no longer be changes in tax rates driven by market value shares, as under the current system. Every five years, the City would conduct a mandated study to analyze whether adjustments are needed in order to maintain consistency in the share of taxes relative to the fair market value borne by each tax class.
8. For properties not in the new residential class (rental buildings with more than 10 units, commercial parcels and utilities), current valuation methods should be maintained. There will be separate tax classes for rental buildings with more than 10 units, commercial parcels, and utilities. As noted in Recommendation 3, the Commission recommends removing fractional assessments for all these tax classes.
9. For the new residential class, phase-in to the new system should occur over five years. When a property transfers during the five-year transition period, it will be fully phased into the new system the fiscal year after the transfer.
10. The City should institute a mandatory comprehensive review of the property tax system every 10 years.

Conclusions and Considerations

Of course, this is just a Blueprint, which should require that the New York State Legislature study the proposal and determine whether and how to implement it. If and when the legislature does act, many stakeholders hope that lawmakers will also consider what the impact would be on the residents of New York City whose property taxes are going to increase dramatically and not rush to implement such a system because it can ultimately raise more money. With New York's population loss greater than that of any other state, the focus instead should be on how to entice people to continue living there and persuade residents of other states to move to New York City and the state. The primary reason New York has to constantly raise taxes and other revenue measures is due to the exodus of taxpaying New Yorkers, which of course places a larger tax burden on those choosing to stay.

DiNapoli: City Property Tax Assessments Show Return to Pre-Pandemic Levels Ahead of Schedule

January 18, 2022

New York State Comptroller Thomas P. DiNapoli today released the following statement on New York City's property tax assessments:

"The release of New York City's tentative property assessment roll suggests a bright spot for New York City's finances entering fiscal year (FY) 2023, amid uncertainty in the city's economic recovery and its impact on city property taxes, the largest source of city revenues.

"Commercial and industrial properties' (Class IV) market values, the largest component of which are office buildings, are expected to increase by 11.7% in FY 2023, reaching levels just short of the peak in FY 2021. Multi-family residential (Class II) market value growth also exceeded 8%, allowing the city's total overall market values to grow by nearly 8.2% and exceed pre-pandemic levels.

"The city currently projects growth of 2.6% in property taxes in FY 2023. Given the tentative increase to taxable assessed values of more than 8%, city revenues are likely to experience improvement upward when they are updated in the Mayor's preliminary budget plan, due by mid-February.

"City officials can leverage this improvement in its revenue picture to focus on boosting reserves to guard against economic and fiscal uncertainties."

S.I. delegation urges Gov. Hochul to 'take immediate action' on NYC property tax reform

Staten Island's bipartisan delegation penned a letter to Gov. Kathy Hochul and leaders of the state's legislature Monday that called for property tax reforms that would lessen the financial burden on residents struggling amid the coronavirus (COVID-19) pandemic.

The letter was signed by Assemblyman Michael Cusick (D-Mid-Island), Assemblyman Charles Fall (D-North Shore), Assemblyman Mike Reilly (R-South Shore), Assemblyman Michael Tannousis (R-East Shore/Brooklyn), State Sen. Diane Savino (D-North Shore/Brooklyn) and State Sen. Andrew Lanza (R-South Shore).

"As we begin the 2022 legislative session, we are writing on behalf of the residents of Staten Island and the rest of New York City urging you to take immediate action to address concerns regarding property taxes in New York City," the letter reads. "As the city begins its economic recovery from the COVID pandemic it is vital that we implement much needed property tax reform to lessen the financial burdens on our residents."

Late last month, the New York City Advisory Commission on Property Tax Reform released a report detailing methods to alleviate inequities in the local property tax system, the Advance/SILive.com reported. The commission suggested, among other recommendations, to make a new tax class for small residential properties — one- to three-family homes, condominiums, cooperatives, and 4-to-10 unit rental buildings.

"North Shore residents and all Staten Islanders need property tax relief now. We need to implement solutions from the New York City Advisory Commission on Property Tax Reform to rid New Yorkers of the current outdated system," said Cusick.

The decades-old property tax system has served as a point of frustration for Staten Islanders, who have historically paid a higher rate for less expensive homes when compared to other parts of the city.

New construction, which is widespread on Staten Island, or a major change to existing construction prompts a value reassessment under the state's current property tax law. Meanwhile, new owners of long-standing properties in areas of the city that have been revitalized over the past 40 years reap the benefits of the outdated tax system.

The result: Newer but less-expensive homes in Staten Island neighborhoods like Richmond Valley can have higher property taxes than more expensive buildings in locations like Cobble Hill in Brooklyn.

"New York City property tax reform is long overdue. New Yorkers across the boroughs have been overburdened by the city and deserve immediate property tax relief," said Tannousis. "I'm looking forward to working with my colleagues in the state legislature to address this property tax issue and to prioritize the passing of bills that will pose viable solutions to this problem."

However, to institute the commission's proposals, city and state lawmakers will need to draft and pass legislation that effectively alters the system.

