IPTI Xtracts

Property Tax and Assessment News from Around the World

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Contents

This is the city with the lowest property taxes in America

While high housing prices and rising mortgage rates seem to dominate the headlines, there's another associated cost that many of us forget: property taxes. Indeed, property taxes are based on where you live and the value of the property, so higher and rising real estate values can equate to higher property taxes, explains real estate attorney Michael Romer of Romer Debbas. "Property taxes usually change each year, and they could go up or down based on whether the value of a person's property increased or decreased," says Jacob Channel, senior economic analyst at LendingTree. And sometimes annual property tax bills add up to several thousands of dollars, or more, per year. (See the lowest mortgage rates you might qualify for here.)

What's more, real estate taxes are on the rise. Real estate data firm ATTOM reveals that $328 billion in property taxes were levied on single-family homes in 2021, up 1.6% in the year prior. "It's hardly a surprise that property taxes increased in 2021, a year when home prices across the country rose by 16%," said Rick Sharga, executive vice president of market intelligence at ATTOM, in a statement. "In fact, the real surprise is that the tax increases weren't higher, which suggests that tax assessments are lagging behind rising property values, and will likely continue to go up in 2022."

But some cities still offer inexpensive property taxes. Montgomery, where the median home value is only about $127,000, takes the prize for the metro area with the lowest average property taxes, averaging just $609 per year, according to ATTOM, which analyzed roughly 220 metro areas. (See the lowest mortgage rates you might qualify for here.)

8 metro areas with the lowest average property taxes in 2021

- Montgomery, AL: $609
- Tuscaloosa, AL: $823
- Houma-Thibodaux, LA: $881
- Mobile, AL: $885
- Lake Charles, LA: $962
- Charleston, WV: $969
- Florence, SC: $984
- Huntington-Ashland, WV-KY-OH: $984

That said, the data reveals that property taxes increased faster than the national average in 74% of markets, with Nashville having the largest increase in property taxes, up 27% from the year prior.

How much you pay in property taxes varies significantly depending on your home's location and value. Among the more than 1,400 U.S. counties with at least 10,000 single-family homes, 16 had an average single-family-home tax of more than $10,000, including 12 in the New York City metro area, according to data from ATTOM. The top five were Kings County (Brooklyn), NY ($13,734); Marin County, CA (outside San Francisco) ($13,719); Westchester County, NY ($13,674); Essex County, NJ ($13,116) and Nassau County, NY ($13,095). Another analysis of metro areas by LendingTree also shows that New York's property taxes are the highest in the nation.

In some places, like Manhattan, if you pay $3,000,000 for a home, you can expect to pay about $57,000 annually in property taxes, according to SmartAsset's property tax calculator. On the same purchase price in San Francisco, property taxes would equal about $19,000, and in San Jose, California, a $3 million home would yield property taxes that cost about $22,000 per year.

Property taxes can add up, big time, and impact you for decades to come. “When deciding to buy a home, one must determine that they can afford to buy the home and afford to carry the home, which includes payment of real estate taxes. Always determine what the cost of homeownership is before purchasing the home,” says Romer.

If you’re someone who pays an astronomical amount in property taxes, there are potential avenues available to help relieve some of the burden. Lending Tree’s Channel says if you feel overburdened by property taxes, you can challenge your assessment. “While this doesn’t guarantee that your bill will go down, it can help shed some light on why the government is saying you owe what you do. And in the best-case scenario, you could end up paying less in taxes,” notes Channel.

Will Working From Home Cripple City Budgets?

As if COVID-19 hasn’t been hard enough on cities, a new report from the Institute on Taxation and Economic Policy (ITEP) raises another worry—lost tax revenues from a weak office sector. Linking data on offices with employment information (especially on working from home), ITEP worries many cities will face declining revenues.

The logic works like this. The pandemic has led to increased working from home for some who formerly commuted to central city offices, although analysts are divided on how big or permanent this change will be. But as Stanford economist Nick Bloom argues, some increased level of “hybrid working is here to stay.”

ITEP studied eight cities, focusing on how much they depend on property tax revenues, especially from commercial property. They estimate “that demand for space, and prices for commercial real estate, will fall by between 12% and 25%.” New York and San Francisco “are the most vulnerable of the 8 cities, with predicted commercial price drops ranging from 25% to 43%.”

Such a decline will eventually cause “proportional declines in assessed values and ultimately the amount of property taxes.” They find that all of the eight cities they study “face significant fiscal risks.”

We don’t have good data on office occupancy, but what we have shows a prolonged slump in metropolitan office work. Kastle Systems uses keycard swipe data from over 2600 buildings to create their “Back to Work Barometer,” and it shows slowing growing office occupancy in ten major metropolitan areas.

But their most recent ten-metro barometer is barely above 40% (42.8% to be exact). And only three metros—all in Texas—exceed 50%. Austin is the highest (62.4%), then Houston (56.3%) and Dallas 51.8%). The lowest? San Jose at 31.8%, followed by San Francisco at 34.6%.

Remember this keycard is very imperfect information, and more useful for showing trends. It could be that Texas has more aggressive back-to-work business policies than California. It could be sectoral differences, with high tech workers more able to work at home. One measure of technology jobs as a share of total employment shows the two California metros first and fourth nationally (Although Austin ranks sixth.)

Other data, especially on rents and new construction, show a more complicated picture. On the downside, CommercialEdge shows average office rental listings in the largest markets at $38.65 per square foot, down 2.6% from a year ago, and a vacancy rate of 15.9%.

But like all averages, those numbers obscure regional differences. Some markets are showing large annual office rent increases—Charlotte (+10.7%), Miami (+12.2%), and Boston (16.4%). The first two are part of growth in the Sunbelt, while Boston's numbers are likely driven by life sciences, a growing sector where many of the jobs require labs and can't be done remotely.

The biggest year-over-year declines in rents? In the CommercialEdge report, they are Portland (-7.2%), San Francisco (-9.5%), and Manhattan (-13.5%). That's consistent with ITEP's longer-run projection that "New York and San Francisco are the most vulnerable."

Another market indicator for offices is new construction. After all, if demand is falling because of increased working from home, then developers should be wary of new investments. (And the Fed's aggressive raising of interest rates should further inhibit construction.) And new office starts are down, falling almost 27% between 2019 and 2021.

But again, that's a national average. According to CommercialEdge, Austin and Dallas "led the country in new office starts" and six of the seven "top markets for construction starts in 2021 were all life sciences hubs."

But even with these differences among regions and industry sectors, ITEP's report is a warning for all cities. Remember that many office occupancy and construction numbers are metropolitan and regional, not specific to the core city—the New York metropolitan region is much bigger than Manhattan, and the same is true for all of the metros in the commercial data. It is striking that ITEP finds even the city of Austin under fiscal threat, as the Austin metro is one of the best performing on the office occupancy and construction data.

Some data and anecdotes suggest office job recoveries are faster in the suburbs than in core cities. That's good news for metropolitan economies on the whole, but still bad news for cities.

Many analysts and economists routinely blur the difference between metros and cities, but they aren't the same. American cities are surrounded by separate suburbs which benefit from metropolitan economic strength but don't share equally in regional economic and fiscal burdens.

So ITEP's well-documented warning is just one more piece of troubling news for American cities. Cities rely on higher-income office jobs for tax revenue, restaurant meals and jobs, mass transit fares, and tax valuations of commercial property. If working from home causes a more permanent negative shift in cities' employment base, especially among higher-income workers, it will seriously strain city budgets.

Property taxes top US$10,000 in 12 New York City area counties in 2021

Median price of previously-owned, single-family homes set new highs last year, and is rising in the early months of 2022

PROPERTY taxes on single-family homes exceeded US$10,000 in 16 counties in 2021, including 12 in the New York City metro area, according to data from real estate research firm Attom Data Solutions.

Overall the average tax increased 1.8 per cent to US$3,785 last year, the smallest pace in 5 years, Attom found.

But the median price of previously-owned, single-family homes set new highs last year, and has climbed even more in the early months of 2022.

That suggests that bills will likely increase next year as tax assessments usually lag behind rising property value, according to Rick Sharga, executive vice-president of market intelligence at Attom.

The company's data also show that the many Americans who had fled coastal cities to warmer and greener places during the Covid-19 pandemic saved thousands of dollars on their property taxes.

Cities in the southern and western states that have seen the tightest labour markets and the hottest housing markets also generally have seen some of the lowest effective property tax rates in the country.

The effective tax rate is the average annual property tax expressed as a percentage of the average estimated market value of homes in each geographic area.

For instance, the average homeowner who moved from the San Francisco area to Boise in Idaho saved about US$6,500 a year in property taxes, according to Attom data.

Those who left the Stamford metro area in Connecticut and bought a house in Miami were able to cut their bill almost in half.

Attom analysed property tax data collected from county tax assessor offices nationwide at the state, metro and county levels, along with estimated market values of single-family homes.

In total, jurisdictions levied US$328 billion in property taxes from such houses in 2021, Attom found.

Many jurisdictions place a cap on the increase in taxes a homeowner can face as the result of a property value's reassessment.

7 Post-Pandemic Commercial Property Tax Tips

Consider each of these proven strategies to minimize ad valorem tax bills.

Record-breaking commercial real estate trading activity during 2021 is having a marked impact on property values in 2022. Transactions in 2021 were up 88% from 2020 and were 35% above 2019 levels, according to Ernst & Young. The large number of sales in 2021 extended to all categories of real estate, and many commercial property types experienced significant price increases.

Market values are the basis for property tax assessments in most taxing jurisdictions. As post-pandemic market values fluctuate due to higher prices, property owners need to adopt strategies to keep their assessed property values down. As we emerge from COVID-19 here are seven key considerations to minimize property tax assessments even as prices increase.

1. Report Property Operating Metrics. A commercial property’s market value is based on its financial performance. A weak property will have poor performance indicators, such as excessive vacancy or below-market rental rates. Poor performance is usually the basis for a reduced assessment and a lower property tax bill. Where possible, property owners should report these types of performance indicators to taxing authorities each year before assessed values are set and tax bills go out.
2. Allocated Prices in Real Estate Portfolios Are Not Market Values. A buyer purchasing a real estate portfolio will typically allocate the total price paid over all the acquired real properties as well as other, non-real-estate assets. Investors create these

portfolio purchase allocations for income tax, accounting, financing or other purposes, and they may commission an "allocation" appraisal for underwriting purposes. Allocations of total portfolio price or value to individual properties in a portfolio are rarely a good indication of a property's market value, however. Likewise, allocation appraisals are unhelpful or even detrimental in determining taxable market values because they may not account for the unique aspects of an individual property.

3. Transaction Type May Affect Value. Market values can also be impacted by the nature of the transaction and its participants. For example, REITs set purchase prices for real estate portfolios based, in part, on income tax considerations. Similarly, when a transaction involves the acquisition of an entity that holds various types of assets, the price paid will include payment for assets other than real estate alone. Non-real-estate motivations for purchasing properties and non-realty components of a transaction must be removed in order to determine the market value of the real estate alone. Otherwise, the values for the real estate will be above market.
4. Only Real Estate Is Subject to Property Taxation. As previously mentioned, property portfolios will sometimes convey with other assets. These can include personal property, such as fixtures and equipment, or intangible assets and rights like contracts, licenses and goodwill. Market values for these non-real-estate items are evaluated differently from real property and some, such as intangible assets and rights, are not subject to property taxation at all. In addition, any "synergy" or "accretive" value from a portfolio sale is intangible and should be excluded when assessing a specific property's value for property tax purposes.
5. Properties May Not Stabilize at Pre-Pandemic Levels. Properties that were hardest hit by changes related to COVID-19 may take years to return to pre-pandemic performance levels, and some may never fully recover. Awareness of a particular industry's recovery will be key to understanding whether market values and property tax assessments for that property type will return to pre-2020 levels. Uncertainties about time to stabilization reduce real estate values. The knowledge that some properties may never achieve pre-pandemic performance levels puts long-term investment value into question, which decreases the current value of those properties and lowers their taxable value.
6. Leasehold Interest Values May Not Match the Market. Investors buy and sell commercial properties based on the net income they produce. However, if the leases generating that income are above or below market, the value derived from rents will not be at market. In addition, lease rates from synthetic or operating leases used to finance the purchase of a portfolio of properties will not produce market value for individual properties unless those lease rates happen to be set at market levels.
7. If All Else Fails, File a Property Tax Appeal. Taxpayers who work proactively with their local tax assessor are often able to achieve reduced assessed values and lower property tax bills. Property owners should address each of the previous six points with the local assessor. Nevertheless, there will be times when attempts to reduce assessed values are unsuccessful. In those cases, property owners should be

prepared to file an appeal by the deadline and pursue it, preferably with the assistance of a knowledgeable property tax advisor.

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What U.S. Cities Have the Highest Property Tax Rates?

Spoiler alert: 19 of the 20 cities with the highest effective tax rates are in the Midwest and Northeast

The winner of the dubious honor of the city with the highest effective property tax rate is Rochester, New York, with a rate of 2.22% last year, according to a report Thursday from ATTOM.

Residents of that upstate New York city paid an average of $5,061 a year in property tax, the California-based data company said.

Indeed, the Northeast and Midwest generally have the highest property taxes, with 19 of the 20 highest effective tax rates found in urban hubs in those areas, the data showed. ATTOM calculated the effective rates using the average annual property tax expressed as a percentage of the average estimated market value of residences in each region.

Furthermore, nine of the 10 cities with the highest effective tax rates for single-family homes were in New York, Connecticut and Illinois, according to the report, which looked at 220 metro areas with a population of at least 200,000 in 2021.

Rockford, Illinois, and Syracuse, New York, tied for the second-highest rate, 2.16%, resulting in an average annual property tax payment for residents of $3,745 and $4,478, respectively, the report found.

For major cities with more than 1 million residents, the city with the largest effective tax rate after Rochester was Hartford, Connecticut, the figures showed. There, the effective property tax rate was 1.98% and people paid an average of $6,557 a year.

It was followed by Chicago, with a 1.84% effective tax rate and an average annual bill of $6,634; Philadelphia (1.6%, $6,474) and Cleveland (1.56%, $3,889), according to ATTOM, which analyzed property tax data collected from county tax assessor offices at the state, metro and county levels for the report.

Meanwhile, Honolulu had the lowest effective tax rate in 2021—just 0.25%, which translates into an average property tax bill of $3,314, the data showed.

