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AMAZON BUILDS WAREHOUSES IN 'OPPORTUNITY ZONES' THAT GIVE TAX BREAKS AND SECRECY

Amazon has opened 153 facilities in these opportunity zones since 2018, accounting for more than 15% of the warehouses that it has opened in that time.

Amazon has been heavily expanding into areas that the government designates for special tax incentives, according to a new analysis that comes amid growing regulatory scrutiny of the e-commerce giant.

The company has located delivery stations, fulfillment centers and even an air hub in "opportunity zones," regions across the country where investors can qualify for capital gains tax breaks under a 2017 law.

The initiative had bipartisan backing and was intended to incentivize investment in some of the most economically distressed regions of the country. But critics of the program have raised concerns that such programs further enrich wealthy investors and corporations for projects that would have happened without government assistance. And because there aren't requirements that investors and corporations publicly report how they are using the tax breaks, it's difficult to measure impact. Experts say it's impossible to know if the program is having the intended effect of creating jobs and affordable housing — or simply exacerbating economic divides.

Amazon has opened 153 facilities in these zones since 2018, accounting for more than 15% of the warehouses that it has opened in that time period, according to the analysis from Good Jobs First, a policy resource center working with subsidy data, shared exclusively with The Washington Post. And 18 more facilities are scheduled to open in these areas in 2022 and 2023.

The findings underscore one of the potential ways that Amazon could take advantage of federal tax subsidies as it rapidly expands its delivery network. The company's relatively low tax bills have been at the center of a political firestorm. The Good Jobs First researchers say the company has received at least $650 million in government subsidies this year, but that the expansion into opportunity zones highlights how the company could be receiving other tax breaks that are opaque to the public and difficult to track.

"More sunshine" is needed to better track the opportunity zone program, said Greg LeRoy, executive director of Good Jobs First.

Amazon spokeswoman Julia Lawless said the company hasn't used the benefit in any of the 171 sites identified in the Good Jobs First analysis. (Amazon founder Jeff Bezos owns The Washington Post.)

"We may use the [opportunity zone] benefit on future acquired sites as Congress intended it to help jump-start local economies in the types of areas we are investing in and creating jobs," she said.

She added that the company "does not actively seek out" locations in the zones.

"If we locate in one of these areas, it's because of our site selection criteria - from available land to access to talent - aligns with tracts that governments, across all levels, have previously identified for economic development; not because we utilized the [opportunity zone] benefit," she said.

Opportunity zones could be a boon to big companies like Amazon, that buy and sell many assets, leading to capital gains. Companies can invest those gains into projects in opportunity zones, allowing them to defer tax payments.

LeRoy says Amazon has been particularly aggressive in "garnering available tax breaks." The Good Jobs First report argues the expansion into opportunity zones is part of a much broader pattern, where Amazon's rapid growth has been bolstered through government subsidies. This push into potentially advantageous markets comes as federal policymakers are applying increasing scrutiny to the company. Lawmakers have introduced legislation that takes aim at Amazon's alleged anticompetitive behavior, and President Joe Biden has elevated some of the company's most prominent critics, including Federal Trade Commission Chair Lina Khan, to key regulatory roles.

Amazon has rapidly expanded amid an e-commerce boom, in part accelerated by the coronavirus pandemic. Good Jobs First estimates that Amazon has received $4.2 billion in U.S. subsidies, through property tax abatements, corporate income tax credits and even sales tax exemptions on building materials.

"You've got two functions of government fighting each other right now," LeRoy said. "You've got state and local governments fueling this monopolistic grab in the retail space, accelerating the decline of brick-and-mortar retail. And you've got Uncle Sam finally smelling the coffee and realizing that maybe they have to look at the company through that lens."

Amazon has a high-profile and controversial history of seeking government subsidies to expand its corporate footprint. In 2017, the company launched a nationwide search for its second headquarters. Faced with the promise of 50,000 high-paying jobs, cities aggressively competed to offer the company tax breaks and other incentives to attract the office. But after the company in 2018 announced it would split the new headquarters between Virginia and New York City, it faced broad blowback from liberal politicians, unions and community activists, who argued taxpayer dollars should not be used to further enrich a tech giant, and that the project would exacerbate income inequality in the city. The company ultimately dropped its plans to open the New York campus, amid the criticism that the tax incentives would take government resources away from other key programs, but pushed forward in Virginia.

However, unlike the high-profile headquarters search, the subsidies and incentives that Amazon receives for smaller local projects, like warehouses, data centers and offices, often fly under the radar.

The role of opportunity zones in fueling corporate growth is especially opaque, said David Wessel, a senior fellow in economic studies at the Brookings Institution. The tax law does not mandate public disclosure of who is using the opportunity zone program, and whether their projects are resulting in jobs or affordable housing. There have been some media reports about how individual investors have benefited from them, but less attention on how large corporations have used them.

Lawmakers, including Rep. Bill Pascrell Jr., D-N.J., have been calling for more robust reporting requirements around opportunity zones, especially in the wake of a Government Accountability Office report that found the IRS does not have the necessary data to evaluate the efficacy of the program. Pascrell also criticized the fact that there is no cap on the amount that investors can receive through the program.

"Nationwide, there is concern that the benefits are mostly flowing to those zones that were already ripe for development and could provide certain returns on investments," Pascrell said at a recent hearing.

Political scrutiny of Amazon's tax payments has escalated in recent years, especially after the company paid no federal taxes on profit of $11.2 billion in 2018.

CALIFORNIA

San Francisco's proposed 'empty house tax' is proof King George was just a rank amateur

It's too bad the Founding Fathers couldn't have foreseen that one-day America would have an authoritarian ruler that makes King George look like a Boy Scout when they were crafting the Fourth Amendment.

If they had anticipated the advent of the San Francisco Board of Supervisors they might have written the Fourth Amendment a tad differently.

The City of Big Brotherly Love wants voters to give them the authority to slap a $2,000 to $5,000 tax on housing units unoccupied for six months.

The tax would exclude single family homes as well as duplexes. It would apply to all multiple family homes of three units or more.

Some cities such as Oakland across the bay and Vancouver— the San Francisco of British Columbia — include second homes and seasonal properties.

Vancouver instead of a flat tax penalizes owners of a vacant unit 3 percent of its property tax. That city's so-called "Empty House Tax" has raised $231 million for regional housing plans between 2017 and 2020. A report indicated 800 more homes were either rented or sold during the four-year period in Vancouver.

Oakland's tax in its first year raised $7 million in fund a commission on homeless as well as a mobile outreach team for the homeless.

The working theory in San Francisco is the tax will bring 4,500 "new units" into the rental market. There is also a bizarre assumption among some that it will lower rental prices.

Whoever opts to pay the tax instead of renting a unit obviously will pass the cost of the tax onto other tenants when the opportunity arises.

While it might not make sense to not rent out units, the property owners have their reasons.

The empty home tax is a nice work around to avoiding the issue as to whether the government can seize housing units which for all practical purposes is exactly what they are proposing to do in San Francisco.

Instead, they are simply taxing property owners to do the government's will. This is on top of the one percent basic property tax in California. That means the owner of a three-unit multiple family property in San Francisco that has a value of $1 million and for whatever reason opts to leave a unit vacant for six months will be paying a $5,000 empty house tax on top of a basic $10,000 annual property tax bill.

Such a move shouldn't surprise you given it goes hand-in-hand with what the federal government did by effectively seizing property at the start of the pandemic by barring any landlord from evicting someone who is not paying rent.

Keep in mind it was Washington's attempt at helping people who lost their jobs due to the government lockdown and not anyone who opted to stop paying rent even though they continued working.

Lo and behold, just like people who used the federal government largesse to walk away from debt obligation during the mortgage meltdown that sent jobless rates soaring without hurting their credit or paying taxes on the forgiven debt, there were those that could still make their mortgage payments who hopped on board.

Back in 2008 a good number of people who were underwater but still had the income to pay their mortgage walked away and bought similar or even better homes with less money out of pocket.

There were renters in the pandemic that could pay and opted not to do so.

The end result in 2008 and 2020 a lot of people that played by the rules were hurt by essentially a government property seizure due to the absence of a requirement to demonstrate need.

The de facto property seizure in 2020 has contributed to housing inflation. Those that lost income – especially mom and pop landlords by being forced to accept situations where tenants regardless of need stopped paying rent or who opted not to file for government housing assistant to make their landlord whole – are now trying to recoup their losses.

The empty home tax is more of the same. It assumes the government can and will dictate the best use of private property. The reasoning of property owners for not renting their property be damned.

What makes the entire process disingenuous in Oakland's case is the tax collected is not being used to expand the availability of more housing. Instead, it funds a bureaucratic commission dealing with the homeless and a mobile unit to take services to the homeless.

Wouldn't it make sense to use the empty room tax collected to help non-profits build more affordable housing units? It could even help homeowners as allowed under Senate Bill 9 to convert and existing single-family homes to as many as four unit, do a legal garage conversion or build an auxiliary dwelling unit.

Then there is the issue of cities like San Francisco that are enamored with the economic disruption crowd that has allowed people with tons of tech money stick it to government regulated concerns such as hotels and taxi companies.

An outright ban on rentals of homes for less than 30 days such as can be done through Airbnb and others would likely free up more housing units for rent than an empty house tax.

It would also drive tourists and travelers back to hotels where it is easier to track room taxes. That is likely to capture more revenue for San Francisco than an empty house tax.

But why do that? Government's first impulse is always to use taxes to inflict their will on the behavior of the public sector.

Besides an empty room tax requires the expansion of the bureaucracy to monitor the actions of the private sector. Instead of calling an empty room tax it should be dubbed "The Bureaucrat Full Employment Act".

Little did the framers of the constitution know that, as tyrants seizing private property even by de facto means or imposing burdensome taxes, King George was a rank amateur.

COLORADO

Mercury building sold for less than fair market value

The Mercury building purchased last month by businessman James Coleman, who owns Purgatory Resort, sold for $9 million, a price "considerably" lower than the fair market value on the La Plata County Assessor's Office books, said Carrie Woodson, the county assessor.

The 81,380-square-foot Mercury building includes office space, a small medical clinic, a cafe and a fitness center. The building itself sits on 13.5 acres just south of the Durango Mall. Tracy Reynolds, structural architect and principal engineer at Reynolds Ash + Associates, said in December that Coleman plans to use the space for commercial, office and residential uses.

Buildings that facilitate a variety of uses such as those described by Reynolds are typically priced a bit higher in the market, at least when they are in use, Woodson said. That's because a buyer is purchasing the income streams associated with the businesses and activities housed in such facilities.

But in Mercury's case, it sold for less than the current fair market value of $15,355,460. It was a private sale that won't count toward property valuations, Woodson said.

The Assessor's Office uses building sales to assess property values for tax purposes. In order to use the sale in its assessment, the Assessor's Office must verify the transaction was what Woodson called a "qualified arm's-length transaction sale."

The Mercury building sale isn't a qualified arm's-length transaction sale because it was never listed on the open market, she said.

Fair market sales are open to everyone and everyone is made aware of them, she said.

"When we're talking about a qualified arm's-length transaction, we're talking about a sale that took place between a buyer and a seller that were not related," she said. "They were not business associates and there was not any other interest involved. That's arm's length."

Assessed property values are used for two years before the values are reassessed. Current values are determined by looking at the market value as of June 30, 2020. Next year, values will be determined by assessing all transactions from July 1, 2020, through June 30, 2022.

"People ask sometimes, why does it seem like the assessor's values are less?" Woodson said. "The reason is we're looking in the rearview mirror two years."

The Mercury building cost $19.8 million to build in 2014, according to Architecture Magazine.

Stacey Glaser, a spokesman for Coleman, told The Durango Herald in December that the Mercury building is a source of pride in Durango and whatever plans take shape for the space, Coleman and his team hope the building continues to inspire the community.

Efforts to reach Glaser on Tuesday about any updated plans were unsuccessful.

"There's been a lot of pride associated with that building, and that's something that we want to continue however this space ends up being used," Glaser said in December. "We hope it continues to be inspiring for everybody."

Denver's largest hotels, retail centers dropped in valuation after COVID

Prior to the COVID-19 pandemic, downtown Denver's Hyatt Regency — one of the city's largest hotels, with about 1,100 rooms — was valued at nearly $300 million by Denver County.

Now, however, it's considered to be worth $207 million — 30 percent less.

Denver Assessor Keith Erffmeyer told BusinessDen last March that his office's overall valuation of commercial property in the city was set to drop for the first time in a decade due to the pandemic, with hotel and retail properties seeing the largest drops. New valuations were released two months later, in May.

Now, data obtained by BusinessDen shows the specific impact on some of the city's marquee hotel and retail properties.

In addition to the Hyatt Regency, multiple other downtown hotels are considered to be worth tens of millions less than pre-pandemic. And the Westin attached to Denver International Airport saw its valuation drop $29 million.