"North Shore residents and all Staten Islanders need property tax relief now," said Fall. "We need to implement solutions from the New York City Advisory Commission on Property Tax Reform to rid New Yorkers of the current outdated system. I look forward to working with my colleagues on this issue to provide relief to our constituents."

Legislators hope the commission's recommendations help guide the state's plans to address the longstanding issues that have plagued borough residents for years.

"The recommendations of the New York City Advisory Commission on Property Tax Reform serve as a roadmap for what is needed to achieve real, meaningful, and equitable property tax reform," said Reilly. "As we have done many times in the past, we are once again standing united as Staten Islanders to call on our legislative colleagues in Albany and demand that property tax reform be a priority of this legislative session."

The calls for change come at a particularly difficult time in New York City, as the COVID-19 pandemic has caused immense health and socioeconomic struggles. Property tax reform could serve as a form of much-needed relief, legislators said.

"Homeowners across my district have been dealing with the burden of an unfair tax system for a long time," noted Savino. "With the rising costs for everything from fuel to food, homeowners need relief from an unfair tax system."

In response to the letter, Avi Small, a spokesman for the governor's office, said, "Governor Hochul is committed to providing tax relief to families across New York and her first State of the State included proposals to deliver a $1 billion property tax rebate, accelerate $1.2 billion in middle class tax cuts, and provide $100 million of relief for small businesses."

"The Governor will work closely with members of the legislature to deliver relief to New Yorkers," added Small.

The bi-partisan support indicated by the letter, politicians said, is indicative of the urgent need to address issues surrounding property tax reform.

"Staten Islanders are in desperate need of property tax reform. Our Staten Island legislative delegation — Republican and Democrat alike — are united in our effort to secure the reforms needed to rebalance the antiquated system that has made living here unaffordable," said Lanza.

Property Tax Hot Potato Is Passed to a New Mayor

Yet another New York City mayor has left office without delivering on a campaign promise to reform the city's arcane and inequitable system of property taxation.

But in the final hours of his eight-year run as mayor, Bill de Blasio did, at least, pass the tax reform hot potato to his successor when the New York City Advisory Commission on Property Tax Reform released its final report. Entitled "The Road to Reform: A Blueprint for Modernizing and Simplifying New York City's Property Tax System," it recommends sweeping changes to the current system, with a particular emphasis on smaller residential properties — including cooperatives and condominiums — which are often cited as having the greatest inequalities.

Now we'll see how neophyte Mayor Eric Adams handles this decades-old hot potato.

The final report expands on the initial recommendations released by the commission on January 31, 2020, before its works was delayed by the coronavirus pandemic. It proposes making the system more equitable by adopting four reforms:

First, creating a new tax class for small residential property owners: co-ops, condos, one- to three-family home and rental buildings with 4-10 units, ensuring that rules are applied uniformly regardless of property type;

Second, valuing property in this new residential class based on sales-based market value, thereby ending the statutory requirement to value co-ops and condos based on comparable rental buildings;

Third, removing assessed value (AV) growth caps, widely recognized as one of the primary drivers of inequity since they resulted in lower tax bills for properties whose values had appreciated sharply; the shift to market-value assessments would be phased in over the course of five years;

And fourth, replacing the complicated class shares system with a simple, more transparent system where individual tax class rates are fixed for five-year periods, unless deliberately changed by the City Council and the mayor.

Commission member James Parrott notes that it's now up to city to sell the reforms to the state Legislature, which has the final say on tax reform. "While New York City's property tax system has resisted reform for forty years," Parrott says, "this comprehensive package of proposals offers a realistic path forward that addresses deep inequities and responds to the realities of vast differences in ability to pay. I urge the city's state legislators to champion these reforms in Albany and show all taxpayers that government works in their interests."

NY state must act to restore fairness with smart property-tax reform

The New York City Advisory Commission on Property Tax Reform released its final report last week, just before the de Blasio administration headed out the door. While we've been critical of this process for the more than five years we've pushed reforms, we have to admit: we are impressed.

The panel, jointly created by the mayor and City Council, has proposed some smart, substantive measures to make the system more equitable and transparent, along with safeguards and financial relief to ensure the changes do not cause undue harm.

The hard part is over. Now comes the really hard part: making it happen.

We are ready to do what it takes. But almost all these crucial changes must be made by the governor and Legislature.

Gov. Hochul's just-proposed $1 billion statewide property-tax rebate, mostly for low-income families and seniors, might be at least an implicit acknowledgment that the problem must be addressed. But those rebate checks won't unravel the convoluted mess that is our property-tax system. Albany must make real reform a priority in 2022.

This is the fifth op-ed we've penned on this in three years, and the case for comprehensive reform has only gotten stronger. New York is reeling from a pandemic that's wreaked havoc on our economy and our lives. Yet as most tax revenue dropped precipitously during the recent recession, property-tax bills continued to climb. In 2008, when income and property-transfer taxes hit a peak in Gotham, property taxes were 35 percent of city tax revenues. Now they account for close to half.