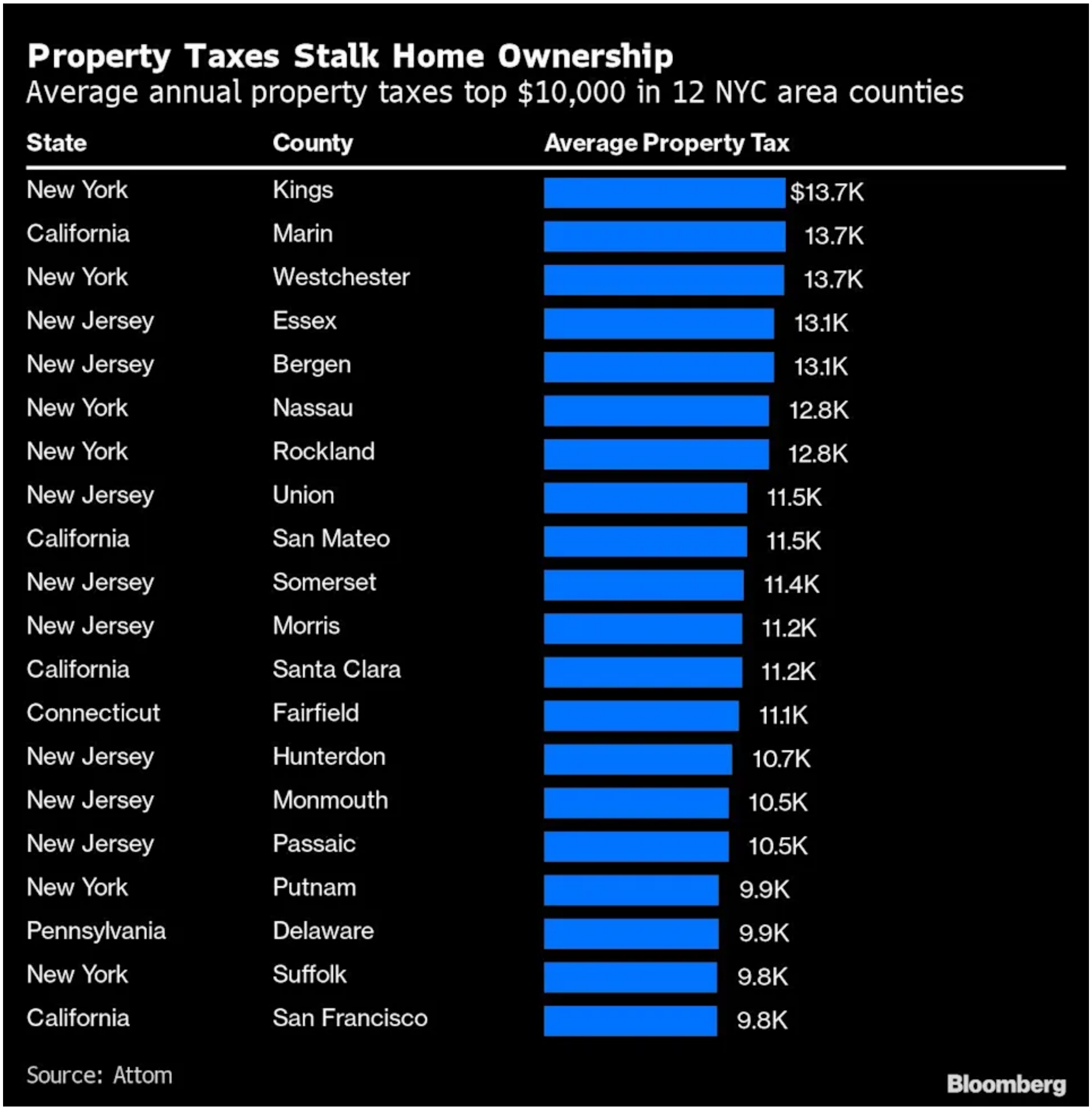
Of the cities with a population of more than 1 million, the lowest rate can be found in Phoenix. Its residents paid an average of $2,284 in property taxes last year and the effective tax rate was 0.38%, the report said.

Nashville, Tennessee, had the second lowest rate, 0.41%, and an average annual bill of $2,226. Las Vegas (0.41%, $2,218); Salt Lake City (0.42%, $2,862) and Denver (0.48%, $3,500) rounded out the five major cities with the lowest effective property tax rate, the data showed.

Across the nation, the average effective tax rate was 0.9%, a 1.1% drop compared to 2020, according to the analysis. The average tax on a single-family home last year was $3,785, up 1.8% annually, its smallest increase in five years. The report looked at 87 million U.S. single-family homes.

"It's hardly a surprise that property taxes increased in 2021, a year when home prices across the country rose by 16%," Rick Sharga, executive vice president of market intelligence at ATTOM, said in the report. "In fact, the real surprise is that the tax increases weren't higher, which suggests that tax assessments are lagging behind rising property values, and will likely continue to go up in 2022."

Property Taxes Topped $10,000 in 12 NYC Area Counties in 2021



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Overall the average tax increased 1.8% to $3,785 last year, the smallest pace in five years, Attom found.

But the median price of previously-owned, single-family homes set new highs last year, and has climbed even more in the early months of 2022. That suggests bills will likely increase next year as tax assessments lag behind rising property value, according to Rick Sharga, executive vice president of market intelligence at Attom.

The data also show that the many Americans who fled coastal cities to warmer and greener places during the pandemic saved thousands of dollars on their property taxes.

Cities in the southern and western states that have seen the tightest labor markets and the hottest housing markets also generally have some of the lowest effective property tax rates. The effective tax rate is the average annual property tax expressed as a percentage of the average estimated market value of homes in each geographic area.

For instance, the average homeowner who moved from the San Francisco area to Boise in Idaho saved about $6,500 a year in property taxes, according to Attom data. Those who left the Stamford metro area in Connecticut and bought a house in Miami were able to cut their bill almost in half.

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Three Keys for Shopping Centers Owners to Remember When Protesting Property Tax Assessments

Property owners should receive a Notice of Appraised Value from their appraisal district by mid-April. This year, it is imperative that retail property owners submit an assessment protest prior to the deadline and help to establish fair taxable valuations in the post-pandemic marketplace.

Since March 2020, COVID-19 has brought uncertainty and ongoing challenges to real estate owners. People often discuss the commercial real estate "winners and losers" of COVID-19, and of the four commercial real estate food groups, retail certainly suffered one of the heaviest initial blows. But how has the property type recovered as the pandemic has evolved? This article explores where exactly retail falls, and then offers strategies to argue more effectively for reduced assessments.

Evolving trends

To develop a full picture of the current state of shopping centers, one must look back to 2019 and early 2020 before the pandemic. In 2018, approximately 5,800 retail stores closed nationwide and only 3,200 opened, for an overall deficit of 2,600 locations. In 2019, the size of the annual store deficit nearly doubled with 5,000 more closures than openings. E-commerce sales volume rose steadily from 2010 through 2019, which, coupled with accelerating physical store closures, clearly indicate a slowdown in the need for traditional storefronts.

In 2021, county assessors were generally conservative in raising values, primarily due to pandemic-related issues such as tenants going out of business and owners being forced to defer and abate rent. Additionally, shopping center transaction volume dropped throughout 2020, which forced appraisal districts to rely on limited data to arrive at market rents and capitalization rates for their 2021 models.

County appraisal districts preparing assessments for 2022 will most likely attempt to significantly raise taxable values to reflect what they view as a retail rebound that occurred during 2021. While assessors may conclude that retail is recovering well as the pandemic evolves, the data and overall trends fail to support that position.

If an appraisal district takes an aggressive stance in raising values, citing the “booming return of in-person retail shopping,” it will be crucial for appellants to show the lingering state of uncertainty in the retail real estate market. Toward that end, the following three strategies will be keys to successfully arguing for reduced assessments:

1.) Consider the tenant mix

When appealing taxable assessed values, either during the administrative process or later in district court, property owners must consider the tenant mix of their shopping centers and how the pandemic affected their retailers.

For instance, a center containing a dry cleaner and a trampoline park will take much longer for those tenants to recover from the pandemic than many other properties. With work-from-home becoming the norm, many people no longer need pressed clothes. In addition, ball pits and trampolines crowded with children fail to appeal to a pandemic-conscious society.

These trends are reflected in rents, with rates for specific uses such as these flattening or even declining since the onset of the pandemic.

2.) Review the classification

The second strategy for appealing values is to review how the property is classified on the tax rolls. As many owners begin to utilize space in alternative ways, the center may no longer be operating entirely as a retail center. In other words, it may be more appropriate for it to receive either a light industrial or fulfillment center classification.

Amazon, for example, has been converting shopping malls into last-mile distribution centers steadily for the past six years. Amazon converted about 25 shopping malls into distribution centers between 2016 and 2019, according to Coresight Research. Converting stores to distribution spaces in a shopping center will drastically reduce foot traffic for any remaining retail tenants and negatively affect the customer experience, resulting in a lack of desirability for retail investors.

3.) Shrinking footprints

It is no secret that consumer visits to physical retail locations is nowhere near pre-pandemic levels. Black Friday foot traffic in 2021, for instance, was down approximately 28 percent from 2019 levels, according to Sensormatic Solutions data.

While in-person shopping will likely remain an element of the retail experience, there is a lingering sense of uncertainty surrounding its significance, especially with the strong adoption of curbside pickup.

Some major retailers have addressed this issue by downsizing stores. Target stores, for example, have historically averaged 130,000 square feet, but of the 30 stores the brand opened in 2020, all but one used a smaller format, according to pymnts.com. These small-format and college campus stores average 40,000 square feet, while some are much smaller.

It is reasonable to suspect that other retailers will follow suit, rendering many larger, anchor spaces within shopping centers obsolete and harder to fill with tenants. As the tide shifts to a "less is more" philosophy when it comes to store footprints, both appraisal districts and taxpayers should incorporate this increased risk into value calculations by raising cap rates in their models.

Not only do shrinking store footprints and conversion of space to distribution uses bring an increased level of uncertainty to the asset class, but last-mile distribution centers also fail to command retail rents.

When shopping center owners receive assessed values for property taxation in the coming months, they should compare the assessments to values received in prior years, especially 2019. If the valuation trend of a particular property fails to make sense — either due to the overall uncertainty and risk surrounding brick-and-mortar retail or due to property-specific issues such as tenant mix and use of space — it will be extremely important for the taxpayer to act by protesting the property's taxable assessed value.

Metros Where People Pay the Lowest, Highest Property Taxes

With the federal income tax filing deadline quickly approaching, taxes are on many people's minds. So LendingTree wanted to mark the occasion by looking at a tax all too familiar to homeowners: property taxes.

How much you pay in property taxes — which are often called real estate taxes interchangeably — varies significantly and can be influenced based on the home's worth and location, among other things.

To illustrate the variances in people's property taxes, LendingTree looked at the median amount paid annually in each of the nation's 50 largest metropolitan areas.

In doing so, we found that homeowners in some metros can expect to shell out thousands of dollars more a year in property taxes than homeowners in other parts of the country.

Key findings

- **Property taxes can vary significantly across the nation's 50 largest metros.** For example, annual median property taxes in Birmingham, Ala. — where homeowners pay the least in real estate taxes — are about $7,700 cheaper than in the New York metro area, where they're the highest.
- **Birmingham, Ala., is the only metro where median property taxes are less than $1,000 a year.** The median amount of property taxes paid by homeowners in Birmingham is only $909. For comparison, residents in the next two metros with the lowest median real estate taxes — New Orleans and Louisville, Ky. — owe $1,345 and $1,563 a year, respectively.
- **New York, San Jose, Calif., and San Francisco are the metros where homeowners pay the most in property taxes.** Unsurprisingly, residents in these metros known for their expensive real estate shell out a lot of money in property taxes each year. The median amount paid is $8,602 in New York, $7,471 in San Jose and $6,508 in San Francisco.

Median property taxes on homes without a mortgage are 18% less expensive, on average, than on homes with mortgages. There are various reasons for this, ranging from home values tending to be less expensive on homes without a mortgage to some states having tax exemptions or reductions for older homeowners who may be more likely to own their home outright. Salt Lake City and Seattle — the two metros where median property taxes are slightly higher for homes without a mortgage — illustrate there are exceptions.

Metros with the lowest property taxes

No. 1: Birmingham, Ala.

Median property taxes paid — all homes: **$909**

Median property taxes paid — homes with a mortgage: **$976**

Median property taxes paid — homes without a mortgage: **$753**

No. 2: New Orleans

Median property taxes paid — all homes: **$1,345**

Median property taxes paid — homes with a mortgage: **$1,494**

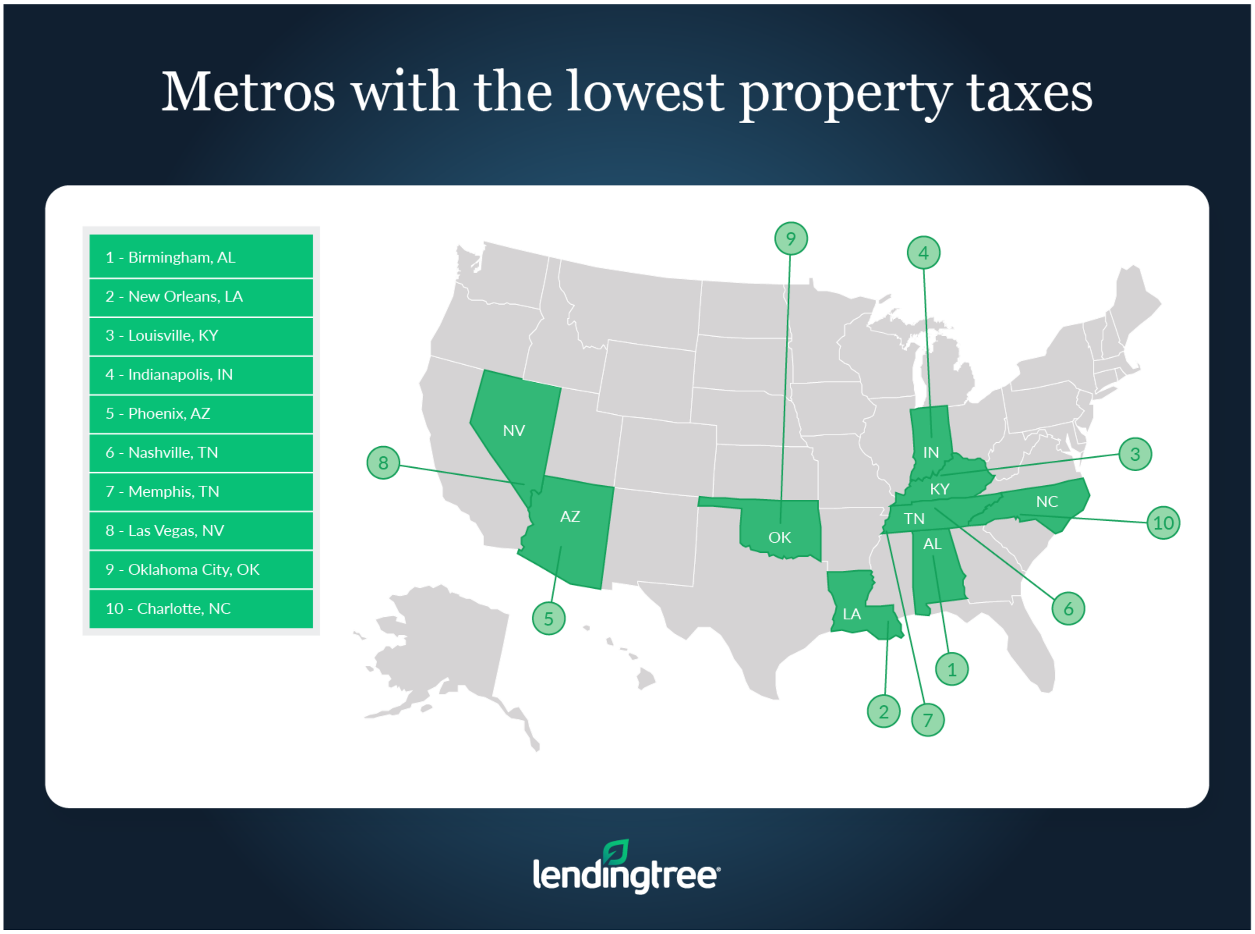
Median property taxes paid — homes without a mortgage: **$1,101**

No. 3: Louisville, Ky.

Median property taxes paid — all homes: **$1,563**

Median property taxes paid — homes with a mortgage: **$1,650**

Median property taxes paid — homes without a mortgage: **$1,413**



Metros with the highest property taxes

No. 1: New York

Median property taxes paid — all homes: **$8,602**

Median property taxes paid — homes with a mortgage: **$8,819**

Median property taxes paid — homes without a mortgage: **$8,180**

No. 2: San Jose, Calif.