On the retail side, the largest component of the Cherry Creek Shopping Center, which is divided into multiple parcels, saw its valuation fall 16 percent in the latest cycle, from $283 million to $237 million.

Speaking to BusinessDen last week, Erffmeyer noted that the latest cycle assessed properties between July 1, 2018, and June 30, 2020 — meaning the figures capture a moment still relatively early in the pandemic, when stay-at-home orders were fresh in mind and some businesses were just starting to reopen.

"We had to kind of tackle this a little bit differently this time around," Erffmeyer said. "The hotel and travel industries were in a state of the unknown. At that point in time, everything was pretty much shut down, especially urban hotels."

Nick LeMasters, president and CEO of the Cherry Creek North Business Improvement District, said the lower valuations were expected. The BID provides assistance such as street maintenance and promotions to members who are assessed a fee based on property values.

"We were not terribly surprised when we found out about the valuations decreasing, certainly given COVID," LeMasters said. "It became pretty apparent that was going to affect properties at some time, hotels in particular."

LeMasters, previously general manager of Cherry Creek Shopping Center for more than two decades, said retailers may see a drop in their rent but not by a lot.

“That could be some benefit to some retailers and some businesses, though I don’t think it’ll be that much,” LeMasters said. “(Landlords) spread the cost to the tenants, and it might drop the charges a few cents a square foot.”

Citywide, the merchandising sector was valued at $1.6 billion during the last valuation period, but dropped to $1.3 billion in the most recent. Lodging properties were valued at nearly $850 million during the previous valuation period, but fell to $775 million during the most recent.

LeMasters said leisure tourism and business travel is starting to return, but he said “group business,” such as conventions, needs to return in a significant way. Once that happens, he said, hotels will be on “very solid ground.”

“I would have every expectation that valuations will go up as business returns,” LeMasters said, adding downtown hotels usually fill up first and then Cherry Creek sees the overflow business. “But certainly, the hotel sector has been adversely impacted, and we need to see our tourism industry come back.”

Colorado property tax rates poised to skyrocket in coming years, report by business group finds

Coloradans are facing massive property tax increases in the coming years due to a combination of the state's surging real estate market, the tax system's biennial assessment calendar, and the looming expiration of measures adopted to ease the shock of tax hikes, according to a study released Friday by business coalition Colorado Concern.

"You look at these numbers, and you see that we are in the process of pricing ourselves out of our own state," said Mike Kopp, president and CEO of Colorado Concern and a former Republican state senator from Golden. "And that has implications for families, for younger workers, for seniors on fixed income, people in gentrifying neighborhoods. And it has implications for small businesses across the board."

The report, prepared by Anderson Analytics, said property owners in Colorado will get hit with 20% property tax increases on average over the next four years if the state doesn't come up with a solution.

Kopp said that solution will likely include a ballot measure, though he added that discussions with legislators and key stakeholders are ongoing.

"We have to change some of the features of the status quo, or people simply are not going to be able to afford to live here," he said.

Under the existing system, statewide property tax revenue — not counting oil and gas and related revenue — is projected to nearly double over the stretch from 2021 to 2025 from $7.3 billion to $13.9 billion, the report found.

Factoring in population growth and the distribution of property tax burden, that translates to a property tax increase of more than 20% for the average property owner, the study said.

Over the same period, the statewide assessed value of residential property is projected to jump 38.5% — from $71 billion to $98.3 billion. Total assessed value of non-residential property is expected to climb by 15.3% from 2021 to 2025, the study found, from $60.0 billion to $69.3 billion. (Assessed values, determined biennially in odd-numbered years, are a fraction of a property's market value and can differ depending on the kind of property being assessed and on other factors.)

"Because of the timing of the biennial property tax assessments, residential homeowners and renters have yet to fully face the substantial increase in property values during the bulk of the pandemic," the report said. "As those market developments are factored into valuations, homeowners and renters will be faced with significantly greater tax burdens as values increase by double-digit percentages over just a few years."

Kopp said he was surprised to find that property taxes could soon be climbing so fast.

"I thought maybe population and property taxes rose at roughly the same rate," he said. "They don't. Property taxes are rapidly outpacing population growth."

Unless things change, he said, home prices — already overheated by demand, supply chain challenges and a strained labor market — will become even less affordable.

"Over the next four years you're going to see a 30% increase in already superheated and tremendously unaffordable housing market," he said. "Property tax is not the whole of the matter, but it's certainly an aspect of the matter, and we wanted to dip our toe in the water and really understand this."

The market value of the average single-family home is expected to rise by 29.9% from 2021 to 2025, from $465,741 to $605,068, the study found. The projected hike in market value for condominiums and multi-family residential housing is projected to climb even faster over the same period, by 31.9% for condos and 34.3% for apartment buildings.

The study suggests that recent attempts to fix the state's property tax system won't prevent the dramatic tax increases property owners will soon face. A 2020 ballot measure approved by voters to repeal the Gallagher Amendment — Colorado Concern was among its backers — and a bill passed last year by the legislature helped protect state property owners for a while, Kopp said.

He noted that SB 21-293 temporarily reduced assessed rates for certain types of property, including residential, for two years, but after its provisions expire next year, taxpayers will see an even greater increase in their bills.

A little-utilized provision of the legislation also allows homeowners to defer property taxes that climb by more than 4% from the previous year by, in effect, borrowing the money from the state and paying the debt — with interest — when they sell their home, Kopp said.

Kopp said the program could help some taxpayers but stressed that he doesn't believe it's a permanent solution to what could be an approaching affordability crisis.

"In acute situations, if it helps people stay at home, that's great," he said. "But the question would be, does everybody in the state that is facing a dire economic condition want to borrow with interest on their tax burden?"

Added Kopp: "We're not faulting the policy, but it's reactive to the structural problem that we're articulating here on the study."

Kopp declined to speculate on the solution the organization will be introducing in coming weeks but said the group believes it's important to start the discussion with sound data in hand.

The study's conclusion spells out next steps: "In the coming weeks Colorado Concern and partners will work to advance a solution that ensures both that vital services are funded and that taxpayers are given some relief. Modernizing the state's property tax laws is the first step in ensuring the long-term growth and competitiveness of the state."

"There are no single silver bullets," Kopp said. "If the state legislature could come up with one thing that would lower home prices in the state in a way that values and honors our free market system, I'm sure they would have done it by now and everybody would stand up and cheer. It's going to be multiple steps in this journey."

CONNECTICUTT

Connecticut needs relief from the property tax

Property taxes are in many ways the most regressive and economically oppressive taxes, resulting in a downward spiral for municipalities, businesses and individuals already in financial distress.

The greater the tax burden, the higher the mill rate and the more distressed the taxpayers become. Even when businesses close and individuals are losing their jobs, their security, and their homes, property taxes must be paid.

There are numerous ways in which property tax relief could be provided to municipalities, and the 1000 Friends organization has recommended several ways, all of which are good ideas and could be part of a package.

However, there is a central element of every municipal budget that needs to be addressed directly: the number of public school students, per taxpayer and also per dollar in the tax base, varies significantly from one municipality to another. And the tax rates tend to be the highest in our poorest municipalities.

Moreover, public schools are the largest line in every municipality's annual budget. Our wealthiest communities not only have a higher tax base to provide some of the best public schools in the nation, but many of their households send their children to private day schools and boarding schools, resulting in a lesser burden for the community.

Low local property taxes in wealthy cities tend to attract the businesses with the largest investment in taxable properties, further distorting the unequal tax burden between communities. Conversely, communities with a low tax base tend to discourage investment in taxable properties, while low property values in these communities tend to attract charitable organizations to address community needs in inexpensive quarters that pay no property taxes. Education has suffered greatly as a result in most of these communities.

Thus, the spiral continues in this high property tax state. And justice in housing, municipal services, and in overall tax burden continues to become more uneven. So what is the remedy?

The state should assign a set percentage of the state income tax each year to a Governor's Property Tax Relief Fund (GPTRF) that would dole out its income at the end of each fiscal year to every municipality, based on the number of children in the local public school system. Municipalities would send out their property tax bills with an unchanged municipal mill rate, but the total tax due would be reduced by that taxpayer's share of the GPTRF that was allocated to the municipality.

The income tax is the least regressive of taxes in Connecticut – you don't pay anything if you lose your job and don't have an income, and you pay a low rate when your income is small. If you are wealthy, you pay more, although your total tax burden (including sales, property taxes and fees) is still lower than the average taxpayer. And when the wealthy fall on hard times, their income taxes fall, easing their burden.

However, income taxes are notoriously uneven, so the GPTRF would need to allocate a set amount of its income each year, based on an average of the income tax taken in over five years, so that taxpayers can have some idea of the degree of property tax relief they can expect in the coming year.

Such a formula would provide the most relief in a targeted way that should be fair to all communities, and would provide the most relief to those communities that have the highest property tax burden from the high costs of education.

And if this means that we would have to add a small increase to the taxes of our wealthy in the future to assure continuation and significant property tax relief through the GPTRGF, so be it. It is high time the paid their fair share of the total tax burden in Connecticut. The working middle class deserves a break.

Fundamental property tax reform: If not now, when?

The ideas for carving up Connecticut's surging budget surplus are flowing faster than the waters of the Long Island Sound after a nor'easter: Lower the sales tax. Eliminate the income tax on pensions. Increase the property tax credit. Pay down the state employee and teachers retirement pension debt. Cancel the surcharge on restaurant food. Bolster the unemployment insurance fund. Modify the property tax on vehicles. Pump up the Earned Income Tax Credit.

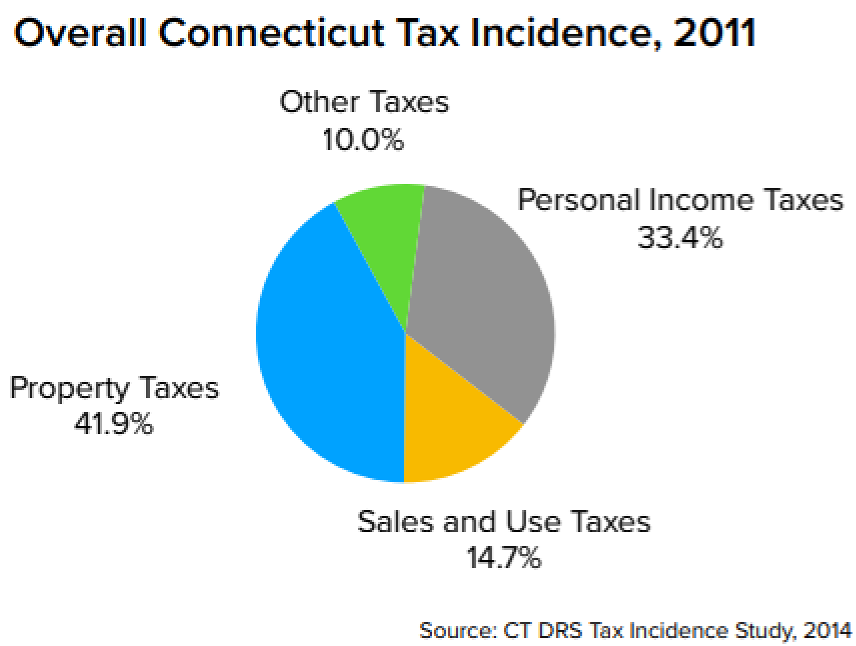
The outpouring of proposals is head-spinning but not surprising. This is an election year, when the offices of the governor and all 187 state legislators will be on the ballot. And what better way to encourage voters to blacken the circle next to their names than to put a little fast cash in their pockets.

As such, a tax cut (or cuts) of some sort is a near-certainty, made possible by the projected $1.48 billion surplus, compliments of federal Covid aid, a booming 2021 stock market and lower-than-anticipated state spending.

While the supporters of the above-mentioned ideas no doubt believe they have merit, the one tax proposal that would do more to restore Connecticut's economic hegemony is reform of the state's unfair, regressive, inefficient and onerous property tax. It accounts for a disproportionate 42% share of all state and local taxes. As a percentage of state and local revenue, Connecticut's property tax revenue is the third highest in the nation at 25.4%, significantly higher than the national average of 16.6%.

Of the state's potpourri of levies, the property tax is the one that discourages business expansion and job growth; gobbles up open space by encouraging unwise land use and warehouse proliferation (Connecticut's newest engine of growth); destroys cities; creates disparate educational opportunities; and has hastened the exodus of residents to no- or low-income tax states.

The property tax burden must be ameliorated, which can only be done if the state's tax structure is overhauled. This is not the time for half-baked measures, gimmicks or patchwork fixes. It is the time for fundamental reform and a rebalancing of the state's tax structure, given that the state is flush with money and can dare to think big and act courageously.



To that end, the Property Tax Working Group, a project of 1000 Friends of Connecticut, has prepared a fact-filled report, "Connecticut Property Taxes: Opportunity for Change," (www.taxpolicyct.org) which spells out the deep seated problems with the current tax structure and provides a hearty menu of solutions.