The problem is our city's property-tax system is fundamentally unfair and purposefully opaque. To determine the levy, the Department of Finance calculates the market value of all city real estate, takes a fraction of that number to establish the assessed value, then multiplies that by an average tax rate. A state law capping the yearly increase at 2% does not apply to New York City, which is why, in part, our levy has increased about 75% in a decade — more than four times the rate of inflation.

Another law requires that levy be divided proportionally among the four property-tax classes, which are each assessed and taxed at different rates, with various exemptions. And the proportion — or "class share" — changes with each year's budget, making next year's taxes impossible to predict.

Common sense dictates that homes with the same market value in the same property class should have the same property-tax bill. That's far from the case. One big reason is another state law capping the amount single property assessments can increase at 6% each year, or 20% over five years.

In theory, this should protect homeowners from rapidly rising taxes. In practice, it has artificially reduced the tax bills of high-priced homes in hot real estate markets, while the tax bills for moderately priced homes continue to increase steadily. That is why our ex-mayor pays about $4,000 in property taxes on his Park Slope home valued at close to $1.6 million while a home on Staten Island's North Shore valued at $700,000 gets hit with $6,500 in property taxes.

Another cause of inequity is yet another state law requiring condos and co-ops to be assessed as income-producing properties, rather than based on comparable sales. This is particularly problematic in Manhattan, where the values of luxury condos are often determined by comps to rent-stabilized apartments nearby. This illogical methodology leads to many homes being extremely undervalued and explains why the median effective tax rate — taxes paid per $100 of market value — in Manhattan is only $0.45, less than half the ETR in Staten Island ($0.97) and The Bronx ($0.91).

And because the city levy is based on the total market value of real estate, homeowners in these working- and middle-class outer-borough neighborhoods are subsidizing the property taxes of wealthier ones.

Some of the commission's recommendations could help. Eliminating the assessment cap would redistribute property-tax liability among the posh Upper West Side brownstones and modest homes in Tottenville and Bensonhurst. The commission also urges expanding Class 1 properties into a new "residential class" that would include one- to three-family homes, co-ops, condos and four- to 10-unit rental buildings and using a sales-based methodology — not rental income — to value them.

The commission also suggests ending "fractional assessments" and instead calculating property taxes by multiplying a new lower tax rate by full market value and fixing class shares rather than changing them every year. This would make tax bills easy to understand and more predictable.

And to help ease the transition, the commission proposes financial safeguards like five-year phase-in of market-value changes, a homestead exemption for owner-occupied homes and "circuit breakers" to help ease the burden of tax increases for lower-income families and seniors.

None of these solutions is perfect, but let's not let the perfect be the enemy of the good.

The New York City Advisory Commission on Property Tax Reform has done its job. Now it's time for the Legislature and governor to do theirs.

Joe Borelli is the minority leader of the New York City Council. Justin Brannan, a Democrat, represents Southern Brooklyn in the City Council.

Statement by New York City Comptroller Brad Lander on Property Tax Commission Final Report

Following the release of recommendations from the New York City Advisory Commission on Property Tax Reform last week, Comptroller Brad Lander issued the following statement:

"Our property tax system today is both regressive and opaque. Reform is urgent.

"I welcome the recommendations of the Commission on Property Tax Reform, and I agree with their approach to reforming New York City's property tax system so that similar properties are taxed similarly, while ensuring that owners are not overly burdened by bills that exceed their ability to pay. Our current system is inequitable, and we must fix it – even where that means that my neighbors and I will need to pay more.

"Comprehensive property tax reform must also address the imbalances in how multifamily properties are taxed, so that we don't continue to disadvantage the development of rental buildings relative to condos. With the 421-a property tax exemption program expiring this year, we have a real opportunity to achieve comprehensive, fair, and efficient reform. The 421-a program has long been an obscenely excessive giveaway to developers masquerading as an affordable housing program. My office will endeavor to provide analysis and policy guidance to achieve comprehensive property tax reform that meets the principles of fairness and predictability, that protects the most vulnerable, and that makes wise use of New Yorkers' tax dollars."

MONTANA

Montana property-tax initiative creates many unanswered questions, fiscal analysts say

A proposed constitutional amendment aiming to pump the brakes on growing residential property taxes got an icy reception from legislators last week, who on Friday opted to postpone a vote on the complex proposal as a related court battle plays out.

Volunteers started collecting signatures earlier this month in the hopes of placing the constitutional initiative on the ballot in November. A court hearing is scheduled next week in a case that will determine whether the petition effort has gone through the proper legal channels, or whether the organizers of the petition drive might have to start over. A hearing in the case is scheduled to take place in Lewis and Clark County District Court on Jan. 24.

On Thursday, lawmakers from both parties on the Revenue Interim Committee met proponents of the measure with skepticism, after a parade of lobbyists representing Montana's local governments, public employees and top business groups all voiced alarm at the proposal. It would likely amount to a massive tax shift, they argued, placing a larger burden on businesses and other non-residential property owners, depleting local governments of funds for public services and miring the Legislature in an unworkable revenue situation for years to come.