Median property taxes paid — all homes: **$7,471**

Median property taxes paid — homes with a mortgage: **$8,559**

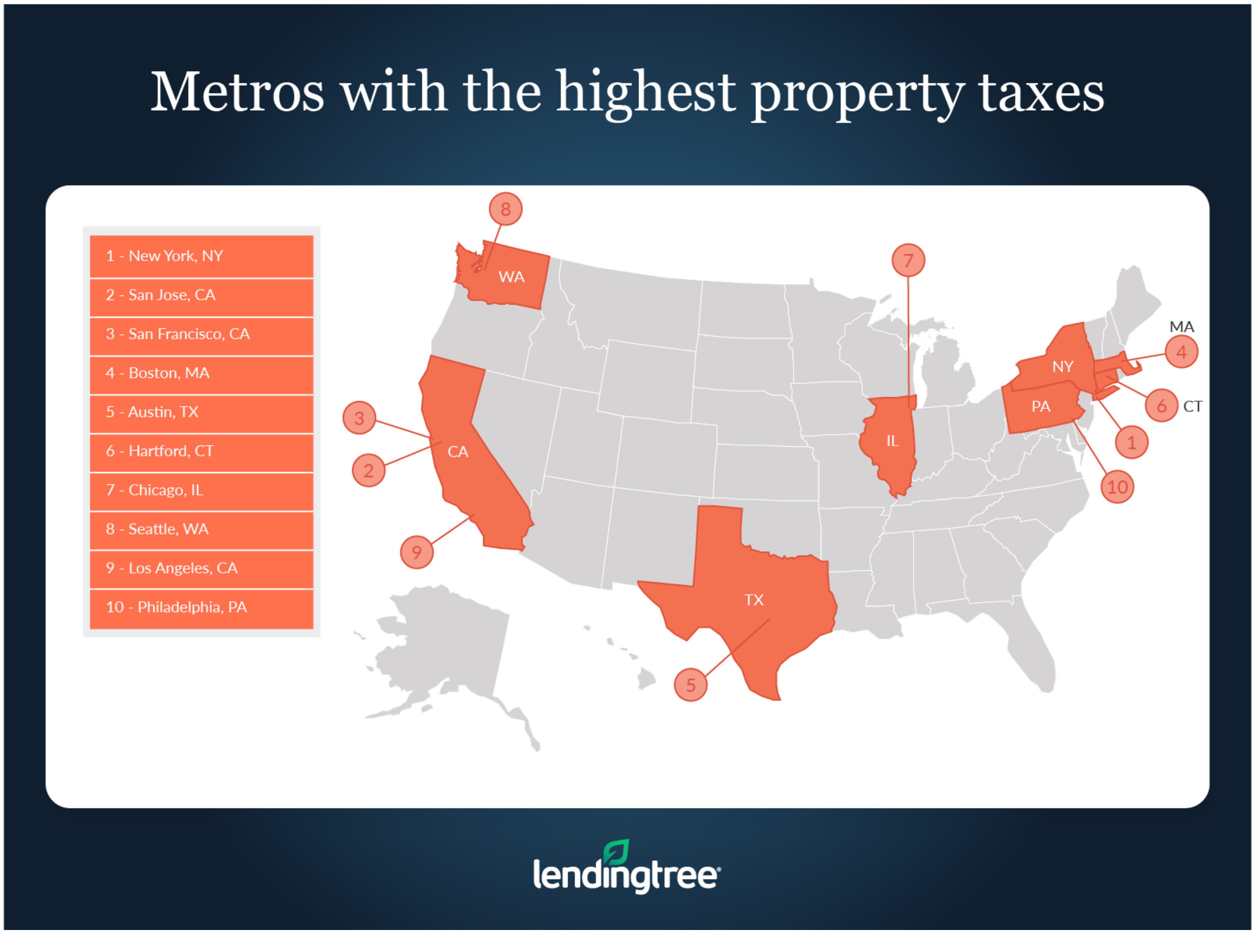
Median property taxes paid — homes without a mortgage: **$4,838**

No. 3: San Francisco

Median property taxes paid — all homes: **$6,508**

Median property taxes paid — homes with a mortgage: **$7,267**

Median property taxes paid — homes without a mortgage: **$4,384**



Tax tips for homeowners

Though you can potentially deduct various home-related costs on your federal tax return — such as property taxes and mortgage interest — you'll need to decide whether you want to itemize to take advantage. While itemizing your deductions can make the tax-filing process more time-consuming, tax tips can help homeowners save money and determine if itemization is right.

To make itemizing a tax return worth it, a person's deductible expenses must be higher than their standard deduction. For the 2021 tax year (that is, taxes to be filed in 2022), the standard deduction amount is $12,550 for single taxpayers and married taxpayers filing separately, $18,800 for heads of households and $25,100 for married taxpayers filing jointly.

There are limits to how much people can deduct for home-related expenses. The total amount that can be deducted for all state and local taxes, including property taxes, is $10,000 — or $5,000 for married taxpayers filing separately.

While easing the tax burden can help some people struggling to pay housing costs, there are often better ways to manage those kinds of expenses. Ultimately, people who feel home costs chronically overburden them may be better off looking at alternative ways of easing their burden rather than relying on tax breaks on their returns. For example, refinancing your mortgage could help you lower your monthly housing payments depending on the rate you can get.

Methodology

LendingTree used data from the U.S. Census Bureau 2020 American Community Survey (with five-year estimates) to determine median property tax amounts for homes in the nation's 50 largest metro statistical areas ("MSAs").
The Census Bureau uses the term "real estate tax" to define a tax that is charged on an "entire property (land and buildings) payable to all taxing jurisdictions, including special assessments, school taxes, county taxes and so forth."
Real estate taxes are often referred to as property taxes. Both terms are used interchangeably in this LendingTree study.

ARIZONA

Maricopa County Assessor Eddie Cook and team explain office's role in property taxes

It has been just more than two years since Eddie Cook resigned as a Gilbert Town Council member to become Maricopa County assessor. As valuations have recently been mailed to county property owners, Community Impact Newspaper sat down March 22 to chat with Cook and two of his top executives, Chief Deputy Assessor Dawn Marie Buckland, a former Gilbert budget director, and Alejandra Larios, Cook's chief of staff, about how the office works. The conversation has been lightly edited for clarity.

What does the assessor's office do?

Cook: Well, it's a constitutional position. So in the Arizona Constitution, it describes exactly what the assessor does: to fairly and equitably and impartially value all taxable property. That's it; it's very simple.

How do you do that?

Cook: We have a team about 300 full-time employees that basically manage 1.8 million [real and personal] parcels of property [and accounts]. Obviously, Maricopa [County] is kind of land locked, but there are properties that will split. Farmers are selling their lands, and they'll go from one big parcel to several hundred to make homes or something or apartment complexes. So our team will receive a permit of construction that will happen in Gilbert. We get notified that this is going to have some construction, and there's all these new parcels. Our team will basically assess all that and put value on all those new parcels and so forth. And we look at the fair market value in that area, the type of property it is, and we'll go through our analysis, using our tools to come up with that fair, equitable, impartial calculation.

Recently, everybody in the county got their little card from you that said what those values are. Explain that card. What does it mean? What should be people be looking at?

Buckland: That card is going have a couple of different numbers on there. One is going to be your full value. One is going be your limited property value. It actually shows last year's valuations compared to this year's valuations. So the full cash value is an approximation of market value. And we have certain standards to make sure that we stay lower than the market value. So you might say, "well, the house across the street sold for more than that." That's OK. We want to make sure statutorily that we're below that market value. So full cash value on average for residential property is about 82% of market value. But the key here is your limited property value because that's what the tax basis is. So your full cash value is great information. Your limited property value is going back [to 2012’s Proposition 117], ... where your limited property value is only getting to increase by 5% each year ... unless something major occurs. So a vacant parcel of land that you now develop, that's going to reset that limited property value because you've now changed that use or increased the value by more than 15%.

How does this affect my property taxes?

Buckland: So your property taxes are going to be affected by that limited property value, and the really, really important thing, if we take nothing else away from this, is that you have 60 days to appeal that value. And there may be something that you know of that you could correct with our office. If for whatever reason we have a value that's too high, we want you to notify our office. ... After that 60 days, by statute, we can't accept that [appeal] anymore. And then your taxes are going be calculated based on that limited property value.

What kind of circumstances would bring about that appeal?

Buckland: If we had an error, right? So if there was a square footage or something along those lines. ... Another example of appeal would be you're looking at this value and you're like, "this doesn't make sense to me." And you pull up some some comparable properties. And you're like, look at these comparable properties that have similar square footages to mine, similar bedrooms, whether I have or have not a pool, I look at these and these are pretty similar, and this is where they are. And for some reason, my property's reflecting differently. You can provide us with those comps, and we can look at that and we can say, ‘That's a good business case, and we can support that.’

Larios: Other options that could be your square footage actually decreased. Let's say you decided to shrink your property. [It] doesn't happen so often; usually people grow out. But if you decided to knock down that extra room that wasn't used and make that into a patio instead, [and] we weren't aware of it because either you didn't get a permit, or you did get a permit, and it just hasn't made it through the cycle. Alternatively, you added square footage, and you want to make sure that we do have record of it because pretty soon you're looking to sell your home, and you want make sure that it reflects the correct square footage, the correct property value, so that when you sell it, the new homeowners are seeing the potential future taxes on it. So those are common ones.

Why do property taxes always seem to be going up?

Cook: So think about to the year 2007, 2008, the market crashes. Now all the properties are just crashing. So shortly after about 2008, 2009, 2010, we're recovering financially in the country here in Arizona, especially Maricopa County, employment is going really well. Investors are buying properties, and things are beginning to ramp up really nice. Well now with the old law, the old way of doing things, you're seeing property full cash value really going through the roof. And of course, as city councils or town councils, board of supervisors, school boards, all those governing agencies that have authority to do property tax rates and so forth are making decisions that look like you're paying a lot of property tax now. So there was here in Arizona this feeling, 'wow, our property taxes are really going through the roof.' There doesn't seem to be much control at all on these different governing bodies that have authority. So Proposition 117 came alive. ... The thought was ... if a homeowner or property owner knows that the property taxes couldn't increase, let's say, more than 5%, just keep it consistent, that would be an easier way for property owners to not complain about property taxes. Because it's consistent as an owner. You know, I knew my valuation, my home was going through the roof, but I knew that the property taxes would be at 5% every year. Now my home in Gilbert, I'm not sure I could afford it today because full cash value on Zillow and all that, it's like four times higher than what I paid for it back in the 1990s. But if I had to pay property taxes based upon the current value, I would not be happy with that. So that was kind of the gist of that. Part of [Proposition] 117 was they redrew the line in the sand for all properties in Arizona in 2014. So in the 2015 property tax cycle, that new line would then say your LPV can't go more than 5% each year maximum. And the goal of the LPV was to catch the full cash value. But the problem is the gap between the full cash value and LPV is huge in most properties. And in fact, in Maricopa County, 92% of all properties automatically got a 5% increase. We see that regularly now because all properties are increasing in value really nicely. As a property owner, I'm thrilled to have that type of investment really look good, but from a property tax perspective, I like that low LPV. So I should tell people if you want bigger property, don't build onto your own home. Because if you build a an addition to your home, that's greater than 15% of livable space where our team comes in [and] reassesses your property to the current market value. And there's a good chance that your LPV is going to bump up.

Buckland: But for an older property where it's been 5%, 5%, 5%, 5%, and last year we saw 30% increases in values, right? But you only have 5%. Well, that's a big gap right there in the differences. So for a property that has incrementally [increased], what happens then [for reassessment] in that situation is we look at the average of the LP and FCV ratio for that year. So you would be reset to that average from where you are. So if you were at a really low number, now you get reset to the average of what everybody's paying in accounting. Now, if you have that steady 5%, 5%, 5%, you can your taxes next year. But if your agencies do approve that your taxes increase, then you'll see the 5% difference, plus the increase in tax rate. Those are the two parts of the formulas, your value and your rate. Now, even if your rate stays the same, if your property tax rate stays the same, you're still going see that 5% increase based on your own [property value increase].

Cook: So there could be a brand-new neighborhood across the street from your house. Your house was built before the 2014 time frame. Let's just say it got that LPV and it's just been slowly increased. Well, across the street, they may pay higher, but the square footage may be somewhat comparable. So that's kind of the iniquities in what Prop 117 could have done in some areas. So I try not to recommend anyone buy any new homes [laughs]. So that's a lot of education from our office that we believe the public should know. And we're creating through [Communications Director Devoro Bogart's] team videos that are very creative to help the public understand this in a way that they can consume it. So that's really a very important part of our office is the public education of what Prop 117 has done. For me an important aspect of our business is to be extremely transparent, to provide full disclosure of all of our activities here and be able to create a wonderful customer experience, even during the process of appeals, when a property owner comes to us and says, "Eddie, you made an error with your calculation of my property." And the way we like to approach it is, "Please bring us a reasonable explanation of why you feel we're wrong" because we're not always perfect with our tools and the things that we've been doing for years. We're obviously trying to do what's right and be as accurate as possible, but a property owner will come to us and share their perspective and their viewpoint. And the way I look at it is if the property owner makes a reasonable business case within the boundaries of our limits, and let's say, they've able to show that it really is lower, and we'll look at it and go, "You know what? We can agree to that. And we're not going to fight you in that." And that's our approach because to me, the amount of change that they receive compared to the global view of all properties is like in the noise. Why do I want to fight a property owner? If they get a couple hundred dollars back, to me, if we can come to a win-win, I'm all for that.

Buckland: And we're trying to get as accurate as possible. Another example that I was just thinking of, we have the tools that we have, but we're not actually going into most homes. We don't want government coming into our house for our assessments. So we're basing it on all the information that we have available to us while we've had some homeowners that have come to us and said, "Look, I understand that my neighborhood has gone up, and you're basing these on these sales, but I wanted to bring to your attention that these sales had all had significant upgrades. My house was built in 1961, for example, ... and, you know, we've tried to maintain it, but we haven't done anything major. And you're comparing us to these homes that have done complete kitchen renovations and things like that." We didn't know that. That's not information that we had available. And they're able to bring that in. And we can say, "You know what, you make a really good point based on that. We can see that these properties that sold have been renovated and that yours was not. And therefore your value shouldn't go up the same amount as those did that were renovated."

What else would you like the public to know?

Buckland: We've got different availability of programs for different situations, but for our seniors who are in fixed incomes, the state actually offers a senior value protection, and they can apply for that. And if they are eligible for it, then that value is actually frozen for three years. And then they can reapply again in three years and make sure that they're still eligible for it at that point in time. But that really helps some of our seniors to take advantage of some of the state's legal programs that are in place to help reduce that burden. It's a statewide program, but that's something that if they go to our website, we have a page all about our exemptions. I think we have some educational materials out there as well. So there's some great programs out there to help. There's a personal exemption program, and senior value protection is a great example of that. There are some other organizational exemptions as well, so some not-for-profits, some of the churches, some of those types of situations. We want people to take a look at those pages and see if there's anything that you're eligible for because they're legitimate programs. We want to make sure that people have the ability to not pay more in taxes than what they actually owe.

Cook: Being in the office for the two years, what has become more apparent to me versus being on the [Gilbert Town] Council has been how complex our property tax code in Arizona is. In fact, it's probably the most complex in the country. And what I've been seeing for the last couple of years is that I like to see good policy that's fair across everybody. And what we're seeing at the Legislature is bills that get passed that are so narrow in focus that has more complex processes that we have to execute on. Now, we're not a policy-making organization. We just execute on good and bad tax policies. So this year we're making a good attempt to run two bills to help simplify, provide technical correction and even deregulation as a way to help property owners in the future. So we're making good attempts at that right now to do that. ... I would say overall, they have been [receptive]. It's been a very interesting kind of collaboration, dialogue with the team we have. Senator [David] Livingston [R-Peoria] is running our two bills right now. And in general, I would say it's going really well, but it's really interesting to see the dynamics of this.

Buckland: And I know our team has really appreciated [Cook's] leadership in those because we implement state law. That's what we do. And there are a couple of examples where state law requires someone to appear in person for say, a disability exemption. Well, by state law, you're required to appear in person or submit it through certified mail. I guess it's to make sure that there's a receipt that that was received. But if you think about it, and particularly in today's day and age, asking someone with a disability to appear in person to be able to attest that they have a disability might not be the best possible option. So one of those bills that Assessor Cook has put forward that Sen. Livingston is running for us actually includes in there another viable option. If we can make something available online in a secure fashion, that they would be able to submit it that way as well.

Cook: One of the things, when I first came on board was I asked the team—like in every business, there should be a strategic plan. That's a common term used in the town of Gilbert, but any business—small, medium, large—the team comes up with a strategic business plan about their business. Well, that was the first thing I asked for when I showed up because the assessor was gone. ... I had nothing to really go on. I asked, "Is there such a thing as a strategic plan that I could see how the office was running?" And there wasn't. So part of our initiative for the last two years was to develop the Maricopa County assessor's strategic plan for the next five years. ... I couldn't be more proud of the collaborative effort of the leadership of our team to come up with this five-year strategic plan so that for the public, if they wanted to understand and have full disclosure what the assessor's office is, it's right here. ... We're trying to run a high-performance team that's very efficient and very effective at the lowest cost to the taxpayer, but we have a plan, and we want to create this "one team" culture. That's a positive collaborative environment so that each of the team members feels from me that I value them as a valuable team member, but I value their families because whatever their personal goals with their families, I want our team to support that because, in turn, they'll become a better team member for us, because they would like to work here and love to work here.