Skeptics will ask: Where is the necessary money going to come from if Connecticut rebalances its tax structure and reduces the property tax burden? As legitimate as that question may seem, it is disingenuous to suggest that there aren't realistic solutions. One, which has been suggested over and again by a litany of advocates, is to raise the personal income tax rate on the uber-wealthy. Gov. Ned Lamont has unwisely resisted that course of action, which is unfortunate.

But there are alternatives, including the scores of tax breaks for special interest groups that have turned out to be counter-productive. For example, The CT Mirror recently reported that over the past decade, "the average economic impact of the Film and Digital Media Production Tax Credit amounted to a loss of $58,510,604 in net revenue per year – well over half a billion dollars in all." That information is from the 2019 annual report of the state Department of Economic and Community Development.

Curiously, the DECD recommended continuing the tax-credit program despite the losses. But Connecticut can no longer pander to special interests while ignoring the plight of its residents, particularly those who are struggling to keep their heads above water. The data are irrefutable. The property tax particularly hurts those at the lower end of the income spectrum.

Households in the bottom income range, which is about half of all households in the state, pay 12.52% of their income in property taxes, while households in the top income range pay an effective property tax rate of 4.03% or less. Looked at another way, 90% of state households pay, on average, property tax rates that are two to seven times higher than the 10% of households with the highest incomes.

Those statistics underscore two inherent flaws in the property tax system: Owners of property with similar value are taxed at different rates depending on where they live, and low- and moderate-income households pay far more than their upper-income peers.

As a start to repairing the state's poorly designed tax structure, 1000 Friends has recommended three steps that the state can take immediately:

• fully fund the program that reimburses cities and towns for non-taxable property (dubbed PILOT or Payments in Lieu of Taxes);
• contribute more aid to the municipal budget-busting cost of special education; and
• provide low-income households – including renters, who pay more as a percentage of their income toward housing than homeowners – with a refundable property tax credit.

These are not pie-in-the-sky ideas but realistic proposals that would begin to address the unfairness, inefficiency and regressivity built into the state's tax structure.

If policymakers fail to correct these inherent flaws, the state will continue down a path littered with distressed cities, educational inequality, job losses, fleeing retirees, and ever more warehouses.

Be bold, Connecticut.

Michele Jacklin is a member of The Property Tax Working Group of 1000 Friends of Connecticut.

FLORIDA

Property taxes are the most evil of them all

"How much local control do you have over the assessed value of your home, which determines your property tax?"

"Taxes are what we pay for civilized society" - Justice Oliver Wendell Holmes, Jr.

"The power to tax involves the power to destroy" - Chief Justice John Marshall

We, specifying my wife and I, recently paid the property tax on our modest little patch on the prairie. The amount was increased 40% — in one year.

This, after a major upward adjustment just a few years ago to get us "caught up" with rising property value assessments. When I spoke with a Cass County tax assessor about this punch in the solar plexus I was told it was because of the prices others were paying for their properties miles away. We are competing with people who are plopping down $300,000 and more for a piece of the American dream, a sum we could only dream of.

He also told me to expect five to ten percent yearly increases in our property tax from now on. (Florida caps its increases to three percent a year on homestead properties regardless of their assessment value.) Our tax could more than double in ten years, making living here a difficult proposition. Certainly our income won't increase in that time and, with eventual retirement, will decrease. He urged that we not sell because of the ever-more onerous tax burden, but Cass County and its lesser political subdivisions seem intent on forcing us out.

Do you wonder why I consider property taxes to be possibly the most evil tax of all, that anyone can be taxed on value he hasn't realized and won't until he moves or dies? Sure, we could borrow against this paper value of our home, but serious debt at this stage of our lives would be beyond foolish. Of course, any capital gain on our property would be obliterated by the cost of any other home we could buy in this area, so we would be ahead nothing.

Consider what a great deal this tax is for our local governments. Suppose a city block of long-established homes' value is assessed at a million dollars. Now assume that a block of new homes is added on and assessed at two (or more) million dollars. Suddenly the now reassessed old block's property tax burden doubled while not a cent more is needed for the services it has been receiving all along. That whistle you hear in the distance is local governments' gravy train pulling out.

What's more, one can't use the excuse that more people in an area require higher tax rates to service them because, all else equal, the tax base is now that much deeper and broader. This point is always lost on local governments which seem to think that rates must increase when in fact the extra taxes paid by the newcomers should cover the expenses.

We are a SISK family: Single income, several kids. We supported the project to abolish property taxes some years ago, but the “local control” folks put the fear into everyone. Ask yourself: how much local control do you have over the assessed value of your home, which determines your property tax? If it's little or none, reconsider your stance. Taxation with representation is a canard.

ILLINOIS

Here’s how much Chicago commercial property assessments are increasing

Preliminary data show commercial property assessments under assessor Kaegi climbing at three times residential rate

Commercial property owners in Cook County, which includes Chicago, could see a 75 percent hike on their assessments, roughly three times the increase for homeowners, according to preliminary figures.

Citywide assessments would rise by an average of 50 percent as a result of Cook County Tax Assessor Fritz Kaegi’s first triennial reassessment, according to an analysis by property tax appeals firm O’Keefe Lyons & Hynes reported by Crain’s.

“The shift from residential to commercial demonstrates the 2018 under-assessment of large commercial properties in downtown Chicago and elsewhere during the (Joe) Berrios administration,” Assessor’s Office Spokesman Scott Smith told Crain’s, citing assessments by Kaegi’s predecessor.

Kaegi has long said that commercial properties have historically been under-assessed, thereby shifting the tax burden onto homeowners. While independent analyses support that claim, the business community has pushed back against the increases, saying they can’t afford a dramatic hike during the pandemic.

The reassessments come two weeks after first-half property tax bills were mailed. Full-year, second-half tax bills due later this year won’t go up as much as the assessments and will drop in some cases. Increases on individual properties will depend on the value of the property relative to property values citywide.

The average assessment on commercial property will be 76.87 percent, taxes on rental apartments will rise by 73 percent and single-family residential properties by 25.6 percent.

Average residential hikes vary from 14 percent in Hyde Park Township to just under 36 percent in West Chicago Township.

The assessments won't be final until they've been reviewed by a three member panel called the Board of Review, which previously overturned many of Kaegi's reassessments in the suburbs, according to Crain's.

Some industrial properties will see an increase over 121 percent, the largest increase for any property type, as a result of an increase in land values in gentrifying neighborhoods near the city's downtown.

Cook County tax bills sent to 1.8 million property owners

The first installment of property tax bills are on their way.

Cook County Treasurer Maria Pappas mailed out 1.8 million bills for Tax Year 2021, according to CBS 2 Chicago.

Payments for the first installment, which equals 55 percent of the previous year's total tax, are due March 1. Exemptions that can reduce taxes on a property will be applied to the second installment.

About 13,000 property owners have paid their bills online since they were posted on Dec. 7 on the treasurer's website. There is no fee to pay online but paying after the deadline will incur a late fee of 1.5 percent per month.

"If you've never paid your property taxes online, I urge you to do so. You'll receive an electronic receipt that will come in handy when you prepare your income tax return," Pappas said in a press release, according to CBS.

Property taxes have been a point of focus lately in and around Chicago. Mayor Lori Lightfoot's budget, passed in October, raised property taxes $23 million for homeowners. The increase was based on the national inflation rate instead of a local one that some economists say makes more sense. Nationally, prices are rising 5.4 percent, higher than the 4.5 percent in Chicago.

Commercial property owners have seen their assessments increase recently under Cook County Assessor Fritz Kaegi. Kaegi has said that his predecessor Joe Berrios had a history of undervaluing commercial properties, which placed a larger tax burden on homeowners. In 2018, residential properties made up 48 percent of the total assessed value in the eight Chicago townships and commercial properties made up the remaining 52 percent. Now, the residential properties account for 37 percent of the total assessed value, with commercial properties making up the remaining 63 percent.

Chicago property taxes nearly doubled in a decade

Chicago property taxpayers face a nearly 5% hike this year after a decade in which their bills nearly doubled. The city failed to capitalize on the COVID-19 stimulus windfall like others did.

During the COVID-19 pandemic, monetary and government stimulus that disproportionately benefited the wealthy led to higher stock prices and housing valuations. Booming markets and growing housing values, coupled with federal aid, boosted tax revenues for states and local governments.

While Chicago could have used the windfall to freeze property taxes, Chicagoans will have no such luck. This year, the city's gross property tax levy will increase by another 4.9%. This tax increase will disproportionately hurt low-income, cash-strapped homeowners and renters. This is because the city's budget includes large increases in debt service and pension payments.

Pension fund contributions are increasing by 24.7% from the prior year. That adds up to nearly $1 billion in pension spending increases since Lori Lightfoot became Chicago's mayor. Over the decade, the city's public pensions cost has increased 239%, despite spending for city services only growing 18% during that same period.

Although the city of Chicago, a home rule unit of government, is not subject to the Property Tax Extension Limitation Law, it has its own self-imposed property tax limitation. That annual property tax extension is limited to 5% or the increase in the Consumer Price Index, whichever is less. However, the city's tax cap does not completely limit the total extension since some funds – such as bond funds and pension funds – and some of the tax base, such as new property, are excluded from the calculation.

With inflation topping 7% in 2021 – the highest in 40 years – the city's property tax levy is likely to increase even more in 2022, and Chicagoans will face even larger property tax bills.

Historically, low-income families have paid an unfair share of property taxes. In addition, renters will also be negatively affected because landlords shift most of the increased tax burden to tenants. Given an 11.4% increase in housing values in 2021, due in large part to a shortage of housing units, many renters – and prospective buyers have been kept on the sidelines, and rents have increased. The increase in property taxes will push rents even higher.

Low-income Chicagoans are already feeling the inflation squeeze

For years, Chicagoans' property tax bills have increased faster than home values and incomes, with lower income residents paying an unfair share of property taxes.

While the tax levy is set to increase by less than the increase in housing values this year, worker earnings adjusted for inflation fell in 2021.

Falling worker earnings mean that scheduled property tax increases will disproportionately hurt cash-strapped – liquidity constrained – families. In addition, it is renters who will suffer the most from the tax hikes because research shows that landlords shift most of the increased tax incidence to tenants.

In 2021, U.S. consumer prices rose by 7%. One third of that increase came from an increase in shelter costs, according to data from the Bureau of Labor Statistics. While housing prices increased by 11.4%, rents also increased by 8.5% in the Chicago area.

Pre-existing housing shortages and lagging construction contributed to bidding wars and rapid housing price increases that left many young families priced out of homeownership, resulting in them paying more rent.

Low-income households are already seeing a higher share of their income go to shelter, food and utilities. In addition, inflation has already wiped out any "excess" savings accumulated during the pandemic, and further price increases will disproportionately cause more pain for the have-nots than for wealthier Chicagoans.

Pension reform is progressive government policy

In 2022, Chicago's pension costs will consume more than $2.3 billion of the city's budget – 21.4% of the city's own source revenue. Pension costs already exceed the city's total property tax levy of $1.7 billion this year. Amending the Illinois Constitution to allow for adjustments to the future growth in pension benefits for current workers and retirees can accomplish at least one of two progressive objectives: increase city spending on its poorest residents, or stop further property tax hikes that disproportionately hurt low-income and middle-income families.

KANSAS

Market Study Analysis for the Assessment Year 2022 – Johnson County

A study of the residential real estate indicators reflects the market has continued to grow with over 95% of the residential properties increasing in value for 2022. In preparation for our annual valuation process, we reviewed over twenty-two thousand residential sales and used this data in a sales comparison analysis within ORION to develop Market values. The growth in the Residential market has been significant with demand far exceeding supply thereby putting upward pressure on Real Estate sale prices and property values. In addition, the ORION Mass Appraisal system utilizes a national cost service, Marshall & Swift (CoreLogic), which provides the Appraiser's Office with annual updates each July. No changes were implemented from the annual depreciation study performed for residential property. Land analysis indicates the supply is generally in balance with minor adjustments made to land values. Land values in the northeast area of the County have seen continued upward pressure due to improved residential properties being purchased and subsequently torn down to facilitate construction of totally new residential dwellings.

Commercial real estate uses the Income, Cost, or Market approach to estimate value. Industrial and multifamily properties continue to see market conditions conducive for growth. Demand has continued to be strong despite the pandemic. Office and retail properties have remained relatively flat overall as the market is still adjusting to the way people work and shop due to the presence of COVID-19. The hotel market showed some slight gains in 2021 and forecasts from national sites predict continued slow and steady recovery.

Multifamily new construction starts have slowed and buildings currently under construction have experienced delays. Older communities continue to renovate albeit perhaps at a slower pace than in the past. In 2021, capitalization rates are down across the board in Johnson County. The vast majority of properties report stable rents with occupancies in the mid- to-upper nineties. The Johnson County multifamily market continues to perform better than many markets in the country.