The consequences of the proposed constitutional amendment would present a "herculean effort" for future lawmakers, said Tim Burton, executive director of the Montana League of Cities and Towns.

"If this were to pass, there would be 90 days in the next legislative session where you would have to understand and piece together the cause and effect of this huge tax policy change in Montana," he said, "and I don't think 90 days is enough to consider all the unintended consequences."

A half-dozen supporters of the initiative, including two of its organizers, told the committee it was a necessary measure to rein in tax obligations that have exploded for some long-time homeowners in the state. Due to the Legislature's relative silence on the issue, they argued, they've been forced to take matters into their own hands.

Helena resident Richard Thieltges said his house, purchased in 1989 for $105,000, was reappraised this year at a value of $347,000. As a retiree living on a modest Social Security income, he said his new tax load is on the verge of pushing him out of his home.

"I have a small amount of savings and this increase in my property taxes has to come from my savings," Thieltges told the committee Thursday. "When my savings will be inevitably depleted, I don't know what's going to happen. I could very well become homeless."

The proposed initiative seeks to change residential property taxes in two ways. First, it proposes capping the amount that assessments of residential property can grow over time. Starting in 2025, assessments would revert to their 2019 market value, which would establish a baseline, and the cap would limit any jumps in those assessments to 2% or the rate of inflation, whichever is lower. Assessments currently take place every two years, but the initiative would allow the Legislature to change that to an annual reassessment schedule.

Excluded from the 2025 shift to 2019 values are those properties that were constructed, had significant improvements or changed owners since Jan. 1, 2019. But their assessments would still be capped.

Nick Van Brown, a data analyst with the Legislative Fiscal Division, said the cap would lead to a substantial divergence between the tax burden shouldered by residential and non-residential property owners, and that split would grow over time.

"The split is happening because the valuation of the business is growing faster than the valuation of the homes," Van Brown told lawmakers. "And this happens with every type of property — business, ag land, forest land, whatever it is — your valuations start to split."

Once the shift to 2019 values kicks in in 2025, he said, taxes on residential property would fall alongside a corresponding hike in non-residential property.

The other change that CI 121 proposes is more complicated. It sets a limit on the taxes that can be assessed for a given property. In Montana, the tax rates for different types of property are set by the Legislature, and the initiative wouldn't change that. For residential property, that tax rate is 1.35%.

Taxing jurisdictions levy taxes through a system of mills. First, the 1.35% property tax rate is applied to the assessed value of a property. So for a $200,000 home, that comes out to $2,700 of taxable value.

Each mill is equal to one-thousandth of that taxable value. So in the case of the $200,000 home, each mill applied by the taxing jurisdiction would be equal to $2.70 the property owner has to pay in taxes.

Under the proposed initiative, a property owner's total property taxes would be capped at 1% of the assessed value of the property. That works out to a maximum property tax burden of $2,000 for a home worth $200,000. Because each mill in that case is equal to $2.70, the initiative would effectively cap the maximum number of mills at 740.7. Beyond the classic $200,000-house example, the mill cap under the constitutional initiative would be the same for all residential property, regardless of value.

The new cap on mills would set up some potential problems for taxing jurisdictions that overlap. Different taxing jurisdictions — such as the state, counties, cities, fire districts and water and sewer districts — levy different numbers of mills to build their budgets and pay for services. Where those jurisdictional lines overlap like a Venn diagram, the mills stack up in what is referred to as a "levy district."

According to the fiscal analysis of the initiative, compiled by the governor's budget office and the Department of Revenue, those overlapping jurisdictions create 1,404 different levy districts across the state. In 169 of them, total mills are currently above that 740.7-mill cap.

Most, if not all, of those are in urban areas, said Ed Caplis, director of tax policy and research for the Montana Department of Revenue. One of the major unanswered questions, he said, is whether a taxing jurisdiction that sits partially inside and partially outside one of those maxed-out levy districts can still raise mills on properties outside the higher-mill district.

"There's going to be a lot of debate, there's a lot of unsettled stuff if this initiative passes, so we have a lot of questions," he said.

Opponents to the initiative argued this situation would push taxing jurisdictions to hike taxes on property owners outside a levy district that has already hit the mill cap.

"We believe and suspect that it would end up being a tax shift to all other types of property and for many that are involved in taxation here, most if not all of the rest are some kind of business property," said Bridger Malum, a lobbyist for the Montana Chamber of Commerce.

Other opponents to the initiative included the Montana Federation of Public Employees and the Montana Farmers Union, both of whom are plaintiffs in the case challenging the initiative. Trade groups representing livestock growers, real estate agents and bankers also spoke against the proposal.

Analysts with the governor's budget office and state Department of Revenue also estimated that starting in 2025, the proposal would create a hole in the state budget of $23 million to $32 million. Proponents, however, pointed out that the revenue surplus for the state this year is currently projected to reach anywhere from $100 million to nearly $1 billion.