How are rank and file receiving that?

Buckland: I will say, first of all, any kind of change is sometimes uncomfortable. So there was a time to soak all of that in, but because the assessor's been so consistent on that, it's very credible. It's very believable. They're actually seeing it in action, and I get emails all the time. We'll send out a notice about something, and I'll have people that maybe I don't get an opportunity to talk to very often will send me an email and say, "Hey, I just wanted you to thank you. And I wanted to thank the assessor for this. Really appreciate it. We feel like you guys care and you hear us." Not just about the family, but when you do a job every single day, you know what works well, you know what doesn't work well. And they feel like they're empowered now to make it the very best that they can make it. And they like that, too.

Larios: I've seen growth and opportunity, and like Dawn Marie said with change, there's always that uncomfortable feeling. But it's change for growth, not just for the sake of change. So once the team is seeing that, they realize, "Oh, that was a good change, and it's long lasting." And with that, there's opportunity.

Buckland: And it's becoming pervasive throughout the county. I love It. You'll hear the supervisors or other elected officials referring to "one team," and we really should be. We're all separate legal entities, but the customer doesn't need to know that. They just need to know that they're dealing with the county and that the county's going to take care of them, whether that's the assessor's office, the treasurer's office, the recorder's office.

CALIFORNIA

Elvis Honeymoon Hideaway in Line for Tax Break

One matter recently before the Palm Springs City Council did not garner a great deal of attention or even headlines, but it was significant, nonetheless. In a roundabout way, it involved three words: Elvis Honeymoon Hideaway.

Councilors approved a Mills Act Historic Property Preservation Agreement between the city of Palm Springs and Daniel E. Bridge, owner of the famed Alexander constructed "House of Tomorrow," also known as the "Elvis Honeymoon Hideaway," 1350 Ladera Circle.

The futuristic dwelling in Vista Las Palmas is a stylish Midcentury home, no doubt. But it also holds a special place in rock 'n' roll history. The home is where Elvis and Priscilla Presley went after their secretive wedding in 1967.

Ironically, the famed inhabitants aren't what helped qualify the property for the Mills Act Agreement. The Act has been called the single most important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners.

In September, the City Council designated the property located at 1350 Ladera Circle a Class One Historic Site by adopting Resolution No. 24942. In accordance with California Government Code, the legislative body of a city may contract with the owner to restrict the use of the property to carry out goals of historic preservation of the property. Such a contract is commonly referred to as a "Mills Act Agreement." It provides for possible alternative property tax rate calculations in exchange for specific and ongoing preservation and maintenance of the property, specifically its historically significant elements and characteristics. Approval of the contract may result in a decrease in the property tax collected for the property.

Although singer and actor Elvis Presley and his wife Priscilla rented the home for a brief period in 1967 and had their honeymoon at the home, that event itself does not constitute a meaningful contribution under this criterion.

The Alexander residence exhibits exceptional historic significance because of its association with architect William Krisel, its association with Robert Alexander, a person of local significance, as a unique example of architecture from the mid-20th century period, and because it reflects unique construction characteristics.

The home is historically significant for its association with the lives of Robert and Helene Alexander. Robert Alexander and his father George ran the Alexander Development Company which is credited for transforming Palm Springs from an enclave of wealthy industrialists and notables from the movie industry to a vacation and retirement community accessible to the middle class. Both Robert and Helene were active in community affairs and philanthropy.

Fans of Elvis, the king of rock'n'roll, as well as fans of architecture win in this matter.

COLORADO

Colorado needs affordable housing but a property tax cap is not the answer

Colorado faces a housing crisis. Why? We simply have not built enough housing to meet rising demand, and the law of supply and demand is now playing itself out as home prices and rents increase dramatically.

In early 2014, 27,000 homes were for sale statewide with an average price under $300,000. In March, about 5,000 homes were listed for sale with an average price over $500,000. Recent reports showed that only 18,000 of the total housing units in Denver (including rentals) were affordable to the over 102,000 working family households in the area who earn less than $75,000 per year. We aren't building enough housing, and what we are building isn't affordable to working families.

The rise in home values has caused a corresponding rise in property taxes, putting added financial pressure on Colorado households. Something should be done.

Our most immediate priority is to tackle the current housing shortage by creating new workforce housing supply. However, given rising prices for land and new construction, such projects won't be built without government help.

Other states have started to look at using social impact bonds to finance 100% of the development costs for workforce housing in a way that doesn't create any risk to taxpayers. In exchange, the property owner agrees to only rent to families making 80 to 120% of the Area Median Income and to charge no more than 30% of a tenant's income as rent, ensuring those units stay affordable to working families. The real estate developer, not the government, would take the risk in exchange for an appropriate economic return. We even could make some of these projects lease to own over a period of 10 to 15 years.

In the meantime, we should be extremely wary of a new ballot measure proposed by some in the business community, modeled after California's infamous Prop 13, that would artificially cap property taxes in Colorado. Such property tax limits do nothing to solve the underlying housing problem and instead restrict the sources of local government revenues needed for schools, firefighters, parks, police, etc.

This proposal would cap property tax growth at 3% annually, regardless of the actual value of a property and regardless of sale. Because the cap would apply to all property types, and makes no distinction between home ownership and rental properties, however, the primary beneficiaries of the measure actually would be landlords and high value property owners.

For example, if this initiative had been in place over the last five years, property tax bills owed by residential landlords would have grown by a maximum of only 12% while monthly rents in Denver during that same time increased by 46.5% or $555 (from $1,195 in 2017 to $1,750 today for a one-bedroom apartment). Landlords would have been the big winners, pocketing the extra money saved with lower tax bills, while renters still would have been squeezed.

Proponents of this new measure now argue, just as the backers of Prop 13 in California claimed 44 years ago, that limiting property tax increases would quell rising housing costs without impacting local funding. Prop 13 failed miserably on both counts because it did nothing to increase housing supply, so home prices still skyrocketed (California today has some of the most expensive housing in the country) while gutting local government funding. Property tax limits meant that revenue over time grew slower than the actual cost of providing essential local services, like public schools.

Solutions to address rising tax rates should be targeted to low-income and working families and to small business owners. For example, we could limit the growth of property taxes for long-term residents of a community to offset the impacts of gentrification and agree to cap growth rates for homes and businesses under a certain square footage, while looking to the high-value market as a source for offsetting revenue.

There are smart and responsible ways to fix our housing problems, but an across-the-board cap on property tax growth that primarily benefits the wealthy is not one of them. Let's find creative ways to increase the supply of housing in our state and target property tax relief to those who need it most.

INDIANA

Tax Court reverses assessment because of possible 'math error'

Finding a math error is objective rather than subjective, the Indiana Tax Court has revived the appeal of a property owner who argued the Bartholomew County assessor calculated his property tax assessment using the wrong base rate.

Bushmann LLC owned a 61,855-square-foot parcel of land that was home to a convenience store and gas station in Columbus. In 2016 and 2017, the property was assigned a total assessed value of $1.27 million. In 2018, the assessment climbed to $1.47 million.

The property owner filed an appeal of the 2018 assessment on Sept. 13, 2019. Additional appeals of the 2016 and 2017 assessments were filed on Jan. 7, 2020. Both times, Bushmann asserted a "clerical, mathematical, or typographical mistake."

The Bartholomew County Property Tax Assessment Board of Appeals conducted a hearing and denied Bushmann's appeals.

Turning to the Indiana Board of Tax Review, Bushmann maintained the assessor did not apply the base rate that has been set by the county's land order. Bartholomew County's land order established that its land was to be assessed at $10 per square foot for all three years. Instead, the Bushmann appeal asserted, the land was assessed at $13 per square foot in 2016 and 2017 and at $19 per square foot in 2018.

The assessor countered the correct base rate was used to value the land. She asserted that Bushmann's land order contained a proposed base rate of $10 rather than the actual base rate that was to be applied to the land during 2016 through 2018.

Moreover, the assessor argued Bushmann filed the wrong type of appeals because the complaint raised only subjective errors about the valuation of the land.

The Indiana board agreed and tossed Bushmann's appeal as untimely. Even though the property owner checked the box indicating a "clerical, mathematical, or typographic error," the core issue was a challenge to the assessed value of the property. Therefore, Bushmann had 45 days to challenge the property's assessed value and not the extended three-year deadline for challenging math errors.

Before the Tax Court, Bushmann supported his argument by pointing to Muir Woods Section One Ass'n v. O'Connor, 172 N.E. 3d 1205 (Ind. 2021). In that ruling, the Indiana Supreme Court found the application of a base rate discount in a county land order was an objective error, not a subjective error regarding the property's assessed value.

The assessor pushed back, asserting the decision in Muir Woods is misplaced. That case, the assessor claimed, "does not give taxpayers the opportunity to argue about any wrong perceived to have occurred [in a land assessment] simply because a land order is part of the argument."

Persuaded by Bushmann, the Tax Court reversed and remanded to the Indiana board with instructions to determine whether the assessor applied the proper base rate in the 2016 through 2018 assessments.

"In this case, similar to the appeal in Muir Woods, Bushmann's three appeals present questions about the objective application of an already-determined base rate prescribed by a land order," Judge Martha Blood Wentworth wrote in Bushmann, LLC v. Bartholomew County Assessor, 21T-TA-00027.

"Specifically, during the administrative process, Bushmann claimed each of its land assessments contained a 'math error' because the Assessor did not use the established base rates in Bartholomew County's land order when calculating the assessed values of its land," Wentworth continued. "Consequently, the Court finds that the errors raised in Bushmann's appeals are not inherently subjective, but instead challenge the objective application of a pre-determined base rate: the base rate from (Bartholomew) County's land order was either applied or it was not."

Tax Court: Racetrack's 2020 tax assessment upheld after failure to appear

A man who failed to appear at two telephonic hearings for the appeal of his racetrack's 2020 property tax assessment did not convince the Indiana Tax Court that a final determination against him should be overturned.

Michael Daugherty, who owns Daugherty Real Estate Holdings LLC, initiated an appeal with the Benton County assessor in March 2020 after he disagreed with the 2020 valuation of his racetrack located in Boswell, Indiana.

Daugherty's racetrack was originally assessed at $457,900, but later reduced to $315,200 after he brought the issue before the Benton County Property Tax Assessment Board of Appeals. Still unsatisfied, he raised the issue with the Indiana Board of Tax Review, which held a telephonic hearing, rescheduled due to the COVID-19 pandemic, in January 2021.

But Daugherty didn't call in to the hearing and later asserted he was unaware it had been rescheduled. The meeting was again rescheduled, but Daugherty failed to appear telephonically at that hearing, as well.

The Indiana board then issued its final determination denying Daugherty's appeal, finding that it would not "make the case for a petitioner" and that Daughtery "failed to offer any evidence or argument" in support of his case. It then denied a subsequent rehearing request from Daugherty.

Daugherty appealed to the Indiana Tax Court, which affirmed the final determination in Michael Daugherty v. Benton County Assessor, Kelly Balensiefer, 21T-TA-26.

The Tax Court found unpersuasive Daugherty's arguments that the final determination must be reversed because the Indiana board failed to conduct a hearing and, to the extent that it did, violated the Americans with Disabilities Act.

"The record evidence in this case demonstrates that the Indiana Board conducted two hearings on Daugherty's appeal, but he did not appear for either one of them. Pursuant to the Indiana Board's duly promulgated regulations that were in effect at the time of those two hearings, the failure of a party to appear at a hearing is a proper basis to dismiss an appeal," Judge Martha Blood Wentworth wrote.

As for the alleged ADA violation, Wentworth wrote that although Daugherty claimed the Indiana board failed to make reasonable accommodations for him to participate in the hearing, there was no evidence in the record that he was disabled or even requested accommodation.

“Accordingly, the Indiana Board’s final determination will not be reversed on this basis either,” she concluded. “… For the foregoing reasons, Daugherty has not demonstrated that the Indiana Board’s final determination is erroneous.”

FLORIDA

“DeSantis erases Disney’s tax exempt law. Will cost Disney $200 Mil in taxes. Per year!”

Walt Disney World was not tax-exempt in Florida, contrary to social media claims

The tax district provided Disney with several privileges, but it did not make the theme park tax-exempt. Disney World paid more than $780 million in state and local taxes in fiscal year 2021.

PolitiFact found no evidence to substantiate the claim that DeSantis’ action would cost Disney $200 million in taxes a year.

Florida Gov. Ron DeSantis signed a bill to repeal a decades-old agreement that allowed the Walt Disney Company to operate as an independent government around its 25,000-acre theme park complex.

The April 22 move came after Disney, the state’s largest employer, voiced opposition to a new law barring classroom instruction on sexual orientation and gender identity in kindergarten through third grade, which could affect students in older grades as well.

It is unclear whether Florida’s actions could have financial implications for Disney that stretch beyond its Orlando-area theme parks. Still, social media users were quick to make conclusions.

"DeSantis erases Disney’s tax exempt law. Will cost Disney $200 Mil in taxes. Per year," read an April 21 caption alongside a photoshopped image of DeSantis standing in front of a trash can with Mickey and Minnie Mouse’s heads peeking out.

The post was flagged as part of Facebook’s efforts to combat false news and misinformation on its News Feed.

The Facebook post propped up many inaccuracies about the impact of the new law, and it mischaracterized the privileges the tax district originally awarded Disney.

Disney did not respond to PolitiFact's request for comment.

Disney already pays taxes in Florida

Reedy Creek, a special taxing district for the Walt Disney World Resort that acted with the authority of a county government, was created in 1967 to lure the entertainment giant to Orlando.

Under the agreement, Disney was responsible for building and maintaining municipal services like power, roads, and fire protection — which ensured that the residents of Orange and Osceola counties would not have to pay for such services.

Disney's most significant benefit from the arrangement was not financial but rather the autonomy to develop the 25,000 acres it owns in Central Florida without much of the oversight other developers typically have.

Though the deal provided Disney with several privileges, it did not make the theme park tax-exempt. Disney World contributed more than $780 million in state and local taxes in fiscal year 2021, according to a company disclosure.

The Facebook post's claim that Disney will now have to pay $200 million in taxes annually appears to be based on the false premise that Disney wasn't already paying taxes.

The $200 million figure seems to be derived from state Rep. Spencer Roach, a Republican from North Fort Myers. He told NBC News that Disney had avoided around $200 million in property taxes that surrounding counties could have collected.

The article noted that Roach's Democratic colleagues and officials in Central Florida questioned his math and the claim that Disney has not paid property taxes.

Roach did not respond to our request for comment.

"There's this perception that Reedy Creek somehow gave Disney property tax breaks," said Scott Randolph, Orange County's tax collector. "It does not do that."

Under the new law, Disney's deal with Florida ends June 1, 2023.

The dissolution of the Reedy Creek district will likely have financial consequences for Orange and Osceola counties unless officials take future action, according to the state Senate's financial impact analysis. For example, the district's bond debt could be transferred to those counties, the analysis said. Fitch Ratings, a credit rating provider, estimates that debt is $1 billion.

The new law might also make those counties responsible for services previously covered by the company, like fixing roads or providing law enforcement. Disney paid $105 million for those services, according to tax filings submitted to Florida's Department of Revenue.

"The bill will have an indeterminate fiscal impact on residents and businesses currently served by a special district dissolved by the bill," the Senate analysis said. "Such residents and businesses may experience a change in services previously provided by the special district and related assessments and taxes imposed."

DeSantis at a news conference rebuffed these concerns. He said he has "everything thought out," alluding to future legislation.

Our ruling

A Facebook post said DeSantis "erased Disney's tax exempt law. Will cost Disney $200 Mil in taxes. Per year!"

DeSantis did not "erase" any tax-exempt status for Disney. That misconstrues the special taxing district status that is in the process of being removed.

We could not find evidence to substantiate the $200 million tax figure cited in the claim. The financial impact of the legislation on Disney's tax bill remains unclear.

We rate this claim False.

DeSantis signs plan to dissolve Disney's special tax district into law

After weeks of sparring with the Walt Disney Co. after they criticized one of his prize pieces of legislation, Florida Gov. Ron DeSantis (R) on Friday signed a law that dismantles a special tax district created 55 years ago that enabled the company to build what has become the world's most popular theme park.