Industrial properties remain at the height of the expansion cycle as over 2.0 million square feet of warehouse permits were issued in 2021. The first building of the planned Heartland Logistics Park in northwest Shawnee completed. The approximately 273,000 square foot warehouse is the first of five proposed buildings which will total over 2 million square feet of warehouse space when complete. Block and Company completed a new roughly 606,000 square foot warehouse in southwest Lenexa, as it continues to develop the Lenexa Logistics Centre East business park. Lineage Logistics, a temperature-controlled food distribution company, has also completed an estimated 350,000 square foot cold storage warehouse in the Lone Elm Commerce Center at I-35 and 167th street in southern Olathe. While much of the larger new construction is concentrated in Shawnee, Lenexa and Olathe, smaller industrial properties continue to be developed throughout the county as industrial properties continue to thrive even during the pandemic.

Office properties in Johnson County continue to stabilize in 2021. The newly completed Johnson County Courthouse in Olathe with approximately 390,000 square feet began occupancy in early 2021 and Phase I of Shamrock East with nearly half a million square feet (including a parking garage) was close to obtaining a Certificate of Occupancy. A new 4-story office building is also slated for Hallbrook Office Center. For 2021, rental rates are stable in most areas of the County. Office capitalization rates are flat throughout all investment classes. Speculative construction has moderately increased. Nationally, suburban office markets such as Johnson County have outperformed more urban areas during the COVID-19 pandemic.

Retail properties continued to stabilize in 2021. There continues to be redevelopment in the county for older sites demolished to make room for new construction, and often in the form of mixed-use type properties. Construction of Sonoma Plaza at 87th Street & I-435 in Lenexa was strong with permits issued for several new strip centers and a few eateries. The area along the Metcalf corridor in Overland Park has seen quite a bit of construction as well, some new and some redevelopment. Capitalization rates were slightly down overall for restaurants. The capitalization rates for single-tenant retail properties were also down slightly for the highest investment class properties. Strip center properties saw a slight decrease of 25 basis points in capitalization rates for C investment class properties only. However, A investment class neighborhood and community shopping center properties saw an increase of 50 basis points, while the B and C investment classes of this property type saw an increase of 25 basis points. Retail continues to experience more build-to-suit construction than speculative construction during the 2021 year.

Hotel/Motel property in Johnson County saw significant declines in occupancy and REVPAR due to the COVID-19 pandemic in 2020 but began to climb up in 2021. Due to the continuing unstable market conditions, Johnson County contracted a 2021 Hotel Benchmark Study. The results of the study determined valuations declined 25% for full-service hotels. Additionally, select and limited-service hotels saw valuations decline 15%. Despite COVID-19, Johnson County added three new hotels which added 292 rooms. The total room count increased 3% to 9,842 rooms. There are several more projects that are in various stages of planning and construction. Industry experts to make a slow recovery, with most predicting REVPAR reaching pre-COVID-19 levels in 2024.

The annual depreciation study for commercial property found evidence for adjusting very few of the structure categories for depreciation, economic life and other table variables. These adjustments, however, realign internal depreciation with verified sale transaction value indications. The land study for commercial property is updated annually and found minimal upward pressure for land values. Computer Assisted Land Pricing (CALP) models include all commercial and condominium properties with reliance from the commercial land study as support.

MAINE

Big box retailers trying to skimp Maine towns to get out of paying what they owe

The services, infrastructure, and amenities funded by property taxes increase our quality of life and help businesses succeed. But large, multi-national big-box retailers are increasingly turning to “dark store theory,” a dubious tax scheme to manipulate the system and get out of paying what they should. In 2019, Maine Center for Economic Policy published a report assessing the impact of this growing corporate practice in Maine in which big box stores challenge local property tax assessments to seek dramatic reductions to their property tax bills. That report surveyed the 25 towns with the highest retail sales and found 17 had box store appeals of their property tax valuations and that companies were requesting valuations to be reduced by 34% on average.

Two and a half years later, box stores continue to seek lower property tax bills by arguing their open and successful retail properties should be valued the same as abandoned shopping centers that have lost economic value. While some towns have settled and offer reductions to property tax bills, others are choosing to challenge the box store appeals. Both approaches are costly. The former reduces the property taxes the town is collecting; the latter involves a lengthy legal process requires that towns not only pay costs for representation, but also forego collecting property taxes on the disputed properties until a final determination on the appeal is made.

A bill before the taxation committee sponsored by Rep. Ann Matlack (D-St. George) seeks to solve this problem. The bill, An Act Relating to the Valuation of Retail Sales Facilities, amends the rules of assessment to make it clear that retail properties should be assessed the same as other open retail facilities, and not the same as abandoned, economically unviable locations.

In the meantime, big-box retailers around the state continue to try to reduce what they owe using “dark store theory” and shift more costs onto local property taxpayers. Below is an updated summary on the status of box store assessment appeals filed since our 2019 report. Five of the seven towns have cases awaiting a hearing with the State Board of Property Tax Review.

Augusta

Walmart, Sam's Club, Home Depot, and Lowes all appealed their valuations in fiscal year 2021. The city settled with Lowe's, granting some but not all of the reduction it requested. The city denied the request of Walmart, Sam's Club, and Home Depot. Walmart and Sam's Club appealed the city's decision and are awaiting a final decision on the valuation from the State Board of Property Tax Review.

Brewer

After withdrawing its fiscal year 2019 request for a lower assessment, Walmart has filed appeals of its fiscal year 2020 through 2022 tax assessments. For fiscal year 2020, Walmart appealed its $15.1 million assessment seeking $11 million instead, and for fiscal year 2021 the company appealed the town's $15.3 million assessment and seeks a $13 million assessment. For fiscal year 2020 and 2021, the appeals are awaiting a determination by the State Board of Property Tax Review. Walmart has filed another appeal for fiscal year 2022, seeking a $11.2 million assessment over the city's assessment of $15.3 million. The city's assessor has not yet made any action on this most recent appeal.

Brunswick

Following Walmart's valuation appeals for fiscal years 2018 and 2019, the company again appealed its assessment for fiscal year 2020. The company was seeking a reduction in property assessment from $17 million to $11 million. All these appeals were settled last year in mediation between Walmart and the town at a value of $16.2 million for all three fiscal years.

Ellsworth

Following Walmart's valuation appeals for fiscal years 2018 and 2019, Walmart filed additional appeals for fiscal years 2020, 2021, and 2022. Walmart has requested a $10 million valuation for its property which the city assesses to be worth $20 million. The parties are awaiting a hearing with the State Board of Property Tax Review to decide the outcome.

The city received two additional requests. For fiscal year 2022, Walgreens has requested a valuation of $1.7 million instead of the city's assessed $3.3 million. For fiscal years 2021 and 2022, the Maine Coast Mall, anchored by Hannaford and TJ Maxx, has requested a valuation of $7.5 million instead of the city assessed $15 million. In both cases the property owners appealed to the State Board of Property Tax Review and the parties are awaiting a hearing date.

Falmouth

Falmouth received an appeal from Walmart for the fiscal year of 2021 seeking to reduce its valuation from $11.5 million to $6.8 million. The assessor denied the request and Walmart appealed to the State Board of Property Tax Review to decide the case.

Thomaston

Walmart has filed appeals for fiscal years 2018 through 2021. The company challenges the city's $15.5 million valuation and requests a $7.4 million assessment. The parties are awaiting a hearing that has yet to be scheduled with the State Board of Property Tax Review.

Windham

For fiscal year 2021, Windham received an appeal from Walgreens seeking a $2.5 million assessment on its property which the town values at $3 million. The town granted nearly all the request, settling with a valuation of $2,508,300.

MASSACHUSETTS

PILOT Action Group Hosts Forum to Call on Tax-Exempt Institutions to Invest in Cities

The Massachusetts “Payment in Lieu of Taxes” Action Group hosted a virtual statewide forum Tuesday to discuss the group’s commitment to calling on tax-exempt institutions to invest in city development.

PILOT — a coalition of labor unions, advocacy groups, and individuals across Massachusetts — advocates for wealthy nonprofit institutions to invest in localities. Tuesday’s forum, which was live-streamed over Facebook, was intended to educate the public on the coalition’s goals.

The event featured guest speakers like Trinity College professor Davarian L. Baldwin, who wrote “In the Shadow of the Ivory Tower: How Universities Are Plundering Our Cities,” and Boston City Councilor Elizabeth A. “Liz” Breadon, who represents the Allston-Brighton district, which includes real estate owned by three universities.

The greater Boston area is home to a high concentration of some of America’s wealthiest universities such as Harvard. As nonprofits, the institutions are not required to pay property taxes under Massachusetts law.

According to PILOT’s website, 70 percent of Boston’s revenue derives from property taxes, while 49 percent of the city’s land is occupied by government and nonprofit institutions that pay no property tax.

Baldwin said this dearth of property taxes makes cities reliant on donations at the discretion of these institutions.

“This is almost a feudal relationship where residents have to look out or gain access to resources at the philanthropic behest of these power brokers,” he said.

In January 2020, the Boston City Council filed a PILOT ordinance that strengthened existing recommendations for contributions from tax-exempt institutions. The existing measure, spearheaded in 2010, suggests that institutions with over $15 million in holdings contribute 25 percent of their assessed value to the city.

PILOT has also introduced legislation at the state level — H. 3080, S. 1874, and H.3803 — that would enable towns to establish additional programs to generate revenue from tax-exempt institutions.

“These institutions need to pay their fair share to our neighborhood of Allston-Brighton and to our city as a whole,” Breadon said.

Harvard participates in the PILOT program, but the University has not paid its full recommended sum for the past nine years. Last year, the program requested that Harvard pay $13 million for its landholdings in Boston, $6.5 million of which should be paid in cash. Last year, the University contributed $3.7 million, a little over half the request.

One of the leaders of PILOT, Enid Eckstein, condemned the lack of contributions by institutions.

“This is not good policy — local governments need reliable and predictable resources to plan, to have good schools, to have good libraries, roads, et cetera” she said.

Eckstein called on state legislators to standardize how these nonprofits contribute funds.

“Our legislation is an attempt to create a standard framework for PILOT and then give towns the opportunity to opt in and use that as the standard,” she said in an interview after the forum.

MICHIGAN

Detroit Residential Property Assessments Projected To Rise, Marking Fifth Straight Year Of Growth

Residential property assessments in Detroit are projected to increase by an average of 31% per neighborhood in 2021, the city said.

The figure is based on the most recent sales study and analysis of property values across the city and marks the fifth consecutive year of growth, according to Mayor Mike Duggan’s office.

“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 in a statement

“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 city says 21 of Detroit’s 208 neighborhoods had an increase in value over 50%, while 91 neighborhoods showed an increase from 30% to 49%.

Only five neighborhoods lost value.

Detroit homeowners are protected against large property tax hikes as state law caps the annual increase at the consumer price index or 5%, whichever is lower, as long as homeownership has not changed.

The cap is lifted when a home sells and the taxable amount adjusts to the state equalized value the year following the transfer.

MONTANA

The initiative that could upend Montana’s tax system

Supporters say CI-121 would cap residential property tax growth to keep homeowners from being priced out. Critics say the consequences could ripple across the state for generations.

Meetings of the Montana Legislature’s tax policy committees, particularly the interim group that meets in off-seasons when the Legislature is out of session, are rarely dramatic affairs.

Last month, though, a succession of conservative activists stepped up to a microphone in a state Capitol hearing room to advocate for a taxpayer revolt that could reshape Montana for generations.

As former state Sen. Al Olszewski put it: “We’re tired of renting our homes from the government.”

The activists, fed up with property tax increases they say threaten to price thousands of Montanans out of their homes, had assembled to voice support for Constitutional Initiative 121. Modeled after California’s landmark Proposition 13, the proposal would amend Montana’s Constitution to place strict limits on how much property tax homeowners have to pay and how fast those taxes can grow.

“Your property taxes would be based on the price of your home when you buy your home, not the price of your home 10 years down the road, 20 years down the road, after inflation has driven up the prices, after out-of-state investment has driven up the prices,” said Bozeman Attorney Matt Monforton, who is sponsoring the initiative with Republican State Auditor Troy Downing.

If the initiative’s backers collect enough signatures to get it on the ballot, and then persuade a majority of Montana voters to support it in this fall’s election, CI-121 would fundamentally transform how the taxes that fund Montana schools, law enforcement and local governments are calculated.

As such, the proposal has raised alarms across the state’s political spectrum, drawing opposition not only from left-leaning groups that routinely lobby for more public spending, but also from traditionally tax-skeptical entities like the Montana Bankers Association, Montana Farm Bureau and Montana Chamber of Commerce.

“We believe the unintended consequences outweigh the perceived benefit of CI-121,” Chamber lobbyist Bridger Mahlum told lawmakers at the January meeting.

“Prices are rising for goods and services anyway with inflation,” he said. “Local governments have to be able to afford that in their budgets too.”