Matthew Monforton, a former Republican state lawmaker who is one of the organizers behind the effort to amend the state's constitution, argued that the state has left struggling taxpayers "with no choice."

"Despite the fact that we could all see this property tax trainwreck coming, last year the Legislature did virtually nothing," Monforton said.

Sen. Greg Hertz, a Polson Republican who shepherded several bills to cut income and business taxes through the last legislative session, was skeptical that the proposed initiative would be a workable solution. But he also acknowledged that the Legislature missed opportunities last session to look at other policies to help residents struggling with skyrocketing property taxes.

"We probably haven't reviewed them at the legislative standpoint that we should have," Hertz said.

After the hearing on Thursday, lawmakers unanimously voted to send letters to several other interim committees, urging them to discuss the proposal's potential impacts on local governments, education and the state's economy.

Part of the ongoing legal challenge to CI-121 centers on whether a new law requires the interim committee to vote on whether to endorse the constitutional initiative, before signature-gathering can take place. Committee chair Sen. Jill Cohenour, D-East Helena, initially indicated she would hold a vote Friday in case the court decides action is needed to move forward. Committee members on Friday ultimately decided to hold off on a vote while the case plays out.

NEVADA

Where does Nevada rank in states with the lowest property taxes?

Ask any homeowner about expenses and they'll tell you: If you're a first-time buyer, you need to carefully calculate the total cost of owning a home before taking the plunge into homeownership.

Owning a home comes with dozens of additional costs, from mortgage payments and interest to upkeep, renovations, and household utility bills. It doesn't take long before expenses add up—especially when they come on top of potential property tax costs.

To determine which states offer the lowest in property taxes, Roofstock analyzed 2021 data from Wallethub and the U.S. Census Bureau. Costs were then determined for real estate property tax rates, median real estate tax payments, and median home prices for every state and Washington D.C. These amounts were then contextualized with what first-time homebuyers need to know about property taxes.

Nevada by the numbers

– Effective real estate tax rate: 0.60%

– Annual taxes on $217.5k home: $1,310

– Nevada's median home value: $267,900

– Annual taxes on Nevada's median home: $1,614

You may be able to blow a ton of money in Las Vegas, but homeowners in this state don't have to roll the dice on real estate taxes.

Nevada has one of the lowest real estate tax rates in the nation, in major part because homeowners are protected from steep property tax increases by Nevada's property tax abatement law that limits annual property tax bill hikes to a maximum of 3% across the state.

There are other factors at play, too, including the fact that the assessed value of a home in Nevada is equal to just 35% of the taxable value. What that means is if the county assessor decides your home's taxable value is $200,000, you'll pay real estate taxes on just 35% of that value, or $70,000. When the low assessed value is coupled with the property tax abatement law, it equates to a very low effective real estate tax rate across the board for homeowners in Nevada.

In some states, the high cost of property taxes can cause a home with an otherwise affordable price tag to be well out of someone's price range. In others, the low cost of property taxes could give you a little more wiggle room in your budget—which is never a bad thing.

If the idea of weighing the estimated costs of property taxes seems overwhelming to you, start by looking at the states with the lowest property taxes listed below. The national list is reverse-ordered by effective real estate tax rate, with Hawaii as the state with the lowest property taxes, though the results would look different if it was ordered by the taxes on the state's median home. Whether you're looking for a dream home or next big investment, owning a home comes with several additional costs, property taxes being one of them.

States with the lowest property taxes

#1. Hawaii: 0.28% effective real estate tax rate

#2. Alabama: 0.41% effective real estate tax rate

#3. Colorado: 0.51% effective real estate tax rate

#4. Louisiana: 0.55% effective real estate tax rate

#5. Washington, D.C.: 0.56% effective real estate tax rate

NEW JERSEY

Good news on property taxes

Every year the New Jersey Department of Community Affairs compiles a report that details the state of our property taxes. According to the NJDCA the average local property tax bill increased by $172 last year. That's obviously not across the board statewide, with the largest increases concentrated mostly in North Jersey. The good news, relatively speaking, is that in one of the most heavily taxed states in the union the rate of property tax growth is slowing. The shark is still eating you, he's just digesting you slowly.

Property taxes have been an issue for decades but are being pushed to the forefront recently over the sudden and pressing concern of affordability. After Murphy underperformed and the Dems took a whooping statewide the issue of New Jersey being too damn expensive is now seemingly of utmost importance. Took you long enough.

Property taxes are, politically speaking, unpopular. So are the methods used to cut them. One of the biggest drivers of property taxes are schools. It won't surprise you to learn that hacking the holy hell out of school budgets doesn't win you a ton of votes. What's the solution to the property tax issue? You'd think somebody would have discovered it in the past 40 years and spoken up by now. Every few years someone makes noise about forgoing home rule and finally consolidating services and then...nothing. Is all the talk of affordability just that, talk? Who knows. I'll believe it when the tax bill goes down.

In State of the State, Gov. Phil Murphy Talks Property Taxes. A lot.