The spat began nearly a month ago, when Disney chief executive Bob Chapek issued a statement criticizing a parental rights law that prohibits discussions of gender issues in public school classes up to third grade and potentially through high school. Chapek said the company would work to repeal the law, seen by many to be potentially harmful to LGBTQ youth. That seemed to infuriate DeSantis.

"You're going to marshal your company's might to attack the parents of Florida?" DeSantis said Friday. "We view that as provocative."

The dissolution of the Reedy Creek Improvement District won't happen until June 2023, but officials in surrounding communities worry about how they'll manage a more than $1 billion debt obligation that would shift from Disney to local governments. They also say the $163 million a year Disney pays for public services within the special district would be a "catastrophic burden" that could eventually raise individual property taxes $2,500 a year.

Disney has not commented on the legislation since DeSantis introduced it Tuesday during a special legislative session. The bill was hustled quickly through the GOP-led House and Senate, going from a proclamation by DeSantis to a final vote in little more than 48 hours.

The legislation came with only a page and a half of analysis, leaving many to wonder what the actual impact will be. Disney World employs nearly 70,000 workers, covers 40 square miles and brings in more than $20 billion a year in tourism revenue.

The governor told local officials they shouldn't fret.

"We're going to take care of all that. Don't worry. We have everything thought out," DeSantis said. "Don't let anyone tell you that somehow Disney is going to get a tax cut out of this. They're going to pay more taxes."

The Orange County tax collector said his office needs more than assurances.

"The big thing is that on paper, at the outset when Reedy Creek goes away, Disney is relieved of paying $163 million per year in property taxes," Orange County Tax Collector Scott Randolph said. "I wish my parents would have 'punished' me that way."

DeSantis invited right-wing activist Chris Rufo to the bill signing. Rufo has been a prominent voice in fighting critical race theory in schools. Along with the Disney bill, the governor signed into a law legislation that prohibits teachers from giving lessons that make students feel "discomfort, guilt, anguish, or any other psychological form of distress" because of their race. It also bans corporations from diversity training that would have the same effect.

Rufo took aim at Disney's diversity training program.

"This is a direct message to the CEO of Disney, Bob Chapek. This program called Reimagine Tomorrow is not only morally wrong, it is now illegal in the state of Florida," Rufo said. "And so we're going to give you the weekend to make some adjustments to immediately abolish this program, because on Monday, if this is still part of Disney's human resources program, there will be consequences."

DeSantis dissolves Disney's Reedy Creek district. What it means for Florida counties, taxpayers

Gov. Ron DeSantis and the Florida Legislature's actions to start the clock on dissolving a special self-governance district created for The Walt Disney Co. in 1967 could have dramatic impacts for two Orlando-area counties and their taxpayers.

The 38.5-square-mile Reedy Creek Improvement District gave Disney significant control of its property surrounding its Walt Disney World complex in Orange and Osceola counties. Reedy Creek, for example, oversees public safety for Disney, as well as upkeep of roads and other infrastructure like water treatment and building inspections. Dissolving Reedy Creek is equivalent to dissolving a city.

What could this mean for taxpayers?

It could mean big tax increases for residents of Orange and Osceola counties, as taxpayers would suddenly have to pick up the costs of everything from fire protection to road maintenance within Disney property.

Orange County Tax Collector Scott Randolph tweeted that if Reedy Creek is gone, so is the $105 million Disney collects from itself annually to operate those services.

Orange County Mayor Jerry Demings says the financial impact on his county could be "catastrophic."

Randolph predicted in a WFTV-TV interview that it could mean a 20% to 25% increase in property taxes for Orange county residents.

Neighboring Osceola County said it is "uncertain" about its future financial responsibilities, and is studying the issue.

DeSantis, Florida lawmakers dissolve Reedy Creek: It's law: In just days, Ron DeSantis dismantles Disney's special tax district operating since 1967

How are Disney fans responding? Is the magic still there? Disney fans react to feud with DeSantis, Florida lawmakers

What Disney said: Here's what Disney has said so far about the political storm surrounding it

The counties also likely would have to assume the debt obligations now held by Reedy Creek. Randolph said Reedy Creek has $53 million a year in debt obligations.

"Obviously, it's going to affect a key part of the I-4 corridor, but it affects the whole state," said Susan MacManus, a political science professor emeritus at the University of South Florida, "But in terms of exactly what the fallout will be, I don't think we know yet. We don't have enough details to make an accurate assessment. But it sure has created shock waves across the country."

How would counties pick up costs of public safety now paid by Disney?

Demings said that's a big concern, if the county had to take over public safety costs now covered by Disney with no new revenue.

"We have a very unique situation with Reedy Creek and the Walt Disney conglomerate," said Demings, the former Orange County sheriff and former Orlando police chief. "Reedy Creek paid 100% of the cost of the law enforcement services that are provided by the Orange County Sheriff's Office. They provide 100% of the calls of their own fire rescue and emergency response department. Their own 911 call center. They provide 100% of the cost."

If Orange County had to assume all of those costs, with no new revenue, "that would be catastrophic for our budget here within Orange County," Demings said. "It will put an undue burden on the rest of the taxpayers in Orange County to fill that gap. I don't know that that would happen, but there certainly is a potential that it could happen."

"That's a net-sum loss for the rest of the taxpayers of Orange County, when we already have significant pressure on our county budget to provide for public safety and all of the other public health and social services that we have in the county that we pay for from ad-valorem (property) tax dollars," Demings said.

What kind of money are we talking about?

The Reedy Creek Improvement District collects about $105 million a year to operate services inside Reedy Creek, according to Randolph. So Disney, in effect, taxes itself for such things as operating its own power plant, maintaining roads and providing fire protection.

"This is on top of other taxing authorities it sets in," Randolph said as part of a series of tweets he posted on this issue. "So Disney pays the same Orange County, local and state school taxes, etc., as all other properties inside Orange County. If Reedy Creek goes away, the $105 million it collects to operate services goes away. That doesn't just transfer to Orange County, because it's an independent taxing district. However, Orange County then inherits all debt and obligations with no extra funds."

Are officials in Osceola County worried, too?

Osceola County issued a statement, indicating that officials there are analyzing the matter.

"Now that the Legislature has passed a bill to dissolve the Reedy Creek Improvement District, Osceola County government will begin an analysis to understand the impacts in preparation for this going into effect, including evaluating any shifts in cost to Osceola as a result," the statement said. "As Disney and Reedy Creek have been self-contained, we are uncertain of what fiscal responsibilities will be encumbered after June 2023."

June 2023 is when this is set to take effect.

The statement added that "over the many years, Disney has been a strong community partner, and we expect that relationship to continue as we work together for a transition plan."

So, what triggered the move to disband the Reedy Creek district in the first place? DeSantis and members of the Republican-controlled Florida Legislature targeted Disney for the company's opposition to the "Parental Rights in Education Act" that legislators approved and DeSantis signed into law.

Among other provisions, the law limits instruction about gender identity and sexual orientation in grades K-3. But critics of the measure — who term it the "Don't Say Gay" bill — contend it also will negatively affect members of the LGBTQ+ community.

The two-page bill affecting Reedy Creek doesn't specifically mention Disney or Reedy Creek. But it calls for dissolving independent special districts established before Nov. 5, 1968, and "not reestablished, re-ratified or otherwise reconstituted by a special act or general law" after then.

Reedy Creek — as well as development authorities in Bradford and Hamilton counties, water districts in Broward and Franklin counties, and a Marion County law library — would be affected, according to a bill analysis by the staff of the Senate Committee on Community Affairs. That analysis said Florida's 1,222 other independent special districts would not be affected.

It's clear that the bill was aimed at Disney.

In a Facebook post announcing the introduction of the bill, Florida Rep. Randy Fine, R-Palm Bay, said: "Disney is a guest in the state of Florida. Today, we remind them of that fact. Governor DeSantis and I just announced that we are expanding the Special Session to hold Disney accountable."

Fine described his bill as one to "eliminate the Reedy Creek Improvement District, a 50-year-old special statute that allows Disney to govern itself, exempt from the laws faced by regular Floridians and its competitors."

In another post, Fine said he has no problem taking on "woke corporations that wish to sexualize our children. I am not afraid to fight for what is right for my children — and yours."

Disney had vowed to work to repeal the Parental Rights in Education Act, and announced it was stopping all political contributions in Florida.

Florida Rep. Anna Eskamani, D-Orlando, called the law to repeal Disney's special district "petty, punitive politics at its worst. They're trying to cancel Disney and bully them into submission. It's undemocratic."

Because of the bill's speedy introduction, passage and signing into law, "it was also done in a way where the public didn't get to weigh in or for the ramifications (of the bill) to be thoroughly studied. Special sessions are supposed to be about urgent issues. This isn't one of them."

Eskamani called it "a telltale sign of one party rule, drunk on power. This sends an unsettling message to anyone who challenges the governor."

What is the business community saying?

Don Long, president and chief executive officer of the 450-member Lake Nona Regional Chamber of Commerce in the Orlando area, said it's difficult to tell what impact the legislation will have.

"There is a certain amount of concern about what happens if Reedy Creek (Improvement District) goes away," Long said. "Everyone visiting Disney's theme parks will still need services" the special taxing district currently provides, and Orange County's budget "has not been established to meet that demand."

Long said he is "somewhat surprised" that the affected counties and the local communities "weren't consulted before this action was taken."

"I would anticipate that local taxpayers, both residents and businesses, would in some way be impacted, but that's just my own speculation," Long said. "This all moved so quickly. The problem is, I don't think we're going to get any factual information for a while" on what this will mean in terms of taxes on local residents and businesses.

Could Disney decide to scale back its Orlando-area operations in reaction to the action by the Florida Legislature?
University of Central Florida economist Sean Snaith, director of the university's Institute for Economic Forecasting, doesn't think that would happen.

Snaith said Disney is too heavily invested in its Orlando-area theme parks to pull out of Florida.

"However this Reedy Creek thing works out, it's not like we're talking about a call center where a company could simply pull out," Snaith said.

Snaith noted that Disney has no room to expand in Anaheim, California, where Disneyland is located, whereas it has plenty of room for further expansion in Florida, both where Disney World is located, as well as the nearly 60 acres it bought last year in Lake Nona for its planned Parks, Entertainment & Products Division.

"The future growth for the company in this country is Disney World," Snaith said.

Disney did not respond to a request for comment.

What about Disney's plans to expand operations in the Lake Nona area of Orlando?

Disney is clearing land in Lake Nona for its planned Parks, Entertainment and Products Division campus. The planned Disney campus is being built along Lake Nona Boulevard, across from the new University of Central Florida Lake Nona Hospital.

"My understanding is that it's a $600 million investment," Long said.

Disney "imagineers" recently staged a protest against the Parental Rights in Education Act bill, demanding that the company scrap its plans to build the new corporate campus in Lake Nona.

But Snaith doubts Disney would scrap its Lake Nona plans.

Snaith also said he believes Disney's statement that it plans to create 2,000 jobs at its planned Lake Nona campus is a low estimate, and that the eventual number will be much higher, given the enormous size of the future campus.

"You don't need that much land for just 2,000 workers," he said. "I believe it could ultimately be more."

How big a deal is Disney to Central Florida?

Very big. It has four theme parks, two water parks, and various hotels, restaurants and shops in the Orlando area.

In addition, the two largest Disney Cruise Line ships sail out of Port Canaveral in Brevard County, which borders Orange and Osceola counties. Another Disney cruise ship also currently sails from Miami.

Disney employs more than 75,000 and is the largest employer at a single location in Florida.

"What I can tell you is, for the 50-plus years that Disney has been a part of this community, they have been great community partners," Orange County's Demings said. "There are a myriad of jobs that have been created at Disney. I dare say that, with the expansion of the other theme parks, the expansion of business, Disney has been part of that impetus to expand and grow our community in the manner that we see today."

Demings said he believes Disney has been "an instrumental part" of spurring growth, "not only for our community, but for the entire state of Florida. When you think about visiting Florida, you can't help but think about visiting Disney and other theme parks as well."

What about Reedy Creek's bond obligations?

On Friday, the Fitch Ratings agency placed Reedy Creek Improvement District debt obligations on a "watch" list for possible downgrade of its ratings. Affected were about $766 million in outstanding ad-valorem tax bonds and $79 million in outstanding utilities bonds.

Fitch said placing Reedy Creek on its watch list after the Florida Legislature's action "reflects the lack of clarity regarding the allocation of the RCID's assets and liabilities, including the administration of revenues pledged to approximately $1 billion in outstanding debt, following the dissolution of RCID or its re-ratification on or after June 1, 2023. Fitch expects the title of all property owned by RCID, including its indebtedness, to be transferred to Orange County (and to a lesser extent, Osceola County) or to a successor agency, as prescribed under Florida law. Fitch believes the mechanics of implementation will be complicated, increasing the probability of negative rating action."

In a statement, Reedy Creek said it "expects to explore its options while continuing its present operations."

It also pledged its bondholders that it will "fulfill the terms of any agreement made with the holders of any bonds or other obligations of the district."

Are there political ramifications to what's happening with Disney?

MacManus said "there's both an economic and political side to this, and when the two collide, usually the political side wins. Right now, both Democrats and Republicans are finding political value in attacking corporations. Democrats want more regulations, and accuse corporations of making too much profit. On the Republican side, you've got the anti-woke fight. A lot of people are scratching their heads and wondering: Why now? Of course, it's happening now because it's an election year."

Latest-available voter registration figures show that there are roughly an equal number of Republican and Democratic registered voters in Florida.

But Orange and Osceola counties both lean Democratic. In Orange, 42.3% of voters are registered Democrats and 25.0% are Republicans, with the remainder no party affiliation voters or members of minor political parties. Similarly, in Osceola, 40.2% of voters are Democrats and 23.2% are Republicans.

What would happen next?

Demings said his county likely would "have to enter into the negotiations" with Disney.

"There are some complex issues here that are not yet defined, based upon the proposed language that I've seen," Demings said. "The devil is in the details, and we, quite simply, today do not have the details."

Demings said his staff is evaluating the language of the bill — in conjunction with the county's tax collector, property appraiser, comptroller and sheriff — "to make certain that we understand the impact."

"And so, until we have all of the specifics, it's hard to say what the specific answers or impacts would be," Demings said. "Just like everybody else, we're trying to understand what the Legislature truly is trying to do in this case. But I believe they have not adequately contemplated the ramifications of what they have proposed at this point."

In the meantime, MacManus noted that "the best news for all parties" is that there is more than a year before the dissolution takes effect.

"It'll give all sides a chance to cool down," MacManus said.

What's Disney likely to do?

James Clark, a political analyst and senior lecturer with the University of Central Florida's history department, said he doesn't think "Disney will capitulate, but they may use their army of 38 lobbyists in Florida to quietly work out a compromise, which is probably already underway. But they may also go to court to fight this. In the long run, I think they may work with Orange and Osceola counties, as well as the state, to try to soothe the waters."

Fact-check: Will Floridian Taxes Rise Over Disney-DeSantis Debacle?

Some say that tax payers could now be responsible for a $1 billion bill after the dissolution of Reedy Creek.

Florida Gov. Ron DeSantis (R) signed a bill into law Friday that disallows special district designations, including the Reedy Creek Improvement District that governs the Walt Disney Company. The move is out of retaliation for Disney's opposition to Florida's HB 1557, known to many as the "don't say gay" law.

The news has brought attention to a relationship between Disney and the Florida government that many weren't previously aware of. Some have said that the change could saddle taxpayers with a bill of about $1 billion.

Here's what we know.

What happened?

After backlash for not speaking about the then-pending "don't say gay bill," Disney, Florida's largest private employer, condemned the legislation. After it was signed into law, the company pledged to help fight for its repeal.

Officially titled the "Parents Rights in Education" law, the legislation makes discussion about sexual orientation and gender identity through the third grade illegal and limits the ability of teachers to engage in conversations around those topics generally.

After news of Disney's opposition broke, according to the New York Times, DeSantis wrote in a fundraising email to supporters, "If Disney wants to pick a fight, they chose the wrong guy. I will not allow a woke corporation based in California to run our state. Disney has gotten away with special deals from the state of Florida for way too long."