The initiative’s opponents generally acknowledge that the state needs to explore property tax relief, but say they’d rather the Legislature enact narrow measures that help low-income residents and seniors who most need help than adopt a sweeping change that limits taxes on modest homes and mansions alike.

Sen. Greg Hertz, the Polson Republican who sponsored some of the key bills implementing Gov. Greg Gianforte’s tax-cut agenda during last year’s legislative session, also said this week that he opposes CI-121.

“You look at the initiative and what it does is shift taxes basically from one taxpayer to another,” he said.

Montforton dismissed the opposition in an interview this week.

“There were a lot of concerns voiced by Helena’s liberal special interest groups. We are unpersuaded by them,” he said.

TAX BILL MATH

As one of five states without a statewide sales tax, Montana’s state and local governments lean heavily on income and property taxes for revenue. By and large, income taxes fuel state investments in universities, social welfare programs and prisons. Most property taxes flow to local services administered by cities, counties and school districts.

The system used to calculate how much each Montana property owner owes to keep their local government running is convoluted, but in broad strokes it works like this: Local government leaders, an elected school board for example, sit down once a year to set their budget, deciding the total amount they need to collect from property owners to pay teachers and put gas in school buses.

That collective burden is then divided among the district's individual taxpayers, with each landowner assigned a slice of the pie proportional to their share of the district's overall tax base. For residential properties, the tax values used for those calculations are based on assessed property values determined by the Montana Department of Revenue — essentially the department's best effort to estimate what the property would sell for.

That means people with more expensive homes and, in theory, more wealth, pay higher property taxes. The owner of a property with twice the value of their next-door neighbor's is responsible for twice their neighbor's share of the local school budget.

That means rising property values can lead to higher taxes, depending on how fast a home's value is changing relative to the other properties in the tax base — and whether that school board is holding its budget constant. If you build an addition onto your home that doubles its value while your neighbor's valuation stays the same, you'll pay more, assuming the school budget stays flat. But if every property in the district doubles in tax value and the school budget isn't increased, each homeowner's tax burden remains unchanged.

In practice, though, the system is messier than that, which makes assigning blame for rising property taxes tricky. Schools also get some funding from other sources, and commercial and industrial properties are typically assessed differently than homes. And individual property tax bills are the result of budgets set by overlapping jurisdictions like schools, counties and towns along with more arcane taxing entities like soil and water conservation districts. Furthermore, local government budgets rarely stay constant, but often rise as inflation drives up government operating costs or voters approve construction bonds or special-purpose levies at the ballot box.

Further complicating things, the tax bills sent to property owners by county treasurers generally list their charges in terms of mill rates, a statistical construct indicating how much tax a jurisdiction is assessing for each $1,000 of taxable value. Some property taxes, like the 6-mill levy used to help fund the Montana University System, are defined in terms of mills instead of dollars.

For example, a publicly available tax bill for a home owned by CI-121 co-sponsor and State Auditor Troy Downing south of Bozeman includes line items for county government, the city-county health department, a rural fire district, a jail bond, local schools, the local community college and the 6-mill levy.

COUNTY TAX BILL 2021 REAL ESTATE

Gallatin County Treasurer
Jennifer Blossom
311 West Main, Room 103
Bozeman, MT 59715

Phone: (406) 582-3033 Website: www.gallatin.mt.gov/treasurer

PARCEL # RHG48509 **GEO CODE:** 06069815201050000
TAX DISTRICT: 0366-09: 41 Anderson-HF-GP
PHYSICAL ADDRESS: [redacted]
LEGAL DESC: GREENHILLS RANCH SUB, S15, T03 S, R05 E, BLOCK 1, Lot 2, ACRES 1.001, PLAT J-356-A PLUS OPEN SPACE A, B1, B2-1, & B3 - B5
MILL LEVY: 591.680

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DOWNING TROY TRUSTEE
DOWNING LIV TRT
[redacted]
BOZEMAN MT 59718-7332

PROPERTY TYPE	MARKET VALUE	TAXABLE VALUE
REAL ESTATE	258,223	3,486.00
BUILD & IMP	1,055,377	14,248.00
PERSONAL PROPERTY	0	0.00
TOTAL	1,313,600	17,734.00

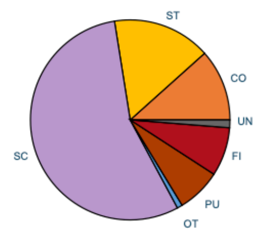
KEY	TAXING AUTHORITY	GENERAL MILLS	TOTAL
CO	CITY(BZN)/COUNTY HEALTH DEPART	3.830	$67.92
CO	COUNTY BLDG CAPITAL PROJ	7.320	$129.82
CO	COUNTY FAIRGROUNDS	1.190	$21.10
CO	COUNTY GENERAL FUND	16.850	$298.82
CO	COUNTY LIBRARY	4.710	$83.52
CO	COUNTY OPEN SPACE OPERATION	4.000	$70.94
CO	COUNTY PARKS	0.500	$8.86
CO	COUNTY PERMISSIVE MED LEVY	8.220	$145.78
CO	COUNTY PERMISSIVE SRS LEVY	0.070	$1.24
CO	COUNTY REST HOME	3.640	$64.56
CO	COUNTY ROAD & BRIDGE	16.760	$297.22
CO	COUNTYWIDE PLANNING	2.180	$38.66
FI	HYALITE RURAL FIRE DISTRICT	47.040	$834.20
PU	COUNTY DETENTION CNTR BOND	5.630	$99.84
PU	COUNTY PUBLIC SAFETY	36.990	$655.98
SC	COUNTYWIDE ELEM RETIREMENT	22.110	$392.10
SC	COUNTYWIDE HS RETIREMENT	12.570	$222.92
SC	COUNTYWIDE TRANSPORTATION	1.610	$28.56
SC	SD #41 AND EL GEN (*V 4.31 M)	90.550	$1605.82
SC	SD #41 ANDERSON ELEM BUILDING	2.510	$44.52
SC	SD #41 ANDERSON ELEM BUS DEPRE	7.330	$130.00
SC	SD #41 ANDERSON ELEM DEBT SERV	95.730	$1697.68
SC	SD #41 ANDERSON ELEM TRANSPORT	5.460	$96.82
SC	SD #41 ANDERSON ELEM TUITION	1.880	$33.34
SC	SD #41 ANDERSON ELEMENTARY TEC	5.640	$100.02
SC	SD #7 BOZEMAN HIGH ADULT ED	1.700	$30.14
SC	SD #7 BOZEMAN HIGH BUILDING RE	9.820	$174.14
SC	SD #7 BOZEMAN HIGH DEBT SERVIC	39.780	$705.46
SC	SD #7 BOZEMAN HIGH GEN FUND	30.590	$542.48
SC	SD #7 BOZEMAN HIGH TECH	0.740	$13.12
SC	SD #7 BOZEMAN HIGH TRANSPORTAT	2.230	$39.54
ST	ST HIGH SCHL EQUALIZATION	22.000	$390.16
ST	STATE ELEM EQUALIZATION	33.000	$585.22
ST	STATE EQUALIZATION AID LEVY	40.000	$709.36
UN	GALLATIN COLLEGE	1.500	$26.60
UN	STATE UNIVERSITY 6 MILL LEVY	6.000	$106.40
	TOTAL	591.680	$10,492.86

*V = new voted levy

SPECIAL ASSESSMENTS

KEY	DESCRIPTION	1ST HALF	2ND HALF	TOTAL
OT	GLTN CONSV DIST .7 MILLS	6.21	6.20	$12.41
OT	GLTN CO WTR QUALITY (FEE)	3.30	3.30	$6.60
OT	OPEN SPACE BND 4.04 MILLS	35.83	35.82	$71.65
	TOTAL SPECIAL ASSESSMENTS	45.34	45.32	$90.66

DISTRIBUTION BREAKDOWN



CO	COUNTY	$1,228.44
FI	FIRE DISTRICT	$834.20
PU	PUBLIC SAFETY	$755.82
SC	SCHOOL	$5,856.66
ST	STATE SCHOOL	$1,684.74
UN	UNIVERSITY	$133.00
OT	OTHER	$90.66

TOTAL TAX	1ST HALF	2ND HALF	TOTAL YEAR
TOTAL GENERAL TAXES	5,246.43	5,246.43	10,492.86
TOTAL SPECIAL ASSESSMENTS	45.34	45.32	90.66
TOTAL	$5,291.77	$5,291.75	10,583.52

FUTURE PROPERTY TAX ASSISTANCE MAY BE AVAILABLE! If you are elderly, on a limited or fixed income, a 100% disabled veteran or surviving spouse, or had a large increase in your property taxes due to reappraisal, you may qualify for future tax assistance. Contact the Department of Revenue – Bozeman Office at 406-582-3400.

The 2021 tax bill sent to state auditor and CI-121 co-sponsor Troy Downing for his home south of Bozeman. Property address redacted at Downing's request. Credit: Gallatin County ITAX system.

The taxable value of Downing's property, $17,734, is calculated by multiplying the property's assessed value by the state's residential tax rate, 1.35%. While the bill adds in some special assessments, the bulk of Downing's taxes are calculated by taking that tax valuation and applying his district's total mill rate: $591.68 owed for each thousand dollars of taxable value.

County records indicate that annual taxes on Downing's $1.3 million property have grown by 24% since 2019, to $10,583.

Contacted this week through a spokesperson at the state auditor's office, Downing declined to discuss his tax bill. A business disclosure form he filed in 2020 indicates he also owns other Montana real estate.

THE PAIN AND THE PITCH

With the housing market tight — and with local authorities scrambling for money to expand roads and schools in fast-growing communities — rising property taxes are a painful fact of life for many Montana residents.

A pre-pandemic analysis by Montana Free Press found, for example, that the average residential tax paid by Montanans more than doubled from $395 per capita in 2002 to $806 per capita in 2018. And that was before the surging home prices that have come with the state's wave of pandemic-era buyers.

While state government has programs to provide property tax relief to seniors and low-income homeowners, it's common to hear retirement-age Montanans in particular worry about being priced out of their homes if rising taxes outstrip their fixed incomes.

Richard Thieltges of Helena, for example, told attendees at last month's tax committee meeting that he's retired and living on an income of $1,000 a month in Social Security benefits. His home, which he bought for $100,000 in 1989, is now valued at nearly $350,000, he said. His property taxes rose 48% this year, he added, leaving him worried he might end up homeless after he depletes his savings.

Thieltges noted that his taxes have spiked in part because his property value has appreciated beyond the ceiling built into an existing state tax relief program. That program offers a tax rate break to low-income taxpayers, but only for the first $200,000 of market value on a primary residence.

"There are thousands of people in Montana just like me," Thieltges said. He's been collecting signatures for CI-121.

The initiative presents a beguiling solution to taxpayer pain: a one-page amendment to the Montana Constitution that would put a hard cap on how fast homeowners' property taxes can grow.

If enacted, the initiative would limit the total value-based property taxes on residential properties to 1% of assessed value. Tax on a $250,000 house would be capped at $2,500 a year. Troy Downing's $1.3 million house would be taxed at no more than $13,000 annually.

The initiative would also limit how fast property values can appreciate for tax purposes, capping the annual assessment change at either 2% a year or the rate of inflation, whichever is lower. That growth limit would be pegged to a pre-pandemic 2019 baseline, but would reset to the current market value whenever a home is sold or "significantly improved" by renovation or new construction.

"It would roll back tax valuations, or tax assessments, back to 2019, prior to COVID, prior to COVID refugees moving to Montana from lockdown states, prior to torrents of out-of-state money coming into our property market," Monforton said at the January meeting.

THE CALIFORNIA EXPERIENCE

Monforton has said CI-121 is based on California's Prop 13, passed by voters there in 1978. Triggering decades of public budget turmoil, litigation and subsequent ballot initiatives, Prop 13 has produced a complex legacy that's still subject to active debate in California and other states that have followed its lead with their own initiative-driven tax revolts.

Critics regard Prop 13 as an unmitigated disaster. Immediately following its passage, California property tax collections dropped by 60%, forcing state leaders to backfill local government funding from the state budget. Schools in some parts of the state cut back on vocational education and arts offerings. Student-teacher ratios rose.

Today, California remains one of the most-taxed states in the nation. Researchers at the Tax Foundation, a right-leaning think tank that often advocates for tax relief, concluded in 2013 that Prop 13-limited property taxes in

California have been largely offset by higher sales and income taxes. California's sales tax, 6% when Prop 13 was passed, is now 7.25%.

The measure has also been criticized for delivering an outsized share of its relief to wealthy homeowners. A 2016 report by the California Legislative Analyst's Office concluded that two-thirds of Prop 13's tax relief was going to households with incomes above $80,000, and nearly half to households with incomes above $120,000.

Even so, as Monforton has noted, Prop 13 remains popular with the California public. In a 2018 poll conducted for the proposition's 40th anniversary, the Public Policy Institute of California found that 57% of Calfornians believe it had turned out to be "mostly a good thing for the state." Among homeowners, the approval rate was 65%.