After a closer-than-expected re-election, New Jersey Gov. Phil Murphy used his annual State of the State address Tuesday to announce a new focus for his second term: cutting taxes.

Murphy mentioned taxes 33 times during the 42 minute speech, more than triple the amount of his election-year State of the State in 2021.

“The budget I put forward will not come with any tax increases,” Murphy said in a pre-recorded speech, delivered in an empty hall and broadcast online due New Jersey’s current omicron surge. “And we will continue our work taking on the one issue that has stood in the way of too many New Jersey families for far too long – property taxes.”

New Jersey has the highest taxes in the nation. When Murphy ran for re-election, polls found that voters did not believe he had done anything to bring those taxes down. And his opponent, Jack Ciattarelli, had dug up a video of Murphy telling a business group that if taxes were their issue, they shouldn’t come to New Jersey.

The annual speech is usually given before a joint session of the New Jersey State Legislature, which was in Trenton on Tuesday for the start of the new legislative session. And while governors typically use their address to lay out their legislative goals for the year, Murphy spent most of the speech looking back on his first term.

“We have shown you can make economic progress and social progress at the same time. In fact, one helps the other,” Murphy said. “The proof? … We’ve jumped 43 spots in economic growth among American states – from 47th when I took office to fourth today.” He was citing data from the U.S. Department of Commerce that measures the total value of goods and services produced by each state.

Murphy also pointed to other first-term successes, such as raising the minimum wage and boosting the state’s green economy with a new wind energy port and turbine manufacturing facility. But one of his major policy victories got short shrift in the speech. The governor barely mentioned the legalization of marijuana, the rollout of which has been snagged by continual delays.

In his second term, Murphy may have a much friendlier legislature to help pass his agenda. For the past 12 years, the State Senate was controlled by President Steve Sweeney, who despite being a Democrat was no friend of the governor’s.

But Sweeney lost his seat in November, in a stunning defeat to his little-financed Republican opponent, truck driver Ed Durr. Murphy was party to a deal that made Sen. Nicholas Scutari, D-Union, the new senate president. So it is expected that the governor will be able to get bills passed and cabinet appointments confirmed more quickly than in his first term.

In his speech, Murphy addressed the political divide between Democrats and Republicans in Washington. He called for bipartisanship, but it could also be taken as a message to Trenton Democrats who haven’t always welcomed Murphy’s policy proposals with open arms.

“Let’s work together in good faith and with common purpose. This doesn’t mean we won’t or even can’t disagree,” Murphy said. “But it should mean that compromise and common sense are not dirty words.”

And while the speech was notably light on specific policy proposals, Murphy will have another chance to lay out a second term agenda during his second inauguration next week.

New Jersey's Average Property-Tax Bill Rises to a Record $9,284

New Jersey's annual property taxes, the highest in the nation, rose 1.9% in 2021 to a record $9,284, according to a preliminary estimate from the state community affairs department.

Alyana Alfaro, a spokesperson for Governor Phil Murphy, called the annual change "one of the lowest increases on record."

The 2021 average bill, based on preliminary calculations, is 6.8% higher than in 2017, when Murphy, a 64-year-old Democrat, was elected. Alfaro, in an email, called that figure the lowest cumulative increase for a New Jersey governor at this point in the term.

High property taxes, which pay for local government, schools and other services, are New Jerseyans' biggest complaint in public-opinion polls. The average bill in New Jersey has roughly doubled over the past two decades. In 2010, then-Governor Chris Christie, a Republican, signed legislation limiting annual increases to 2%, with exceptions including debt service and public pension and health-insurance payments.

In an annual speech on Tuesday, Murphy pledged to continue efforts to help New Jerseyans afford their property-tax bills. He said his administration is providing relief with initiatives including more state school funding, expanded deductions on state income taxes and rebates of as much as $500 for roughly 700,000 households. Murphy, a retired Goldman Sachs Group Inc. senior director, was narrowly re-elected in November. His second term starts on Jan. 18.

RHODE ISLAND

New report says R.I.'s property tax system is 'out of balance,' hindering affordable housing construction, economic development

Property taxes are the largest source of local revenue in Rhode Island, but yet, are causing imbalances in municipal services, like the construction of affordable housing, K-12 education, and economic development, according to a newly released report by the Rhode Island Public Expenditure Council (RIPEC).

The report, "A System Out of Balance: Property Taxation Across Rhode Island," which was released early Tuesday morning, found there's a striking difference among tax burdens of resident homeowners, nonresident homeowners, and businesses.

"Rhode Island's least affluent communities simply do not have the property wealth to adequately fund municipal services — particularly K-12 education," said Michael DiBiase, RIPEC's president and CEO, and pointed to Central Falls, Pawtucket, and Woonsocket having the least property wealth to help fund schools. "This severe lack of property wealth has led these communities to impose relatively high taxes on residents, and particularly on renters, least able to afford to pay."

And municipalities that levy higher tax rates on businesses discourage economic development, he said.