The Republican-dominated Florida legislature then introduced, passed, and sent a measure eliminating special districts in Florida – including Disney's Reedy Creek Improvement District designation – to the governor's desk for signing without debate. DeSantis signed the law within hours.

What's the Reedy Creek Improvement District?

When Disney wanted to build "The Most Magical Place On Earth" in a remote part of Orange County and Osceola County during the 1960s, lawmakers created a way for the company to be able to govern (and tax) itself.

The Reedy Creek Improvement District was created in 1967 to attract Disney to build a theme park near Orlando through many incentives. This made it possible to finance and install infrastructure necessary for the theme parks, with little impact on local taxes.

In practice, this meant that Disney was able to submit permits to itself to take care of various issues that might typically be prolonged with bureaucratic red tape. Disney also held a special tax district designation. Experts estimate that the arrangement saved the company millions of dollars every year. This will end in June 2023 according to the new bill.

What's the impact of revoking the Reedy Creek Improvement District on Floridians?

The financial impact on local taxpayers is unclear, but experts warn that Disney's tax and bond debt burden could become the responsibility of residents.

The New York Times reported that according to a disclosure in 2021, Disney World paid more than $780 million in state and local taxes. As part of the Reedy Creek district Disney took care of roads and other maintenance projects typically overseen by government. With that gone, residents would most likely see a tax increase, WFTV reported.

Scott Randolph, a Democrat who is the Orange County tax collector, is critical of the new law.

"If Reedy Creek goes away, the $105 million it collects to operate services goes away," Randolph wrote on Twitter. "That doesn't just transfer to Orange County because it's an independent taxing district. However, Orange County then inherits all debt and obligations with no extra funds."

Randolph said that Disney also had taxed itself around $53 million annually to service its debt.

NPR reports that the new law has prompted warnings that county property taxes will rise sharply.

According to public records, Reedy Creek has an estimated annual budget of $355 million. However, according to the Times, it carries $977 million in debt, which would also transfer to the counties.

According to Reedy Creek's financial documents, CNBC reports, the district historically operates at a loss of around $5 million to $10 million each year. But since Disney can subsidize itself through revenue from its parks, this debt is eaten by the company, CNBC notes.

According to lawmakers, there's around $1 billion in debt on the balance sheet that taxpayers would become responsible for should the special district get absorbed, leading to higher taxes.

It won't be easy to make up any potential budget shortfalls because of laws on the books in Florida. According to CNBC, state law prohibits counties from raising sales taxes or impact fees to cover costs, and they must tax all areas of the county equally.

MASSACHUSETTS

Raymond V. Mariano: Holy Cross and other colleges should pay local property taxes

In recent years, people with investments have done especially well. The average annual rate of return over the last 10 years (2012-2021) has been somewhere between 12.4% and 14.8%.

Imagine how much money you would earn, every single year, if you had a billion dollars invested. At a rate of 12.4%, multiplied by $1 billion — that's eight, no nine zeros — carry the one … The answer is; that's a lot of money!

Now, I don't know anyone in the Worcester area who has that much money lying around. But I do know one local institution that does: The College of the Holy Cross.

As they celebrate the 75th anniversary of their NCAA national basketball championship, the Crusaders also have something else to celebrate; their endowment now exceeds more than $1 billion.

The college also owns hundreds of millions of dollars of property on College Hill. And they have plans to add more.

But wait, here's the best part. Despite their incredible wealth, this revered institution is exempt from paying property taxes on nearly $340 million in real estate.

Calculated at the tax rate paid by every homeowner, the college saves $5.1 million annually. At the commercial rate, they save more than $11.3 million each year. And that does not include their savings on personal property tax that is also exempted.

While that's good news for Holy Cross, it's bad news for every homeowner and business in Worcester who is left to pick up the tab.

Holy Cross is a great school with a great history — Supreme Court Justice Clarence Thomas graduated from The Cross in 1971. OK, not the best example.

Seriously, the school has been the pride of Worcester since it was founded in 1843. Their graduates populate corporate board rooms across the country, walk the halls of Congress, and have had impressive careers in medicine and the law.

But as the school looks down on the rest of the city, they must get a chuckle out of the poor dopes who own the three-deckers and small businesses they look down on — the ones that struggle to pay their property taxes while those on the hill hire people to count their money.

It's just not right. And it's certainly not fair.

I want to be clear; the college isn't doing anything wrong. Just like some billionaires in the business world who use existing laws to escape paying almost anything in taxes, the law allows colleges and universities to be exempt from the burdens of local property taxes.

Today, in Worcester, there is more than $6.3 billion in property that goes untaxed — the majority belonging to colleges, universities, and educational institutions. If that property were taxed at the same rate as homeowners, the city would have more than $95 million each year in additional revenue.

However, if the commercial tax rate was used, which is more appropriate based on the use of the property, the city would receive more than $211 million in additional tax revenue every year. Given that the city's total property tax levy for fiscal year 2022 was only $346.6 million, the impact of these funds would be more than significant.

It's true that none of the other colleges and universities in Worcester has an investment portfolio quite as impressive as Holy Cross. But some of their numbers are eye-popping nonetheless.

The Massachusetts College of Pharmacy and Health Sciences has more than $848 million, WPI has $650 million, Clark has $514 million, and Assumption has a paltry $114 million in their endowment funds. Most of these institutions could pay all or most of a property tax bill on the annual interest they receive from their endowments alone — if the city was allowed to send them a bill.

Although the city does have PILOT (payment in lieu of taxes) or similar agreements with four colleges, the money received is only a tiny fraction of what they would pay in property taxes — about $1.4 million in fiscal 2021. Ironically, Holy Cross, with the largest endowment fund, pays only a small fraction of what others pay.

There is an inherent unfairness in having an hourly wage worker struggle to pay the taxes on their tiny home while a college with a billion dollars in the bank pays relatively very little.

The contributions that colleges make to Worcester are significant. And institutions like Clark University have made significant community investments which have yielded major benefits for our city — particularly in Main South.

Nevertheless, if all private colleges in Worcester paid only a fraction of the residential tax rate, Worcester would still get millions of dollars each year — enough to pave streets and construct sidewalks everywhere they are needed.

Councilors moan that we aren't doing enough to help families who need an affordable place to live. But these same councilors don't have the nerve to demand that our colleges pay their fair share. If they did, the city would have millions available every year to help those in need.

It's time for the City Council to ask that special home rule legislation be filed on its behalf allowing the city to collect local property taxes from every nonprofit. At a minimum, the amount assessed to private colleges and universities should be equal to the amount that every homeowner pays. Religious and charitable nonprofits should be assessed a fraction of what everyone else pays using a formula which considers their size and other criteria.

Getting this legislation passed won't be easy. But, it's long past time for Worcester to try.

MINNESOTA

A Question for Minnesota Hospitals: Is Your Clinic Space Properly Classified as Tax-Exempt?

After a recent decision of the Minnesota Supreme Court, Minnesota hospitals should analyze whether hospital-owned clinics and other facilities may now qualify for an exemption from property tax. In its decision in *Perham Hospital District*, the Minnesota Supreme Court recognized that hospital-owned clinics can be an important component of a hospital and necessary to the operation of the hospital. This conclusion and the related decision of the Tax Court may establish a framework for district and nonprofit hospitals to obtain property-tax exemption for clinics and other hospital facilities that have traditionally been treated as taxable properties.

Background

Under Minnesota law, space that is owned by a nonprofit and operated as a public hospital is exempt from property tax. The Minnesota Constitution mandates that public hospitals are exempted from property taxation and this exemption is implemented by Minnesota statute.[1] A public hospital is defined by Minnesota courts as a hospital that is generally open to the public and is operated without private profit.[2] While the statutory language provides that "[a]ll public hospitals are exempt" from property taxation, Minnesota courts have found this exemption "is not limited to buildings actually used as hospitals."[3]

The public hospital exemption also applies to any property which is "devoted to and reasonably necessary for the accomplishment of the purposes of the [hospital] seeking exemption."[4] In this context, the term "necessary" is to be given a reasonable, natural, and practical interpretation considering modern conditions, and the property must be functionally, not just economically necessary.[5]

An additional provision of Minnesota law also provides an exemption from taxation for municipal hospital districts. Under that law, property "acquired, owned, leased, controlled, used, or occupied" by a hospital district, for the purposes of running a hospital, is exempt.[6]

For many years, counties have sought to narrowly define the scope of exemption available to nonprofit and district hospitals. County tax officials, relying on now dated court decisions and sub-regulatory guidance from the Minnesota Department of Revenue, have argued that "clinics are taxable."[7] But Minnesota courts in recent years have rejected a rigid test and now will closely analyze the facts to determine whether a clinic is entitled to exemption. While they have not overruled the prior precedents, these court decisions suggest a growing recognition that there may be little or nothing that distinguishes modern hospitals from clinics given the overlap in their services and cohesive operations. The reasoning of the recent decisions also suggests that hospital-owned clinics may be "devoted to and reasonably necessary" for the accomplishment of a hospital's purposes within the "functional" sense contemplated by the older precedents.

Perham Hospital District case

This more modern approach is exemplified in the Tax Court's decision in the *Perham Hospital District* case. [8] There, the Tax Court held that the clinics at issue were a part of the hospital, and the hospital operated the clinics as hospital facilities. Of critical note, the court in *Perham Hospital District* found that the evolution in the health care industry has fundamentally changed what hospitals do, as the number of inpatient services in hospitals has drastically declined.[9] Therefore, there is no longer a sharp distinction between hospitals and clinics based on the fact that clinics do not provide inpatient services. The court also found that the clinics were hospital facilities even if they did not offer care at all times.[10] Finally, the Tax Court concluded that the similarity of the clinics' physician compensation structure to traditional hospital-based compensation structures was additional evidence that the clinics should be classified as a hospital and exempt from property tax.[11]

The County appealed the Tax Court decision, which resulted in the Minnesota Supreme Court's first opportunity in many years to consider a hospital's request for property tax-exemption for facilities other than the core hospital.[12] Although the Supreme Court limited its discussion to the exemption for municipal district hospitals, the court's reasoning may require a reexamination of its prior precedents regarding (non-municipal) public hospitals. The Supreme Court recognized that the clinics were necessary to the operation of the Perham hospital.[13] The Supreme Court concluded that the clinics in the *Perham Hospital District* case were used by the hospital to "improve and run" the hospital, and the Supreme Court affirmed the Tax Court's finding that the clinics "helped attract physicians and patients, improved the Hospital's overall operations and service delivery, increased patient follow-up, and provided physical space for use by other Hospital departments."[14]

Applicability to Other Clinics

The clinics in the *Perham Hospital District* case have significant parallels to the clinical operations of many Minnesota nonprofit hospitals. The *Perham Hospital District* case makes it clear that Minnesota courts may no longer routinely exclude clinic space from exemption, and, in fact, clinics can be a necessary component of a successful hospital operation and therefore exempt from property tax under either the standards for public, nonprofit hospitals or district hospitals.

Importantly, the dispute in *Perham Hospital District* was not over whether the clinic space was exempt because it was owned by a district hospital. Instead, the Supreme Court considered whether the clinics were used to "improve and run" the hospitals. After deciding that they were, the Supreme Court concluded the clinic space was exempt from property taxes.

When a space is owned and operated by a Minnesota nonprofit hospital and the space is "devoted to and reasonably necessary for the accomplishment of the purposes" of the hospital, it should be classified as exempt. In the modern health care setting, this should apply to clinic space, as suggested in the *Perham Hospital District* case. But may also be equally applicable to other space owned by a hospital that is used by the hospital to meet its mission. Hospital departments and areas including rehab centers, Chemo/Infusion Clinics, employee-only areas including locker rooms and fitness areas, storage space, and other similar space may all be appropriately classified as exempt space if used to advance the nonprofit mission of the hospital.

Next Steps

Minnesota hospitals wishing to challenge a tax assessment related clinic space, or other space that meets the "devoted to and reasonably necessary for" test, may do so by filing an appeal by petition to the Minnesota Tax Court before April 30 for the year in which the property tax is payable. Another option is for a hospital to consider whether to seek review of a property's proposed assessment and classification by the local and/or County Board of Appeal and Equalization. Such meetings are held between April 1 and May 31 each year.

Lathrop GPM can provide assistance in analyzing this complex area of law and, if appropriate, help clients navigate the process of obtaining exemption for hospital-owned space. Obtaining such an exemption may result in substantial tax savings for Minnesota hospitals.

For more information, please contact Ben Peltier, Wade Hauser, or your regular Lathrop GPM attorney.

[1] Minn. Const. Art. X, Sect. 1; Minn. Stat. § 272.02, subd. 4.

[2] *Village of Hibbing*, 14 N.W.2d 923, 925 (Minn. 1944).

[3] *Chisago Health Servs. v. Comm'r of Revenue*, 462 N.W.2d 386, 388 (Minn. 1990).

[4] *Naeve Health Care Ass'n v. Freeborn Cnty.*, No. C6-92-541, 1993 WL 35164, at *4 (Minn. Tax Feb. 11, 1993) (citing *State v. Fairview Hosp. Ass'n*, 114 N.W.2d 568, 571 (1962).

[5] Id.

[6] Minn. Stat. § 447.31, Subd. 6.

[7] "Hospital and Clinic Properties – Taxation vs. Exemption," Minnesota Department of Revenue, September 2, 2015.

[8] *Perham Hosp. Dist. v. Otter Tail Cnty.*, No. 56-CV-18-1196, 2021 WL 1099500 (Minn. Tax Mar. 18, 2021).

[9] Id. at *27.

[10] Id.

[11] Id.

[12] *Perham Hosp. Dist. v. Cty. of Otter Tail*, 969 N.W.2d 366 (Minn. 2022)

[13] Id. at 375.

[14] Id.

NEW JERSEY

New Jersey's property tax crisis

There are two crises that are crippling New Jersey's fiscal and economic well-being. Two crises that impact every person and business. Two crises that place us dead last in the country in these categories. Two crises that, if solved, would brighten our future dramatically.

We're talking about New Jersey's property tax and business climate crises. Given that Trenton is overflowing in tax revenue, surplus and federal aid, there has never been a better time to solve these historic dilemmas. Sadly, a permanent fix is nowhere to be found in Gov. Phil Murphy's fiscal year 2023 budget proposal.

The governor's budget includes the next property tax rebate, which is a band-aid, not a permanent reform. Governors in both parties — for decades — have created these rebates, yet our property taxes rise every year. In pushing this rebate, Gov. Murphy is trying to buy political goodwill with taxpayer money. There's something terribly frustrating, if not infuriating about government taking money out of your right-hand pocket and putting some of it back in your left-hand pocket, giving it a fancy name, and calling it a tax cut. It's insulting.

The governor's budget does not include anything that makes New Jersey a much better place to do business, especially on Main Street.

Here's what Murphy's budget does do: it spends $49 billion. That's $14 billion more than Chris Christie's last budget less than five years ago. A 40% increase in total spending. Has anyone's salary or social security benefits increased 40% over the past four years?

If ever there was a time to implement true reforms and make the structural changes critical to charting a different and more prosperous path forward, this is it. Instead, our property tax and business climate crises will painfully persist, getting worse every year that reforms are not enacted.

In announcing his budget, the governor said, " . . . the state does not set property taxes." This is terribly disingenuous. Every Board of Education, Mayor, and County Commissioner will tell you that Trenton's flawed school aid formula and its confiscation of energy tax receipts and telecommunication surcharges all have direct impact on property taxes.

To permanently lower property taxes, Trenton needs to do four things. First, Trenton needs to adopt a new school aid formula. The current formula is arbitrary, nefarious, and a violation of the equal benefit clause in our state constitution. A new formula would: a) redefine "local fair share," which determines how much a community contributes to its schools; b) have the state cover 100% of the cost of special education; c) provide each school district with state aid equal to "X" for every English speaking student and "Y" for each English language learner; and d) hold school districts accountable for keeping instructional costs-per-student within a reasonable range.

Second, Trenton needs to give municipalities back the energy tax receipts it collects on utility company installations (e.g., switchyards and generating stations). Afterall, that was the original intent when the tax was created. Currently, most of these tax receipts are diverted to balance the state budget.

Third, Trenton needs to stop diverting telecommunication surcharges or "911 fees." The revenue from these consumer fees was originally earmarked for counties to help maintain the 911 system. Instead, the fees are being used to balance the state budget. In fact, New Jersey is the nation's worst offender of 911 fee diversions, which, according to the association that represents all counties, is "creating an emerging public safety crisis and system of double taxation on taxpayers."