MONTANA CONSEQUENCES

Some CI-121 opponents have cited California's Prop 13 experience as a warning for Montana.

Senate Majority Leader Jill Cohenour, D-East Helena, for example, cited California's post-Prop 13 sales tax increases in an interview this week. That's a tax burden, she said, that falls more heavily on the shoulders of working families and low-income residents.

She's worried that passage of CI-121 could put Montana in a position where state leaders have no choice but to adopt a sales tax to keep schools and local government services adequately funded.

"Montana is not California. We can do better than this," Cohenour said.

Hertz, the Republican lawmaker who's been at the center of many of Montana's recent tax debates, said he's especially concerned about situations where city taxpayers, who currently pay higher rates because they're on the hook for both city and county services, run up against the tax cap before county taxpayers do. That could force more of the burden for county budgets and school bonds onto rural homeowners, he said.

"Taxpayers really need to understand this before they vote for it. It's not the panacea that it sounds like it is. Particularly if you live in the county," Hertz said.

A few Republican lawmakers on the party's right wing have thrown their weight behind the measure, however. Sen. Brad Molnar, R-Laurel, was among the supporters who spoke at the January hearing. And Rep. Matt Regier, R-Kalispell, wrote the committee a letter endorsing the initiative.

"For me stability for homeowners and Montana families takes precedent [sic] over stability for ever growing governments," Regier wrote.

Even so, Republican Hertz and Democrat Cohenour aren't alone in their wariness about CI-121's potential consequences, intended or otherwise. Opponents lined up at the January meeting to air their concerns.

Business groups like the state Chamber of Commerce worried that commercial properties or farmland will end up picking up the tab for lost residential revenues. Public employee unions worried about budget cuts that could cause layoffs of teachers and other government employees. Realtors worried that the tax benefit created by long-term residence would discourage homeowners from upgrading to new homes. A real estate lawyer worried about equal-protection lawsuits in situations where a longtime homeowner ends up paying lower taxes than a young family who just moved into a similar house next door.

Many of the initiative's opponents say they'd rather see property tax frustration addressed by the state Legislature. They're most interested, they say, in targeted relief like "circuit breaker" programs, which provide property tax breaks based on income.

“I think, the Legislature, we need to concentrate on low-income individuals and the elderly,” Hertz said this week.

Hertz also said that Thieltges, the property owner who complained about his taxes rising 48%, is a good example of a situation that the Legislature needs to address.

Democrats introduced a series of circuit breaker-style property tax relief bills during last year’s legislative session, but gained no traction as majority Republicans prioritized Gianforte’s slate of tax cuts, which focused on business relief and making the state more attractive for entrepreneurs. Gianforte’s budget did put a comparatively small amount of money, $3 million, toward expanding relief programs for low-income taxpayers. The governor’s highest-profile income tax cut, in comparison, was projected to cost the state $30 million in annual tax revenues.

A fiscal analysis prepared by the governor’s budget office estimates that CI-121 would immediately cost local governments roughly $150 million a year in tax revenues, approximately 9% of the $1.6 billion the state revenue department says those governments collected in 2020. The analysis also notes that the fiscal gap created by CI-121 would widen as the tax cap depresses future revenue growth over time.

Monforton, a former Republican state legislator who now identifies as a Libertarian, argued this week that other states that have adopted Prop 13-style measures have managed to develop workable tax systems.

“The notion that there is going to be sharp cuts or any cuts to revenues to governments is speculative at best, and most likely wrong,” he said. “What local governments will have to do is get used to a reduced growth rate in revenues, just like all of the rest of us.”

“We all know that there is excess spending at every level of government,” he said.

WHAT COMES NEXT

In order to get CI-121 on the ballot, supporters need to collect signatures from 10% of the state’s electorate, 60,359 voters, including at least 10% of voters in 40 of Montana’s 100 House districts.

Some CI-121 opponents, led by the Montana Federation of Public Employees, have turned to the courts in an effort to derail the initiative. They filed a lawsuit last month, arguing in part that Attorney General Austin Knudsen failed to properly review the initiative for the harm its tax code changes could cause Montana businesses.

Legal wrangling in that lawsuit temporarily halted signature gathering, but a Helena judge ruled late last month that initiative backers are free to collect signatures while the litigation proceeds. Backers now face a June 17 deadline to qualify their tax revolt for the ballot.

Monforton said this week that more than 1,000 people have downloaded petitions from the initiative’s website, cappropertytaxes.com.

“The opponents know that if CI-121 makes the ballot, Montana homeowners will vote for it overwhelmingly,” he said. “They have good reason to be fearful.”

NEW YORK

NYC commercial properties kept 92% of value despite pandemic: city

Commercial real estate in New York City kept 92% of its value despite economic turbulence caused by the COVID-19 pandemic, according to the mayor's office.

Mayor Eric Adams presented a preliminary budget for fiscal year 2022-2023 which estimated that the value of commercial properties in the city is around $301 billion.

Before the COVID-19 pandemic hit in March 2020, the city assessed the estimated value of commercial properties at around $326 billion, according to Crain's New York Business.

That means the latest assessment represents 92.3% of the estimate from January 2020 — weeks before the onset of the pandemic.

This year's estimate is 11.7% higher compared to fiscal year 2021-2022, when the total assessed value of commercial properties in the five boroughs stood at $269 billion.

The Adams administration is banking on higher property taxes from both commercial and residential real estate to fuel the city's budget for this fiscal year.

The city assessed its commercial and residential real estate property values at $1.4 trillion — a 2.1% increase compared to before the pandemic.

The mayor is projecting $726 million in tax revenue growth to the increase in property taxes, which he calls "our single largest revenue source."

The city's latest estimate shows that office properties, which remain largely vacant as employees continue to tele-work, lost 7% of their pre-pandemic value — dropping from $172 billion to around $160 billion, according to Crain's.

Retail properties have also seen their values decline from $63.8 billion to $56.2 billion — a reduction of 11.9%. Hotel properties dropped from $32.7 billion to $26.3 billion, a 19.6% decline, according to city estimates.

While real estate values recovered, the pandemic has nonetheless taken a devastating toll on the Big Apple's economy.

The city lost a record 900,000 jobs to the pandemic in 2020, when the spread of the coronavirus prompted local government to institute lockdowns.

Key economic engines such as tourism, hospitality, and entertainment were crippled as local governments banned indoor gatherings in public spaces.

Small businesses suffered tremendously as office-based employees who normally commuted into the city and patronized delis, news stands, bodegas, and eateries stayed home and worked remotely.

Adams is urging company CEOs to bring their employees back into the office as soon as possible.

The city appeared on track to rebound after the mass vaccination drive sent case numbers dropping precipitously last year, but the Omicron variant which emerged in the fall sabotaged whatever hopes there were of a quick comeback.

According to the Federal Reserve Bank of New York, the city is still 350,000 jobs — or 9.6% of all jobs — shy of its pre-pandemic peak.

'Reval' letters to be mailed out in March

City of Lockport property owners will be receiving a letter announcing tentative property assessments in early March. The city has not had a revaluation in the past 10 years. Data has been collected and analyzed over the past 18 months with the assistance of GAR Associates.

"The assessment will be based on square footage, condition, age, neighborhood (and more)," Tracey Farrell, city assessor, said. "There's actually a lot that goes into it."

The reassessment process involves consulting recent sales of comparable properties and calculating a new assessed value

Lockport currently has an equalization rate of 67%. In theory, that means a home with a full market value of $200,000 should have an assessed value of $134,000 (200,000 x 67%). Reality is often very different because neighborhoods and homes change in value at different rates. At the end of this assessment the equalization rate will be 100%, Farrell said, and that would be verified by the state.

Equalization rates can be found at http://orpts.tax.ny.gov .

Farrell noted she would like to see a "reval" done each year to keep the equalization rate at 100%.

"Our assessor's office has been going through a lot of changes," she said, reasoning out why the "reval" hasn't been done in the last decade. "We're now at a point where we can get everything straightened out."

The New York State Office of Real Property Services said in most circumstances where assessment rolls have not been updated for a significant period of time, a "rule of thirds" applies where one-third go up, one third go down and one third stay the same.

In the letter there will be a number to call and learn more, as well as to complain or challenge the assessment, Farrell said. Those phone calls will be used as the basis for any determination, which will be finalized in May between the 1st and the 14th.

The assessor's office will have available details on comparables used to establish value Farrell said. Property owners wishing to challenge their revaluation will be asked to find alternate comparables to present in the review process. Challenges can be made on Grievance Day on May 24, and probably May 25 and 26, as well. There a member of the public can plead their case in front of the board of assessment review, an independent panel of five City of Lockport residents.

Farrell also noted that the city is not acquiring more funds from taxpayers as it would in a tax hike.

"We're determining who will pay more and who will pay less (of the budget)," she said.

The first affected bill will be September school taxes.

Videos on the "reval" can be found at the assessor's website at https://lockportny.gov/departments/assessment/ labeled as "Equity Improvement Project" videos.

Mayor Michelle Roman could not be reached for comment.

City Council Concerned Over Timing of Proposed Revaluation

Jamestown City Council members expressed concern over the timing for a proposed revaluation of properties in the City.

Council heard a presentation from City Assessor Lisa Volpe on hiring GAR Associates for $285,000 to do the revaluation. The city last did a reval in 2006, which cost $1 million. At that time, it was the first revaluation done in the city in 30 years. New York State recommends municipalities do a revaluation every 5 years.

Volpe said Appraiser Adam Zarczynski took new photos of all city properties in preparation for a new revaluation, however the property data is now 15 years old and may be deemed outdated enough to be unusable.

She said GAR Associates had originally planned to start the project in January and if the project is started later than March 1, it may not be able to be finished on time, “This would push the start of the project off until January 2023, with a finish date of July 2024. This would make the data we have 18 years old and the new pictures two years old. The further this is delayed we may find the cost is much higher due to the un-usability of the current data and pictures.”

Council members asked if the revaluation could be done in-house versus paying an outside group, but Volpe said that wasn’t possible, “Because New York State has a very narrow amount of time that you can do all 15,000 parcels. And in my department now it’s just me, Adam [Zarczynski], and a part-time secretary, so we couldn’t do all 15,000 parcels in that four-month period of time. It’s just impossible. We wouldn’t have the staff to do it.”

Council Member at Large Jeff Russell said he’s heard concerns from residents who in the last couple years have bought houses for well over the assessed value of the property, “Those people are concerned that the City is going to come in and reassess their properties and kind of penalize them, I guess, for overpaying for the properties because of the hot housing market and they’re going to be taxed accordingly.”

Volpe said the tax rate could come down, “The levy would stay the same. And then we’d have more assessed value, so the tax rate would come down. So even if you’re assessed higher, your bill could still be the same or less depending on what the tax rate ends up being.”

Council President Tony Dolce said he was on Council the last time a revaluation was done and said it’s difficult to do it at any time. He said with the concerns by people about doing a revaluation during the Pandemic, he’d like to see the process pushed back six months to a year. Dolce requested Volpe to put together information on how much the cost would change if the city waited a year to do the revaluation.

New York City’s Property Taxes Are Crushing Homeowners

‘Living Here is Getting More and More Difficult’

Homes are taxed as a function of their market value across much of the nation, but New York City’s process is more complicated and problematic than most.

The 40-year-old state law that created the system was built to favor single-family homeowners over renters or commercial buildings. And it often hurts the owners of low- and moderate-income condos and co-ops, whose properties are compared to high-rise, luxury buildings.

Hundreds of residents last year implored a special city commission to change the law, as spiraling home prices magnified inequities, forcing some longtime city dwellers into debt, and others to consider leaving. Eric Adams, the new mayor, has vowed to prioritize the issue.

Bloomberg Tax journalists obtained homeowners' appeals through a public records request, and followed up with on-the-ground interviews. The New York City Department of Finance declined to comment on the individual taxpayers who submitted statements. Here are some of their stories:

The taxes on Kathryn Donnelly's 1939 Cape Cod-style house have tripled as she's watched similar homes in her Queens neighborhood razed and replaced by 'McMansions.'

"They just don't have a lot of comps for houses like mine," says the single mother of five. "So they end up being compared against other houses that are sold for $1.5 million, $2 million, and it drives up the price of people's houses like mine."

Donnelly hasn't upgraded the house she bought in 2001 with her then-husband, but yearly taxes have grown from less than $4,000 to nearly $15,000. "A lot of people seem to have much more money than I do," says Donnelly, an attorney with the New York state Unified Court System. "I still have the same kitchen, which is 40 years old."

During divorce proceedings in 2016, a court-appointed appraiser valued the home at $975,000. But in 2019 the city assessed it at $1.41 million — a $435,000 increase. Donnelly used the appraisal to appeal, and won. But that hasn't stopped her tax bill from climbing. Her home's market value rose to $1.48 million last year — and it's expected to go up even further. She could commission another third-party audit to fight the taxes, but notes, "I don't have money to constantly get appraisals."