Tax policy choices, classification differences and homestead exemptions shift the tax burden away from resident homeowners and toward businesses and renters, said the report. Higher nonresident tax burdens and commercial rates applied to apartment buildings make housing less affordable to "those most in need," and they discourage the development of more affordable, higher-density housing, said DiBiase.

He said the report also found that tax burdens shifted to businesses will raise additional equity issues.

DiBiase explained in an interview with the Globe that while looking back at Rhode Island's history, most property taxes were paid by large industrial properties. But over time, a business and industry-based system moved to a less property-based system and more value was placed in the hands of residents. Then, he said, it became difficult to respond to homeowners shouldering more of the tax burden.

"In a post-industrial society, [businesses] have more options as to where to locate and expand their business," he said. "Business property tax incentives for specific projects have sought to provide relief, but have failed to address the core issue — the high tax rate burden imposed on businesses."

Now that many businesses can "work from anywhere" with the promotion of remote work, DiBiase said it's one of the issues RIPEC has been worried about.

"Commercial property is stagnant, but there's an uptick in residential values," he explained. "We're worried that this is going to go into a direction where we can't straighten things out."

RIPEC provided a number of recommendations for state and local policymakers in the report. DiBiase said state policymakers should consider how the state's education funding formula may be reformed to better respond to disparities in property wealth, and should promote tangible reform by reducing municipal reliance on property tax collections.

The report also said municipalities should seek to "minimize the use and impact of property tax classification and homestead exemptions."

"We need a system that is going to be more equitable. Less affluent towns already have high tax rates and don't have the resources to raise the money," he said.

SOUTH DAKOTA

Equalization: "expect your property assessments to go up substantially"

The Pennington County Equalization Office is trying to get a message out ahead of this year's assessment notices.

That message?

"Expect your property assessments to go up; expect them to go up substantially. We're seeing some very large increases; our market has gone up a lot this year; it went up a lot last year, and we have to keep up with that market," says Shannon Rittberger, director of equalization for Pennington County.

The impact of the local housing boom translating into those increases, with preliminary numbers showing 20- to 30% jumps in assessments.

"Your property assessment should track the market; if our market goes up, you should expect your assessment to go up…if our market goes down – if that were to happen – your property assessment would go down," Rittberger says. "[That] doesn't mean your taxes would go down."

State law requires equalization to assess your property at its full market value, meaning what you could sell it for, but that doesn't necessarily mean your taxes will increase proportionally.

"If your assessment goes up, that doesn't mean that your taxes will go up," Rittberger says. "It could, and it usually does, but in an increasing market that we have now, your property taxes can't go up as much as the market is."

He says taxing entities will collect what they need to perform their services, and their budgets can't increase more than 3% a year – regardless of whether your assessment went up or down.

Once assessments are mailed in March, homeowners will have a short window to appeal the valuation, a process that starts with a call to the Equalization Office.

While those assessment notices aren't out yet, there is help available now if you're 65 and older or disabled. The Treasurer's Office has a program that can help lower your taxes.

"What this program does for the seniors and disabled is that from your qualifying year, it will freeze the assessed value of the year that you either became disabled or 65, and then that's what your tax levy will be multiplied by," says Pennington County Treasurer's Office Chief Deputy Annette Brant.

The deadline for the freeze is April 1, and with a detailed application process, Brant advises those looking to take advantage start the application as soon as possible.

TEXAS

Property taxes for thee, but not for me

Many religions preach humility, moderation, charity and honesty, but some Texas churches have apparently sidestepped these virtues when it comes to parsonages, opting for massive property tax breaks on lavish homes.

A recent Houston Chronicle investigation dug deep into a state tax code loophole that allows churches to pay zero property taxes on clergy residences of up to 1 acre — a limit many county tax appraisers appear to ignore.

While humble residences are one thing, multimillion-dollar mansions with luxury amenities such as "immaculate grounds, tennis courts, swimming pools, decorative fountains and serene grottoes" are quite another. So, too, are small clergy homes on church grounds versus sprawling compounds in exclusive enclaves.

It's hard to believe this is what Texas voters or state lawmakers envisioned when granting tax exemptions for religious housing.

The investigation found "more than half of the 200 or so parsonages in Bexar County, for example, are valued below the county's average home price of about $251,000," but it also identified much excess.

Take the Capuchin Province of Mid-America Mission Fund's "8,430-square-foot 'mid-century gated masterpiece' in San Antonio assessed at $1.43 million for its seminarians."

"We have to live somewhere," said Brother Mark Schenk, provincial minister for the organization. True, but somewhere doesn't necessarily mean a "gated masterpiece." The exemption for $36,500 in annual property taxes shifts the tax burden on everyone else.

It's property taxes for thee, but not for me.

Another example is Strong Tower Ministries' $1.8 million "waterfront residence and boat house on Tiki Island," in Galveston County. The church said it operates a religious addiction treatment center at the home.