Finally, Trenton needs to freeze property taxes for all homeowners once they turn age 70. It is criminal when retired people are forced out of their homes or faced with choosing between affording their property taxes or life-saving medications. The property tax increases forgone can be recaptured by municipalities in the future.

We can lower property taxes. Not with short-term gimmicks or fancy names for old, tired and failed ideas, but with true, permanent, and bold reforms. Otherwise, when the pandemic tax revenue, surplus, and federal aid have all gone away, so too will Phil Murphy, leaving us in worse fiscal shape than when he started.

NEW YORK

DiNapoli: Weak Oversight Leads to Tax Breaks for Ineligible Properties

Audit Finds Properties in Forest Protection Program That Don't Qualify

The New York State Department of Environmental Conservation's (DEC) inadequate monitoring and enforcement has resulted in landowners enrolled in two private forest conservation programs receiving property tax exemptions of up to 80% for which they may be ineligible, according to an audit by New York State Comptroller Thomas P. DiNapoli.

"New York state offers a property tax break for landowners who commit to protect their private forest land, but some property owners are not living up to their end of the agreement," DiNapoli said. "This audit raises questions about whether these incentives are achieving their goal to improve private forest management. The tax benefits received are worth hundreds of thousands of dollars and demand greater scrutiny."

The two programs, Real Property Tax Law 480a and 480, offer tax incentives to qualified private forest landowners who submit and follow a DEC-approved forest management plan for their property to promote healthy forests and increase the likelihood of a more stable forest economy. While local assessors are ultimately responsible for ensuring that only eligible acres receive tax benefits, the success of the programs hinge on the efforts of both the localities and DEC.

DiNapoli's report found weaknesses in several aspects of DEC's oversight of the 480a program, starting with poor monitoring and enforcement that undermined the agency's ability to ensure only eligible properties were enrolled in the program and therefore eligible for tax exemptions, and that forest land continued to be protected and enhanced as an economic resource.

The audit examined a sample of 135 of the 6,858 properties in the program and found 45 (33%) were not in compliance with its requirements and may have improperly received the local tax exemption. The landowners of the 45 properties saved approximately $525,745 in local taxes between 2017 and 2019 because the property values were reduced by over $6.1 million annually for land valued at a total of almost $8.2 million.

The DEC did not have a comprehensive up-to-date data collection and monitoring system for tracking program participants. Auditors found the absence of such a database, along with administrative inefficiencies and insufficient staffing resulted in inadequate oversight. The report also found DEC's oversight problems led to inadequate enforcement of management plans and submission of annual commitments. Further, local assessors granted exemptions to property owners who were not enrolled in the program and exemptions were given for potentially ineligible land, including those that did not meet the programs' acreage requirements.

Additionally, there are 795 properties under the older 480 program for which landowners have been benefitting from local tax reductions for over 45 years that have gone largely unmonitored by DEC or the localities. In most cases, the DEC was not aware which properties were enrolled in the program. This program has lesser qualifying standards than the 480a program.

DiNapoli recommended:

- DEC improve communication and partnerships with local assessors to ensure properties are appropriately enrolled, eligible and benefiting from the 480a and 480 programs, and management plans are followed, records are maintained, and enforcements are applied when violations occur.
- Develop and maintain a centralized statewide database to improve oversight and administration of statewide forest tax programs, including compliance with management plans, work scheduled and annual commitments.

DEC agreed with many of the recommendations and acknowledged they should not have issued certificates without approved management plans and stated they are taking steps to prevent a reoccurrence.

Enrollment Requirements

To enroll in the 480a program, landowners must apply to certify their land through the DEC. Forest land is eligible if the tract is at least 50 contiguous acres exclusively devoted to, and sustainable for, forest crop production, and stocked with a stand of trees sufficient to produce a profitable crop within 30 years from DEC certification. The landowner must submit a forest management plan that includes, among other things, a map identifying boundary lines and acreage of eligible and ineligible forest land, and a 15-year work schedule of all work to be done each year, including all planned commercial and non-commercial harvests and road construction. The program requires the submission of an annual commitment form from the property owner recommitting the land for the next succeeding 10 years.

Once all requirements are met, the DEC issues the landowner a certificate of approval. DEC approval is required for any changes to the certificate. Since 2011, enrollment in the 480a program has increased by 30%, and between 2017 and 2019, landowners benefited from an approximate local tax reduction of $62 million.

New York property tax rebate: Governor's budget plan targets relief for some households

New stimulus checks from the federal government may not be on the table in 2022, but some states are sending payments to help households manage the recent surge in utility and gas prices.

Whether it's in the form of property tax rebates or stimulus checks, the question is: Will New Yorkers get some relief?

So far, five states – Idaho, Georgia, Indiana, New Jersey and New Mexico – have approved stimulus and rebate check programs.

Stimulus programs in the form of tax rebates are currently being considered in New York, California, Hawaii, Maine, Minnesota and Kentucky.

FINANCIAL RELIEF FOR NEW YORK FAMILIES

Currently, there is relief available for struggling New Yorkers including families in the form of a one-time stimulus payment and the Child Tax Credit.

The one-time payments from $64 million in federal funding allocated by New York State are earmarked to help with the cost of diapers for struggling families, food expenses for households with both children and older adults, and provide housing and relocation assistance for survivors of domestic violence.

Families eligible for the Child Tax Credit received the first half via monthly payments of up to $300 per child under 6 years of age and up to $250 per child between the ages of 6 and 17 between July and December 2021. The other half will be claimed on residents' 2021 tax returns.

Families who opted out of the monthly payments can receive the credit in one lump sum when they file their 2021 tax return.

POSSIBLE PROPERTY TAX REBATE FOR NEW YORKERS

New Yorkers are still awaiting the state's budget for fiscal year 2023, which is overdue.

In her FY 2023 budget proposal released earlier this year, Governor Kathy Hochul proposed a $1 billion property tax rebate to offset some of the financial burdens New Yorkers are facing as inflation rises and the pandemic continues. The program returns tax dollars to middle- and low- income households, with low-income households and seniors receiving higher benefits.

ADVOCATES PUSH FOR RELIEF FOR IMMIGRANT WORKERS

Over the past few months, immigrant workers and community allies across NYC have been calling on Gov. Kathy Hochul and state lawmakers to add an additional $3 billion to the Excluded Workers Fund (EWF) and support immigrant workers who cannot access government pandemic relief resources.

Last year, the EWF was launched to help New York immigrant workers who are excluded from federal and state emergency relief, including unemployment insurance and stimulus payments. EWF provided $15,000 one-time payments.

The overwhelming demand, however, exhausted the funds faster than expected. Two months after the $2.1-billion statewide fund became available, it ran out of money.

GAS TAX HOLIDAYS

In the face of skyrocketing gas prices, some state governments are suspending their tax on gas.

Connecticut, Georgia and Maryland have approved temporary suspension of their state gas taxes so far, according to Forbes.

Meanwhile, Ohio, New York, New Jersey and West Virginia are in the process of deciding if they too will approve state gas tax holidays.

STATES CONSIDER CUTTING OTHER TAXES

Pennsylvania and Virginia are also considering gas tax suspensions, as well as other options. Pennsylvania has proposed legislation to provide assistance to families with expenses, such as childcare, Forbes reported.

Kansas is currently considering offsetting recent inflation costs by cutting its high grocery tax, which Virginia is reviewing as an option.

Office no more: Empty offices aren't all coming back, but the space can still be a hub for innovation

Throughout all its eras, New York City has thrived mainly from being pioneering — giving its denizens the ability to act creatively, think outside the box, and be rewarded for it. The millions of square feet of office space lying empty across Manhattan's central business districts now is a perfect opportunity for that spirit of metamorphosis, if only we'll allow it to be.

As much as we've advocated for office-workers to return to their pre-COVID locations and breathe new life into neighborhoods battered by dwindled foot traffic, the city must face facts that remote work is here to stay. Commuters say they plan to cut down their time in the city permanently, by as much as half. Companies see the writing on the wall, and won't force the issue out of fear of losing workers accustomed to the flexibility of working from home.

We have several options, the worst of which is to let this space accumulate dust and forfeit tax revenue while wishing that trends would magically reverse. Or policymakers can make it easier for buildings to be repurposed into different types of space that will actually serve our social environment and economy.

The most obvious choice is conversions to residential usage, but it's by no means the only approach. Retail, gallery, even high-tech manufacturing or vertical farming should all be on the table to help use the COVID crisis as an opportunity to transform Midtown and other office-heavy areas for the better. Let the market decide.

For this to work properly, the city must revisit its onerous and restrictive zoning ordinances, which sometimes make conversion of office space impossible, or at other times merely make it a massive, costly and logistical headache. Paired with this should be long-overdue reforms of the city's property tax code, which has long piled burdens on renters and other classes of property — including commercial tenants. One day, our kids might marvel that our hubs of innovation were once boring old office space.

NORTH DAKOTA

Fargo's 2-year property tax break for new homes should end, consultant says

A TischlerBise representative also told city officials that business construction incentives should have shorter durations.

FARGO - A consulting firm hired to study Fargo's tax incentives for business and housing construction has recommended the city end its two-year property tax exemption for new home construction.

TischlerBise representative Colin McAweeney added that the city should also consider shortening the duration for some business construction incentives.

McAweeney offered those suggestions, along with several others, in a report heard by the City Commission in late February. The same report was also presented to members of two city economic development committees.

TischlerBise's white paper praised Fargo's suite of incentives, such as tax increment financing, payment in lieu of taxes programs, Renaissance Zone incentives and residential construction and remodeling tax exemptions, in a comparison with other U.S. cities.

However, encouraging the city to drop a 2-year property tax exemption program for new residential housing construction stood out among the consultant's recommendations.

"From our standpoint, this benefit is marginal compared to the overall cost of home ownership … so it's really not playing an important element in the buyer's consideration if they should live in Fargo or another neighboring community, all the while reducing revenues for the city," McAweeney said.

The two-year exemption is common across the metro area, and if Fargo were to act, it would be the first city among its neighbors to remove it.

Mayor Tim Mahoney worries that dropping the incentive, which exempts from taxation the first $150,000 of a home's value each year for two years, could put Fargo at a disadvantage.

“My concern is if that goes away, I am competing with Horace and West Fargo. We did 360 houses this year, Horace did 248, and West Fargo did 220. There would be a little bit of concern in Fargo, if we dropped that incentive, could we lose out on market share?” Mahoney asked at the City Commission’s Feb. 22 meeting.

McAweeney assured him Fargo’s attraction is strong.

“I think you know folks want to be in Fargo. The other communities are being successful. But I think the market drives some of those decisions. From our standpoint, this would be a move towards limiting some of those incentives for new residents. But Fargo has a strong attractor and folks want to live in Fargo,” McAweeney answered.

TischlerBise is also recommending shorter time frames for business incentive packages. Developments like affordable housing may take 20 years to find financial success, but for-profit businesses are looking at more short-term time frames - three to five years. The consultant group recommends trimming the length of exemptions to something closer to that time frame.

Other recommendations include:

- Target companies with high multiplier jobs (jobs that help create more jobs in the community for the dollars spent).
- Target developments that will bring in sales tax. High sales tax generators help mitigate other property tax incentives.
- Review time maximums for incentive packages. Developments like affordable housing may take 20 years to find financial success, but for-profit businesses are looking at more short-term time frames - three to five years - and TischlerBise recommends trimming the exemptions to fit that time frame.
- Increase parking. Before the COVD-19 pandemic hit, parking usage downtown was near capacity. In the short term, many people continue to work from home. However, as more people come to work and live downtown, parking needs to grow with that.
- Consider land banking, in which the city would manage underused, foreclosed or abandoned properties and make them available for housing or other development.
- Explore partnerships to develop property along the Red River.

TischlerBise noted that in the Renaissance Zone, which covers much of the downtown core, assessed property values have gone up $349 million over the past 20 years. That’s more than twice the rate of inflation and faster than appreciation in the city’s housing market.

The consultant said there are 28 sites (16 surface parking lots and 12 redevelopment sites or buildings) in the Renaissance Zone that could be redeveloped to add another million square feet of new development.

Fargo also earned kudos for its special assessment financing for infrastructure, which is not used widely around the nation. While developers in most areas take on the full burden of development costs and must recoup them later, the cost burden for roads and sewer and sanitary systems is shifted to the city, allowing smaller builders to more effectively enter the market.

NORTH CAROLINA
With revaluation under way, look for 'significant' increases

On an evening with a light agenda, Cornelius commissioners spent much of their meeting on a detailed update from the Mecklenburg Tax Assessment Officers Office regarding property revaluations.

Deputy Assessor Brad Fowler said that a team of eight county workers and a senior manager have been laser-focused on the reval process since the beginning of the year, backed up by some 40 appraisers.

As of this week, the team had completed an initial review on 89 percent of all properties.

Tax values are one of two major factors determining the property taxes paid by homeowners and businesses starting next year. The other factor is the tax rate which is established by each municipality in conjunction with their annual budgets which must be adopted no later than July 1, 2023.

$7.55 billion town

Cornelius currently has a total tax value of $7.55 billion. As of the moment, the median residential sales price in the county is approximately $367,000.

Significant value changes

"It appears at this point that there are going to be significant valuation changes when our reval is completed," said Fowler. "Its no secret that the Charlotte area real estate market has been a very hot one."

Details

The new final values will be established by Jan. 1, 2023, 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. Interest begins to accrue if the bills are not paid by the start of January 2024.

Fowler urged taxpayers to access the county web site to obtain additional information on assessment programs: www.mecknc.gov.

RHODE ISLAND

With property values skyrocketing, many Providence residents will see tax hike

If you own a single-family home in Providence (and actually live there), there's a good chance that you'll be seeing a property tax reduction come July.

If you own rental property in the city, you're almost certainly going to be paying more taxes. Which could mean higher monthly rents.

That's the major takeaway from the $567.3 million budget proposal unveiled Tuesday by Mayor Jorge Elorza. It's the final tax-and-spending plan to come from the term-limited Democrat, who will leave office midway through the fiscal year in January 2023.

The budget still must be vetted and approved by the City Council, but Elorza's proposal sets the residential tax rate at $18.50 per $1,000 of assessed value (and a 45 percent homestead exemption) and the commercial tax rate at $33.85 per $1,000.

The property tax rates are being reduced dramatically, but property values have risen so much that many homeowners are set to see net increases on the amount they actually pay in taxes. State law prohibits municipalities from increasing their total tax levy by more than 4 percent in a single year, so the lower tax rates will bring the city into compliance.

"Property values have grown so much in the past three years that many property owners will indeed pay more in taxes but we were able to minimize the increase by lowering the residential and commercial tax rates by 25 percent and 8 percent, respectively," Elorza said during his budget address.

There are wide differences in the average anticipated tax bills depending on neighborhoods, but here are a few examples, according to data provided by the city:

- The average single-family, owner-occupied home in Providence is now worth $424,276, and the average homeowner will receive an annual tax reduction of $306. Single-family homeowners from parts of the more affluent East Side will see their taxes go down by more than $1,000, while the average single-family homeowner in

Silver Lake, the neighborhood represented by Council President John Igliozzi, will see a $67 increase.
- The owner of a single-family rental property in Providence will see their bills increase by $447.75 on average, and those amounts also vary widely by neighborhood.
- The average two-family rental property owner is expected to pay an additional $1,067 in property taxes, while three-family owners will pay $1,216 more on average, and four-and-five-family owners will pay an additional $1,788. Owners who live in one of the units in their rental property are eligible for a homestead exemption.
- The average commercial property owner in the city is slated to pay an additional $1,727 in taxes, although the amounts vary depending on the size and use of those buildings. Apartment complexes have risen in value while large offices have decreased.

As for the rest of Elorza's budget proposal, the motor vehicle excise tax rate will be $20 per $1,000 (the first $6,000 of value is exempt for everyone) and the tangible tax rate (think office property) will be $55.55 per $1,000. The state is in the process of phasing out the car tax altogether by 2024.

For the first time, the city's annual pension contribution to cover retiree benefits will top $100 million. On June 7, city voters will consider allowing the city to borrow $515 million to shore up the depleted pension fund. The bond also requires General Assembly approval.