Donnelly's tax bill comes out of a government salary that helps pay for one child's college and covers round-the-clock nursing care for an adult son.

"I make a decent living but not to the point where I don't have to worry about money," she says. "I just find that living here is getting more and more difficult. I am going to have to work until I die."

The New York City property tax system both confuses and frustrates residents, while driving inequity. This video explains how the city got here and explores the obstacles to political leaders finding a solution. Produced by Andrew Satter and Donna Borak/Bloomberg Industry Group

Since 1890, Erik Frankel's family has supplied boots and clothes to longshoremen working the city's piers. In the 1950s, the Frankels sold their original clothing store to make way for the Brooklyn Queens Expressway, and moved their shop across the street in their Sunset Park neighborhood.

But that move included a hidden price tag that's come due for the fourth-generation small business owner: The upstairs apartment Frankel shares with his son is a few feet smaller than his downstairs store. And the city seized upon that difference to classify the owner-occupied building as "commercial." That means there's no cap on how high Frankel's property taxes can go, even in an economically depressed block of Brooklyn, which houses two porn shops and two churches.

Frankel's store has been in its location on 3rd Avenue in Sunset Park, Brooklyn, since it was forced to move in the 1950s, when the city erected the Brooklyn Queens Expressway. Videographer: Andrew Satter/Bloomberg Industry Group
"They didn't want to hear what I had to say, or they weren't there to help. It just seems like, 'Just pay. You gotta pay,'" he says. "I thought they wanted small, family-owned businesses to stay in Brooklyn, but apparently they don't."

Frankel got a loan to cover his tax bill — and ran for city council. He lost, but is eyeing a bid for Congress.

“I love my community,” says Frankel. “We’ve been here 130 years. We want to stay here, but our tax burden is too great. I don’t want to move, but if they keep raising our taxes, we’re gonna have no choice.”

City Council To Discuss Property Revaluation

A matter that was discussed during 2022 Jamestown City Council budget deliberations last fall will be discussed again Monday.

The proposal to do a property revaluation in Jamestown will be discussed by the council and Lisa Volpe, city assessor. According to a staff report from Volpe to Jamestown Mayor Eddie Sundquist, the last revaluation was done 16 years ago even though the state recommends it to be done every five years.

“This has created a situation where we are woefully behind, creating an inequitable tax structure for homeowners in the city,” Volpe stated in the report. “It is therefore in the interest of the city to perform a full revaluation.”

According to the report, the city only received one bid for the revaluation from GAR Associated for $285,000. Volpe states that the cost of $285,000 is significantly less than what city officials spent in 2006 when the last property reassessment was done.

“Significant long-term fiscal impact will increase the city’s income and create the potential for more revenue and/or would allow a greater tax margin for the city to operate in,” Volpe stated.

In the fall when the reassessment was discussed, Volpe said the last time the city did a reassessment the total assessed property value in the city increased 263%. She said performing a reassessment could also lower the city’s tax rate.

Volpe said a house assessed at $70,000 that saw no change in its value could see a tax decrease of $112. She said the equivalence rate in the city is 93%, which contributes to a higher tax rate due to inequity in values.

In other business:

¯ The council will discuss using $110,000 of American Rescue Plan Act (ARPA) funding to replace the city Penthouse coil. According to a staff report from Jeff Lehman, city public works director, the existing chilled water coils are failing and have begun to leak.

“As such, their ability to properly condition and dehumidify the needed fresh air introduction is sacrificed,” Lehman stated.

¯ The council will discuss using $35,450 of ARPA funding to make various improvements to the Information Technology Department. The money will go toward funding new network switches, adding a fiber connection to the Parks Department, battery backups and the purchase of network inventory software.

NYC homeowners slam tax bill: ‘Living here is getting difficult’

New York City's dysfunctional property tax system is in urgent need of reforms, according to experts.

New York City’s byzantine property tax system has left homeowners with increasingly burdensome obligations that have pushed them deeper into debt — and may eventually give some no choice but to leave.

Property taxes for low- and middle-income New Yorkers who own units in co-ops and condos have seen their bills double or triple in a span of two decades as real estate values have soared — a product which expert say is the result of a broken system.

An analysis by Bloomberg found that in many cases middle- and low-income residents pay higher rates of property tax than the owners of multi-million dollar brownstones.

That’s because New York State’s 1981 overhaul of the city property tax system favored residential units no higher than three stories, which are usually single-family homes or offices with one or two attached apartments.

These units, so-called “Class 1” properties, are given preferential status whereby the system caps the rate at which their taxes are increased in relation to their assessed market value.

Meanwhile, no such cap is applied for owners of “Class 2” properties, which include units in rental buildings, co-ops, and condos. Other properties that were categorized as commercial, industrial, or utility could also see their taxes go up at higher rates than Class 1 units.

That means a co-op building on Staten Island that houses middle-income New Yorkers pays more in property taxes every year — $327,000 — than a brownstone in tony Park Slope, Brooklyn, which only pays $50,000 per year in property taxes.

Since the brownstone is valued at $5.17 million and the Staten Island co-op is assessed at $6.96 million, the former’s property tax rate is a paltry .002% while the latter’s burden is 4.5% — or 2,000% higher than the brownstone.

For Class 1 buildings built before 1981, the city’s property tax system invents an “assessed value limit” which means that the government can only increase its property taxes by 6% regardless of its market value.

Other residential properties that fall under Class 2 like the co-op in Staten Island have no such cap protections, so their assessed value rises in proportion to their worth in the real estate market.

Bloomberg’s analysis of tax documents found that the owner of a 900-square-foot apartment on Staten Island pays a higher annual property tax bill — $4,500 — than those who own a 2,000-square-foot single-family home, who pay $4,000.

“One of the goals was to protect Class 1 properties and to limit the increases in taxes that they would face,” George Sweeting of the New York City Independent Budget Office told Bloomberg.

“Those protections have worked pretty well.”

But even those in Class 1 properties who live on a fixed income have had trouble keeping up with the increasingly burdensome tax bill fueled by rising real estate values.

Kathryn Donnelly of Kew Gardens Hills, Queens has seen her annual tax bill rise from $4,000 in 2001, when she bought her home, to almost $15,000 today.

That’s because the value of her home has soared to $1.48 million — and it is likely to go up even further.

“I make a decent living but not to the point where I don’t have to worry about money,” she said.

"I just find that living here is getting more and more difficult. I am going to have to work until I die."

State and city lawmakers have tried to address the inequity by adding tax abatements and other measures to reduce the burden, but most residents aren't aware these benefits exist due to the amount of bureaucratic red tape they must navigate.

"This is an egregious, broken system that needs attention," tax attorney Jeff Golkin said.

NORTH CAROLINA

Reval under way: How your taxes are determined

It may not seem possible, but a county-wide property revaluation is already under way.

The last reval was completed in 2018.

County officials say that a property revaluation every four years is fairer to taxpayers than longer periods since it tends to eliminate dramatic increases in values.

That's precisely what happened when the flawed 2011 reval took years to clear up, resulting in an eight-year gap between revaluations.

The current county tax assessor, Ken Joyner, was not working for Mecklenburg County in the run-up to the 2011 reval.

Lots of money is at stake: Cornelius currently has a total tax value of $7.55 billion.

The current reval schedule

The county will look at more than 400,000 properties between now and the end of the year, most of them residential. Eight full-time assessors are working on the reval along with one manager.

"All of the work involved in the reappraisal is being conducted by county staff, with no outside workers involved," according to county spokesman Alex Burnett.

The new values will be established by Jan. 1, with property owners getting their new tax values that month. Those wishing to appeal can do so before the official tax bills are mailed in July of 2023, payable on or before Sept. 1.

To make sure there is no bias in the county tax value appeals process, Joyner's office is working with the UNC School of Government to study recent tax appeal data. Special attention will be paid to appeal rates among various demographic groups and the results in those same groups.

Interest begins to accrue if the bills are not paid by the start of January 2024.

With a historic increase in property values during the pandemic, homeowners may be in for some serious sticker shock.

Tax bills now

The town tax rate is .222 per $100 of assessed valuation, which means a $666 levy for a $300,000 home.

The Mecklenburg County tax rate is .6169, which means the county alone collects $1,850.70 on a $300,000 property.

Over the past four years, property values have soared.

Will your taxes go up?

A higher tax value doesn't necessarily mean a higher tax bill. The tax rates are established by municipalities and the county, as part of the budget adoption process. Once those budgets are adopted and tax rates are set, owners will be able to determine the impact of the new tax values on their property tax payments.

Town is ready

Finance Director Julie Niswonger said the new valuations will impact the town's FY 2024 budget. Town taxes generally account for only about 30 percent of your property tax bill, with county taxes responsible for 70 percent. School expenses in Mecklenburg County are rolled into the county budget and the county tax rate.

PENNSYLVANIA

The case for property tax elimination in Pennsylvania

Since I was elected to the Pennsylvania Senate in 2019, I've heard from constituents on issues that span the spectrum of all areas of the state government. Their feelings on one particular issue have been very clear: The school property tax is the most hated tax in Pennsylvania (with the gas tax being a close second).

The property tax is like paying rent to the government for the land you own. It's easy to see why this antiquated tax is so despised in all corners of the Commonwealth. More than 10,000 homes are seized annually in Pennsylvania and auctioned off for failure to pay the tax. It is particularly troubling that most of the home seizures are from our elderly. Many of our retirees on fixed income are faced with the stark choice of paying for food, medicine, or paying the tax. This is simply unacceptable.

Property taxes also impede homeowners who long for the autonomy to expand their homestead.

The way the tax works is that a government entity assesses a price for each piece of property owned. As a home becomes bigger or better, that assessment increases. Not only are homeowners shackled by this, but it also impacts local businesses that would otherwise benefit from selling materials and goods for home expansion.

When presented via ballot referendum question in 2017, the people made their voice loud and clear. By a vote of 54% to 46%, voters statewide supported amending the Constitution to allow for the full elimination of property taxes for homeowners.

Property taxes rates vary depending on the locality or county where a home is located. For example, Chester County has one of the highest average annual tax rates at $4,192 while the average in Philadelphia is $1,236.

If we look at the median value of a home in Pennsylvania ($164,700) and the average rate (1.3%), the average Pennsylvania homeowner pays over $2,200 a year, according to Taxrates.org.

A property tax of a few thousand dollars in addition to a monthly mortgage payment hurts individuals looking to maintain a home especially when they are on a fixed income or living paycheck to paycheck. Homeownership in Pennsylvania has dropped from a high of 75% in 1999 to 70% in 2020.

The common defense of those wanting to keep the property tax in place is that our state "can't afford it" without drastically affecting the quality of education.

I counter that we can make property tax elimination a reality with a little "outside the box" thinking.

For starters, we need to reimagine how we fund education. By redirecting our state funds to follow students instead of systems, not only will we expand choice on where parents can send their children to school, but we will also save money. Currently, Pennsylvania spends over $19,000 per student each school year according to Department of Education statistics for 2019-2020. We are spending more on education than ever but not seeing better results when it comes to academic performance.

Meanwhile, per-pupil spending is about $15,000 for charter schools and the average cost of private school tuition is $11,800 a year.

Establishing programs like Education Opportunity Accounts (EOAs) would provide families with direct access to educational resources. Individual school districts would no longer receive the average per-pupil state education subsidy for the children who participate in the EOA program. Instead, the funds would be redirected to the child's education opportunity account administered by the state treasurer and regularly audited by the state. With better accountability and increased competition for students amongst schools, Pennsylvania can actually save money on expenditures for education while improving its quality.

Property tax elimination will lead to benefits in other sectors of our economy.

The average tax savings of property tax elimination for all homesteads would have the same effect of annual stimulus checks for a household. In April 2020, households with two adults and an income under $150,000, received a total of $2,400 on average ($500 more for each dependent child).

According to Forbes, 75% of those households spent their checks on household expenses to stimulate the economy. I think we would see a similar breakdown of spending percentage with property tax elimination and annual tax savings of over $2,000 for an average household.

Increased consumer spending in our Commonwealth grows GDP. Businesses flourish and consumer sales increase with more demand. This growth ultimately leads to more annual money into the coffers of the General Assembly's general fund available for education spending.

We can also explore revenue alternatives that don't hurt the wallets of everyday Pennsylvanians.

Several of our private state universities are sitting on billions in untaxed endowment funds. University endowments are comprised of money or other financial assets that are donated to academic institutions. The largest in our state, Penn, has an endowment of over $20 billion after a 41% return from investments in 2021.

Only a minuscule percentage of university endowment funds are expended per year and less than half of those small expenditures go towards tuition reduction and scholarships for students, according to the American Council on Education.

Taxing endowments on wealthy private colleges in Pennsylvania would be significant annual revenue generator for the General Assembly's general fund.