More glaring is New Light Church World Outreach & Worship Centers' "nearly 25,000-square-foot mansion in Spring perched on the shore of a private lake and occupied by its high-profile leader, I.V. Hilliard." The property, on an "11.8-acre lot includes three hot tubs, two fountains and a swimming pool and tennis court," according to property records. The tax break saves the church $100,000 annually.

New Light Church said it uses some smaller buildings on the property "as a conference and retreat center."

The investigation "identified 2,683 parsonages across the state worth about $1 billion costing other residents who must fund school districts and local governments $16 million every year."

And the number of tax-free parsonages in Texas is likely much higher since several counties did not respond while others "conceded they did not regularly update values for the tax-exempt properties."

By comparison some "well-off religious organizations that clearly have the means to afford their taxes don't have to seek the exemption."

Joel Osteen's Lakewood Church does not ask for the exemption on the 15,000-square-foot home where he resides. The preacher's "annual tax bill comes to $218,000 a year."

Nor does San Antonio's Cornerstone Church "seek an exemption for any clergy residences in Bexar County." The report continued, "its well-known spiritual leader, John Hagee, pays $42,000 annually in property taxes."

This is a case of the letter of the law not meeting the spirit of the law. And while legal, some of Texas' spiritual leaders have taken a more than liberal read on the law.

Other state's property tax laws for such properties have more rigor, and we agree with McLennan County Chief Appraiser Joe Don Bobbitt that "the code is too vague, too generous" and "too ripe for abuse."

We challenge state lawmakers to amend the law for clergy housing tax breaks.

And in the spirit of humility, moderation, charity and honesty, we challenge churches to scrutinize their tax exemptions. Their churchgoers might be the ones footing the extra tax bills.

WISCONSIN

Growing number of cities seeking voter approval to exceed state property tax limits

Cities say with declining state aid, inflation and state imposed limits, referendums are only way to maintain or expand city services

More Wisconsin cities are turning to referendums asking voters for permission to raise property taxes in order to hire additional police, firefighters and paramedics or avoid cutting other city services.

For the City of Eau Claire, inflation, declining state funding and a near two-decade limit on tax increases has left city council members with "a choice to make."

During a Monday work session of the Eau Claire City Council, members were asked whether they support a city services referendum that could wind up on ballots during the November midterm election.

"So, we're really at that point now where we've got a choice to make," Eau Claire finance director Jay Winzenz told council members. "We can keep limping along as we have, or we can try to move forward and move our service levels forward."

A majority of council members attending the session voiced support for a referendum and indicated placing it on the November ballot would give the city time to gauge public opinion while developing a question.

Eau Claire's 2022 city budget includes nearly $3 million in unfunded department requests including additional firefighter paramedics, community services positions, an IT network engineer, a building inspector and police overtime.

In 2005, the Wisconsin state Legislature limited how much local governments can raise property taxes in a given year. Between 2006 and 2011, municipalities were allowed to increase taxes by between 2 and 3.86 percent, but a 2011 measure further limited how much governments could raise to the amount of net-new construction.

A report from the Wisconsin Department of Revenue shows the city saw net-new construction increase by 1.76 percent in 2020.

For Eau Claire, that worked out to an additional $486,743 in the 2022 budget.

Winzenz told council members that Eau Claire has been fortunate to see growth in recent years while other communities have not.

"But even with that good fortune we've experienced, it's still extremely difficult, if not impossible, to continue to make ends meet in a growing community," Winzenz said.

Asking voters for additional tax revenue has become commonplace for school districts and voters have increasingly approved them. In 2020, 84 percent of referendums passed.

Wisconsin League of Municipalities deputy executive director Curt Witynski told Wisconsin Public Radio referendums for city services have been much less common.

"It was rare," said Witynski. "I'd say it's becoming less rare."

Municipal referendums seeking additional tax dollars also haven't enjoyed the same success rate as those put forward by school districts.

A 2020 report from the University of Wisconsin-Madison's La Follette School of Public Policy prepared for the League of Wisconsin Municipalities shows that between 2006 and 2018, 108 local governments went to referendum and 65 percent failed on election day.

In the last three years, the cities of Racine, Delafield, Fond du Lac, Fort Atkinson, Beaver Dam, Elkhorn and Milton have sought levy increases via referendum. Voters rejected the request from Racine in 2020. Fond du Lac's referendum was approved in 2021. Ballot measures in Fort Atkinson and Milton will go before voters this year.

Other referendums approved between 2020 and 2019 were in Forest County, the Town of Menomonie, the Town of Grand Chute, the Village of Maple Bluff, the Village of Maribel and the Village of Walworth, according to data from the Wisconsin Department of Revenue.

Payments to local governments, known as shared revenue, were intended to send taxes collected at the state level back to local governments from which they were collected. But those payments have been on a steady decline since the mid 1980s.

In 2019, just more than 10 percent of Eau Claire's funding came from shared revenue while 61 percent came from property taxes.

"The cities have been operating for such a long time under, really, the severest levy limits in the country," Witynski said. "And sooner or later, it's just going to catch up to communities, and that's what we're starting to see."