Another untapped source for revenue is a fee on international remittances conducted by a money transfer licensee or agent. An international remittance is a sum of money that is electronically sent out of the Pennsylvania economy and into the economies of international destinations. Remittances are primarily utilized by illegal immigrants, foreign workers, and non-US citizens to send earnings back to a foreign country. Over $70 billion dollars is transferred out of the United States and into the economies of recipient countries on an annual basis.

Considering Pennsylvania's estimated foreign workforce, even a modest fee would generate significant annual revenue for the state.

We also must look at getting our current spending under control. I believe that a thorough review of all 33 state government agencies will reveal significant waste and redundancy. Trimming the fat off these agencies will pay dividends for Pennsylvania in the long run, reduce the cost of our state government, and slash burdensome regulations. Better stewardship of the already exorbitant spending by Harrisburg is key to how can afford property tax elimination.

As I've laid it out, full elimination is realistic and fiscally responsible. We just need the determination in Harrisburg to find ways to make it happen.

In late 2019, I joined as a member of the Senate Majority Policy Committee working group on Property tax elimination. Sadly, that working group ended with the emergence of COVID-19 in 2020. I'm in favor of the group starting up again and would certainly sign up as a member.

This session, I've gotten the ball rolling on a start to property tax elimination. My bill, SB 619, will exempt households for those who make $40,000 or less annually, are 65 or older, and have resided in Pennsylvania for at least 10 years. This is not a resolution to the property tax issue, but a short-term action to keep some of our elderly from being kicked out of their homes.

The modern model of property taxation has roots in the 14th and 15th centuries when feudal obligations were owed to British kings or landlords. British tax assessors used ownership or occupancy of property to estimate a taxpayer's ability to pay.

We must not forget that the Lamp of Liberty was lit right here in Pennsylvania in 1776. In the spirit of our founding fathers who rejected ancient European laws and customs, we can once again embrace our role as a beacon for freedom by eliminating all property taxes on homeowners in our Commonwealth.

Sen. Doug Mastriano is a Republican who represents Pennsylvania's 33rd Senatorial District.

SOUTH DAKOTA

A Primer on Property Taxes– 2022 South Dakota

South Dakotans paid nearly $1.5 billion in property taxes last year. At a time when property values are increasing, we hear concerns about high property tax bills. It is important to differentiate between assessed value, taxable value, and the amount of taxes due.

By March 1, the county mails an assessment notice to owners of real property, indicating the full and true value of the property on the legal assessment date of November 1 of the previous year. Each county is given an equalization factor to make sure that all property in the State is equalized at eighty-five percent of value for property tax purposes. This factor determines the taxable value indicated on the annual tax bill.

The State of South Dakota does not collect or spend property tax dollars. Rather, property taxes are used at the local level. Over half of all property taxes are used to support local schools; the rest pays for cities, counties, and special purpose districts such as those for water development, rural fire protection, and ambulance service. While the legislature sets the levy for K-12 public schools, the levy for other units of local government is based on the budgeted need. County budgets are allowed to increase from one year to the next by the lesser of three percent or the rate of inflation, plus new construction. The total budget is divided by the taxable value to determine the mill levy. One "mill" is one dollar of taxes per thousand dollars of assessed value. The mill levy multiplied by the taxable value determines the total tax bill. If taxable values increase and the budget stays the same, the tax levies decrease. If taxable values stay the same and budgets increase, then levies increase.

Owner-occupied homes, agricultural land, and commercial property are all treated equally when setting the levy for local governments. For the school general fund levy, however, these three classes of property are treated differently, with agricultural land taxed at about forty-five percent of what owner-occupied homes are taxed, and owner-occupied homes taxed at slightly less than half of commercial property.

Taxes are due and payable by January 1 of the year following assessment. Tax payments do not become delinquent if half of the bill is paid before May 1 and the remaining half is paid before November 1.

Anyone with questions about the property tax process should contact the South Dakota Department of Revenue at https://dor.sd.gov/.

TEXAS

Home appraisal protests expected as Waco, county see jump in sales prices

A report from the Waco Association of Realtors prompts Joe Don Bobbitt to predict disgruntled taxpayers will swarm his office in a few months.

Bobbitt, the McLennan County Appraisal District's chief appraiser, said the association reported the median price of homes sold countywide hit $282,700 in December, 31% more than in December 2020.

Sales prices, referred to as "comparables" in the real estate business, may affect property values in an entire neighborhood, or throughout a city or county. When property values rise, so typically do property tax bills. That is why Bobbitt believes homeowners will hit the roof when appraisals hit the mail. Many will then file a formal challenge to their appraisal.

"We had 15,000 protests last year. I expect we'll have closer to 17,000 this year," Bobbitt said. "That's what most people don't get. They say, 'I haven't done anything to my house.' It's not what you did. It's what the market is doing. If you sold your house today, you'd probably get 17% more for it. But if you can come in and show that something is wrong in that house, something appraisers may not be aware of, they can make allowances.

Bobbitt used the Marshall & Swift Residential Cost Handbook to suggest local home prices increased 17% throughout 2021. He said the revelation that median sales prices in December jumped more than 30% year-over-year countywide came as a surprise. The reported countywide increase was higher than in the city of Waco alone, though the city also saw a major jump. The Waco Association of Realtors reported that the median price of a home sold in Waco in December reached $252,500, a 23% year-over-year increase.

Possibly a reflection of declining inventory, active listings in December in Waco dropped 19% from December the previous year, according to the association.

“What we look at is what one house sold for versus what we had it appraised for,” Bobbitt said of the appraisal process. “There is less stuff for sale right now. Inventory is very low. Things are selling a lot quicker than they have in the past. The trend is pretty common, not just a Waco thing.”

He said his office will conduct a market review in March, at which time it should arrive at figures it can confidently apply.

Low inventory combined with high demand can create higher sales prices and increased property values, Bobbitt said. When the kind of price increases of recent years will ease is anyone’s guess, he said.

Illustrating the tightness of the market is the Texas A&M Real Estate Center’s determination that Waco’s housing inventory stood at one month in December. That means every house on the market would have a new owner within one month if the sales pace continued as it had been.

Even one month’s inventory is an improvement. In May last year, Waco’s inventory had slipped to the point every house on the market would sell in slightly more than half-a-month. An inventory of six months reflects a balanced market, one in which neither buyer nor seller has the advantage. Waco, like many areas, has become a big sellers’ market.

“We are seeing incredible growth in real estate. Do I see it flatlining or going the other direction, the answer is no,” said Trammell Kelly, a residential specialist with Kelly Realtors. “The indicators that I kind of rely on … if you just look around, see the houses and apartments being built, I don’t see the people coming into town doing those things saying, ‘Whoops, we overbuilt.’ That is the result of demand, and I don’t see it slowing anytime soon.”

He said grumbling about rising property values is a “good complaint.”

“We’re having real nice growth, not an explosion like you’re seeing in some cities, where things are getting out of hand,” Kelly said. “As for tax statements, we see the protests every single year. I have helped many clients, past clients, who say, ‘Here’s what the statement says, what should I do? Can you help me with some valuations?’”

Kelly said property values are appreciating across the board, though some areas are experiencing a surge more pronounced than others.

“Hewitt, Woodway, Lorena, China Spring and pockets within those areas, you might say, ‘Whoa, this is really going up,’” Kelly said.

One drawback is first-time homebuyers priced out of the market.

“Say a few years back you’re considering a home with a price point of X-amount of dollars,” Kelly said. “For some reason, you didn’t buy. Fast forward to now, and that home is considerably higher, beyond what you have to spend. We’re seeing that quite often in Waco, and all over Texas.”

He said price jumps of $100,000 or more on more expensive homes is not unusual. The Waco Association of Realtors reported 22% of homes sold countywide in December were priced between $300,000 and $399,999, nearly 12% were between $400,000 and $499,999, and 7.4% were between $500,000 and $749,999.

It has become commonplace for area residents to see property values jump.

The average home appraisal countywide increased by about 8% last year. The increase was even more for homeowners in McGregor Independent School District, where the state determined property values previously had been lagging well below market values.

Property tax relief, or pressure, comes not from the appraisal district, but from local taxing entities such as cities, counties and school districts. They set tax rates to generate revenue using values provided by Bobbitt's office.

Bobbitt said he will do what he can with the resources provided.

"We have 17 Appraisal Review Board members appointed by the district judge. Last year we had 12 or 13," Bobbitt said. "We also have staffing issues like every other business. We're short on personnel."

WASHINGTON

The Tax Appeal Life Cycle in D.C. Goes Through Three Levels of Review

In the District of Columbia, a prudent taxpayer must observe important steps and deadlines to appeal a real property tax assessment. Strict code provisions, government policies and procedures govern the appeal process, so understanding the typical life cycle of an appeal provides a head start in making sure a property is fairly assessed.

Here is a look at what to expect as a case advances:

Assessment and Notification

Assessors reassess all real property in the District each year using a Jan. 1 valuation date that precedes the start of that tax year. For example, Tax Year 2023 runs from Oct. 1, 2022 through Sept. 30, 2023. Thus, corresponding assessed values are as of Jan. 1, 2022.

The District typically will mail assessment values and update the MyTaxDC.gov website on or around March 1 each year, sending its estimate of market value to the owners of more than 205,500 parcels. This will be the taxpayer's first glimpse of the valuation and potential tax liability for the following tax year.

These assessed values are released without supporting documentation, however. To determine how an assessor derived the value, the taxpayer or a duly authorized agent must contact the Office of Tax and Revenue to request a copy of the assessor's workpapers. These documents will be critical in formulating the basis for any possible appeal.

First Level: Office of Tax and Revenue

The first-level tax appeal deadline is April 1. While the property owner may not have all the relevant documents they need to properly analyze their assessment by this time, the taxpayer must meet the filing deadline or waive their right to any further appeal for the tax year.

Fortunately, the first-level petition is a one-page form completed online and requires only basic property information to satisfy the requirement. Continuing with a first-level appeal, however, demands further analysis.

The assessor may use one of the three common approaches to derive a proposed value — the income, cost, and/or sales comparison approach — or any other approach that can be supported. For large commercial properties, the most common practice is to use the income approach in conjunction with the District's mass-appraisal model.

Mass appraisal uses market assumptions based on property type, submarket and classification. These assumptions derive from taxpayer-submitted income and expense reports (I&E) for the previous tax year. The assessor derives the property's net operating income using market assumptions and divides the result by a market capitalization rate loaded with the applicable tax rate. Or, in the case of retail properties, the assessor uses a net lease rate and an unloaded capitalization rate to arrive at taxable value.

Consequently, the yearly filing of income and expense reports is an integral part of the assessment process and is mandatory for most owners of income-producing properties. At the beginning of each calendar year, the District issues its notice of income and expense report filing requirements, along with unique access and submission codes for taxpayers to report their sensitive financial information using an online portal.

This portal opens in January, giving taxpayers adequate time to comply with the I&E submission deadline, which is on or about April 15 each year. (Due to a holiday, Tax Year 2023 I&Es are due Monday, April 18, 2022.) Timely compliance with this requirement is imperative, as failure may result in a 10 percent penalty on the subsequent tax year's liability. A local tax advisor can be a great help with this complicated process.

Once complete, and when applicable, the I&E will be a vital component to the analysis and validity of a tax appeal. If the taxpayer believes an appeal is warranted, they can move to a first-level hearing. This administrative appeal to the assessor of record generally occurs in May or June. The assessor reviews information the taxpayer provides and can adjust the value by first-level decision.

Second Level: Real Property Tax Appeals Commission

If the initial appeal does not provide a satisfactory result, property owners may continue to the next administrative level. The taxpayer must initiate an appeal to the Real Property Tax Appeals Commission (RPTAC) within 45 days of the first-level decision or forfeit additional appeal rights.

Filing a petition with RPTAC requires the taxpayer to produce specific information such as property and financial data as well as supporting evidence to prove the current assessment is incorrect. In other words, the assessment is presumed correct unless and until the taxpayer proves otherwise. RPTAC hearings generally occur between early October and the end of January.

Hearings before a panel of two or three commissioners allow both parties to argue their positions and to answer commissioners' questions. The Commission should issue its decisions by Feb. 1 of the relevant tax year.

Third Level: D.C. Superior Court

The District issues real property tax bills in March and September of the relevant tax year. This means, barring extraordinary disruptions that can include global pandemics, administrative appeals should be completed prior to the issuance of these bills. If an administrative appeal does not achieve a result the taxpayer believes is fair, a further appeal to D.C. Superior Court is available.

To appeal to the Superior Court, the taxpayer must first pay all taxes in full and file a petition by Sept. 30 of the related tax year. The proceeding will ostensibly become a "refund" lawsuit and may take several years to reach a resolution. However, if successful, taxing entities will be required to provide an additional 6 percent interest with any refund amount.

Importantly, any tax representative must be an active member of the D.C. Bar Association to handle this stage of appeal, which is a court proceeding. Therefore, to maximize the effectiveness of a tax appeal, a local tax attorney is best situated to guide a taxpayer through the life cycle of a property tax appeal.