Elorza's proposal also includes funding for 50 new police officers, another class of firefighters, and $800,000 for the recreation department to hire youth workers during the summer and pay them $15 an hour.

The budget contributes $130 million from the city to the school department, even though the state controls Providence schools. The state is asking for additional $10 million, and the two sides are tied in a legal battle over those funds.

Although Elorza has long had a contentious relationship with the Providence Teachers Union, he struck a more balanced tone in his budget address, declaring that the failing of the district "are not due to any individual or group, and therefore cannot be resolved by any individual or group."

"The failings of PPSD are structural," Elorza said. "Superintendents and principals do not control the district or the schools and the seniority system does not incentivize teachers in the right way. The dirty secret is that if we really, and I mean really, want to turn public education around, it requires a radical transformation. Changing personnel, reorganizing departments, and simply spending more money will not do."

Near the end of his speech, Elorza vowed to "sprint to the finish line" in his final eight months leading the city.

"As we all prepare to pass the baton to the next generation of city leaders, I am excited to look back on what we've done but I'm even more excited to look forward to the new and different directions that they will take our city," Elorza said.

Assessor says it's best to delay revaluation in unstable market

So, how much did your home appreciate in value over the last three years when a variety of factors --from low interest rates, the pandemic, changing work environments, the comparatively low cost of Rhode Island housing and then a shortage of properties for sale -- sent home prices skyrocketing?

Unless legislators feel differently than the mayor and city council, we won't know until around this time next year. That's because the revaluation that was to be implemented this year by state law will have been postponed. But that doesn't mean that today's values will be implemented next year explains City Tax Assessor Neal Dupuis. Rather, what it means is that values as of Dec. 31, 2022, will be used to establish the tax rate for the 2023-24 tax rates as based on that year's fiscal budget.

Might the property values between now and then flocculate; might rising housing mortgage rates which haven't been as high since 2018 according to the Wall Street Journal and the burden of higher costs pushed by inflation burst the housing bubble?

When Mayor Frank Picozzi advocated postponing the revaluation, he said he was doing so to bring relief to homeowners hit by higher costs. He didn't want the gains in property values to adversely impact taxes although not until the City Council and mayor approve a budget there's no way of knowing whether one's taxes will go up, stay the same or go down. As some properties appreciate at a greater percentage – based on market demand – than others, they would be the ones to see higher tax bills.

Dupuis, who has been in the business of assessing properties for more than three decades, hasn't seen such a volatile market with prospective buyers scrabbling for homes and paying excessively more than the asking price.

"I have never seen the supply (of houses) so low and the demand so high," he said. Dupuis believes people are buying above their means and when that happens, "they don't have the money to stay in their house." The result on a large scale is a crash.

Dupuis uses the cost of gasoline as his telltale of the housing market. He said when gasoline prices exceed $4 a gallon, homeowners have trouble paying the bills -- including their mortgages -- and they look for cheaper housing. That leads to more houses for sale and with the increase in houses lower prices. This could lead, as it did in the Great Recession, to defaults on mortgage payments, foreclosures and a glut of housing.

Dupuis isn't prepared to speculate when the bubble will burst, or in fact, whether it will. So, will housing values tend to level off by the time a revaluation is implemented next year? And what would that mean to taxes?

"Who cares about the value?" he asks. "What they (people) care about are the taxes."

Dupuis acknowledges that in a year from now, values could be in the same place. That would be a stabilization of the market but not necessarily a readjustment in the proportional valuations. Some properties will have greater percentage than others meaning their taxes would go up if budget expenditures remain consistent. That appears to be improbable. As inflation has hit the homeowner, it has also impacted the city. While federal funds and the city's rainy day fund could offset dependence on property taxes, Picozzi is reluctant of setting up a structure deficit going into the next fiscal year.

Dupuis said his office is moving ahead on the premise that the revaluation will be postponed. That would not call for the rebidding of the contract now held by Vision Government Solutions, but an extension. The current contract is $289,000 of which 60 percent is paid by the state. Extending the project into next year he projected to cost an additional $93,000. Of that amount, 60 percent would also be reimbursable by the state.

Delaying this statistical revaluation puts it on the cusp for a full revaluation when appraisers visit properties in 2024. The last full revaluation was done in 2015 and cost $1 million.

Thanks to the development of technology such as using tablets for field work in place of paper, Dupuis thinks the tab could be cut in half.

Dupuis also noted that his department has been capable of reducing abatements due to misinformation about properties. Before being hired in 2018, the city averaged $3.6 million annually in abatements between 2010 and 2017. In his first year on the job abatements dropped to $975,000 and since they have averaged under $400,000.

Seeing that the city has a contract with Vision Government Solutions and is prepared to move ahead with the revaluation if it is implement this year or next, former City Councilman and Chair of the School Committee Robert Cushman reasoned the company should have a work product with values as of now. He filed a request for information from the city and was told that information don't exist at this point. Dupuis said the city and the company hadn't reached the stage of applying values to all the properties. Since Cushman filed his initiate request for information he has also asked for all emails between Vision and the city as well as invoices. Dupuis said there are 7,600 emails that the city is prepared to make available to Cushman at a charge. He said the invoices could be more easily made available.

“We are still looking at our options,” Dupuis wrote in an email. “But we will be able to maintain most of the work that was done to date. The scope of work to be completed in 2022 will be much less, with the cost of that likely to be no more than 1/3 of the cost of the 2021 statistical update. I am still looking at options to get the cost below that if the City does some of the additional work, or we contract with outside appraisers. “

TEXAS

Is the Company Behind the Texas Bullet Train Behind on Paying Property Taxes?

The hits just keep on coming for Texas Central. Now a number of Texas counties contend that the company behind the planned 236-mile, Houston-to-Dallas highspeed rail line is behind on property taxes.

The allegation comes as both sides of the debate over whether or not to run a bullet train line through a swathe of rural Texas to connect the two metroplexes await the Texas Supreme Court’s decision on Miles vs. Texas Central. Jim Miles, the landowner behind the case, has taken his insistence that the company is not a railway and should not be allowed to use eminent domain rights to force Texas landowners to sell their property all the way to the high court, which heard the case back in January.

The fact that the court agreed to hear the case at all was a defeat for the company. The Texas Supreme Court had initially declined to weigh in on Miles vs. Texas Central last June before reversing that decision in October after Miles petitioned for a reconsideration.

Harris and a slew of other counties that are on the planned bullet train route have now filed an amicus brief before the court over more than $600,000 in property taxes from 2021. Ellis County noted in the brief that they had mistakenly given Texas Central tax breaks and that was the reason the company was late in their case. In the other cases, though, the counties are alleging that the company just hasn’t paid up yet.

Texas Central owes Harris County about $216,000 for 2021 for the 47 parcels of land the company is listed as owning according to Harris County Appraisal District records. (We’ve asked Texas Central for their take on the matter, but haven’t received any response so far.)

The counties filed the brief to weigh in on the Texas Supreme Court’s upcoming decision on the case, which may well be crucial to the project’s future since company officials have long insisted that eminent domain rights are crucial to being able to pull together the line. Texas Central has been talking up its planned highspeed rail line using shinkansen technology for more than a decade, but the company has seen repeated delays in making a 90-minute trip between Houston and Dallas possible as its backers have worked to raise money for the project.

Although they'd announced plans to transform Northwest Mall into a train station in late 2019, the COVID-19 pandemic delayed the start of construction and triggered a round of layoffs in 2020. Now Texas Central folks are hoping to snag federal funding from President Joe Biden's infrastructure bill, as we've previously noted—while also being late on paying these tax bills.

As Texas home values skyrocket, state officials wrestle with how to slow property tax increases

As Texas' exploding real estate market dramatically drives up home values, homeowners are getting sticker shock after receiving notice of their properties' new appraised values — which help determine how much they pay in property taxes.

The growth rate of home values in the state's major metropolitan areas has surged by double digits. In Harris County, the state's most populous county, residential values have risen between 15% and 30%, according to Roland Altinger, the county's chief appraiser.

In Bexar County, the median value of a home appreciated nearly 25% to $265,540.

And in Travis County, where the state's housing crunch has been most apparent, the median home value has skyrocketed — climbing more than 50% since last year to $632,208.

"We have never seen anything like this," said Marya Crigler, chief appraiser at the Travis County Appraisal District. "This is unprecedented for us in Travis County. And I think that same unprecedented appreciation is being seen statewide."

But an increase in value doesn't necessarily guarantee a dramatically larger tax bill, appraisers and property tax experts caution.

"Many factors complicate how property taxes are calculated," said Adam Perdue, a research economist at the Texas Real Estate Research Center at Texas A&M University.

It's likely that at least some local governments will have to cut their property tax rates in order to fall in line with recent state laws meant to slow property tax growth. And the state's top elected officials are already making new promises to bring down Texans' property tax bills. But recent laws haven't stopped property tax growth altogether.

Property tax collections have risen more than 20% since 2017, according to data from the Texas Comptroller's office. Texans paid an estimated $73.2 billion in property taxes in 2021, which went to school districts, cities, counties and other taxing entities that then use the revenue to fund everything from public schools and police departments to road maintenance.

Facing reelection, Gov. Greg Abbott has deemed property tax reduction a top priority when state lawmakers reconvene next year.

“One of my top goals this coming session is to reduce property tax substantially, and that will reduce the cost of doing business,” Abbott said during a March event for the U.S. Chamber of Commerce in Austin. “It will also reduce the cost of living.”

Democratic opponent Beto O’Rourke, a former El Paso congressman, sees an opportunity to lay the blame for the state’s rampant growth in property taxes at Abbott’s feet. In a new line of attack, O’Rourke has pointed out that the amount of property taxes paid by property owners has grown by more than $20 billion since Abbott took office in 2015. (Abbott’s campaign has said the Legislature has spent $18 billion since 2015 to limit how much school property taxes grow.)

“He (Abbott) is the single greatest driver of inflation in the state of Texas, and it’s causing real pain to our fellow Texans right now,” O’Rourke said at a Wednesday press conference in southern Dallas.

Here’s a quick primer on how Texas got here:

Why are property taxes in Texas so high?

Texas’ local governments rely heavily on property taxes to pay the salaries of police officers and firefighters and for government services like roads, libraries, parks and public schools. Coupled with the fact that Texas has no state income tax, Texans’ property tax bills are among the highest in the nation.

Texas homeowners pay a higher proportion of their home value toward property taxes than most homeowners in other parts of the nation, according to the Tax Foundation. Texas depends more on property taxes than almost any other state to pay for government services — edged out only by New Hampshire, Alaska and New Jersey.

In no arena is that more apparent than in Texas’ public schools — which depend greatly on property taxes for funding.

School districts use local property tax revenue to cover as much of their base budgets as possible — then the state chips in the rest. Over time, that formula has often resulted in fewer state dollars paying for public education as local property values have grown.

In any given year, revenue from property taxes makes up more than half of the state's pot of funds to pay for public schools, the rest of which comes from state and federal sources. Of the $69.3 billion that went to public education in fiscal year 2020, property taxes kicked in $38.4 billion while the state provided $23.3 billion. The rest came from federal funds.

As a result, school property taxes make up the bulk of a typical Texas homeowner's tax bill. More than half of all property tax revenue in the state comes from school property taxes, according to data from the Texas Comptroller's office.

"The only way to really institute meaningful property tax reductions would either be to find some other revenue source or to substantially cut education budgets," said Dr. Charles Gilliland, a research economist who studies property taxes at the Texas Real Estate Research Center at Texas A&M University. "Neither one of those options is palatable in today's political atmosphere, so that's how we got into this situation."

Has anyone tried to fix this?

Texas legislators have tried numerous ways to limit property tax growth.

Lawmakers have raised the state's homestead exemption — the portion of a homeowner's home value exempt from taxation — to $25,000.

State law also limits the taxable value of a home from rising more than 10% in a given year on an owner's primary residence. In Travis County, the median market value of a home grew nearly 54%. But the median taxable value of a home in Travis County rose by about 11% after also accounting for the construction of new homes just coming onto tax rolls for the first time.

In 2019, lawmakers passed a pair of laws aimed at slowing growth. House Bill 3 was an $11.6 billion school finance bill that included $5.1 billion to lower school district taxes, $6.5 billion in new school spending and caps on school districts' tax rates. Senate Bill 2 required many cities, counties and other taxing units to get voter approval if they want to raise the property tax revenue they collect from all property owners by 3.5% or more than the previous year.

According to a study by the Texas Taxpayers and Research Association, the bills worked — sort of. The study says Texas taxpayers would have shelled out $6 billion more in property taxes than they did in 2021 if not for the two bills — the result of falling tax rates.

But that doesn't mean everyone's paying less in taxes. School tax rates dropped by 13% since the bills passed in 2019, but taxable property values rose by 23%, according to the study.

"Values are still rising faster than school tax rates," said Dale Craymer, president of the Texas Taxpayers and Research Association. "But taxpayers now at least benefit as their values rise. They benefit from falling tax rates. That didn't happen before 2019."

Meanwhile, ideas like making the sales prices of properties public — which advocates say would ensure properties aren't exorbitantly valued and that owners of expensive properties are paying their fair share of taxes — have gone nowhere.

What's on the table now?

With campaign season comes new promises to cut property taxes.

Abbott has touted a "taxpayer bill of rights" that includes proposals to further reduce school property tax rates, make property appraisals more transparent and limit local governments from taking on new debt without voter approval.

On Wednesday, O'Rourke put forth a set of ideas to reduce Texans' property tax burden. That would include making sure that the state picks up 50% of the tab for public schools, expanding Medicaid to ease the property tax bill for publicly funded hospitals, plus legalizing marijuana and taxing its sale. He also floated the idea of legalizing casino gambling and sports betting as a way of generating more tax revenue.

Texas voters will have the opportunity to cut their own taxes at the May ballot box. On the ballot is a measure to raise the state's homestead exemption from $25,000 to $40,000 for school district property taxes. The average homeowner would see about $176 in savings on their annual property tax bill, according to Republican state Sen. Paul Bettencourt of Houston, the proposal's author.

Meanwhile, lawmakers in the state House and Senate are weighing ideas to use state and federal funds to cover some school expenses so that districts could lower property taxes. They're looking at a $12 billion surplus in state revenue along with $3 billion in federal stimulus dollars that Lt. Gov. Dan Patrick and House Speaker Dade Phelan set aside to pay for tax relief when the Legislature convenes in 2023.

Whether state lawmakers will be able to use federal stimulus funds to pay for property tax cuts hasn't been settled. The $3 billion comes out of the American Rescue Plan Act, the $1.9 trillion stimulus bill aimed at pandemic relief, which prohibits the use of stimulus funds for tax cuts.

Texas, joined by Louisiana and Mississippi, sued the federal government last year alleging that the prohibition is unconstitutional. A federal judge in Amarillo sided with Texas earlier this month, but the decision is likely to be appealed.

One idea that has gained momentum in Republican circles is the abolition of school districts' maintenance and operations tax, which Patrick instructed senators to look into this year.

Craymer, the TTARA president, is dismissive of that.

"I don't think we're getting rid of the school M&O tax anytime soon," Craymer said. "I don't think we're getting rid of the property tax anytime soon."

Other ideas abound. During a Thursday meeting of the Texas House Ways & Means Committee, state Rep. Morgan Meyer, a Dallas Republican, asked the comptroller's office to look into what effect lowering the appraisal cap on residential taxable values and creating such a cap for commercial properties would have on tax revenue.

But lawmakers have left little room for themselves to maneuver on property taxes, observers have said. The state's lack of an income tax has long been a carrot to attract employers and new residents to Texas. And Texas voters won't allow one; in 2019, they voted to enshrine a ban on a state income tax in the state's constitution.

"Texas has kind of painted itself into a corner by now having a constitutional prohibition against what is a major source of funding for other states by concentrating on reducing property taxes, rather than expanding the people who pay their fair share," said Dick Lavine, senior fiscal analyst with the liberal-leaning Every Texan.

Two propositions on ballot focus on property taxes

Early voting is now underway and runs until May 3, with Election Day set for Saturday, May 7.

Outside of mayoral and school board races, voters will also find two state constitutional amendments that could reduce how much voters pay in taxes.

Both proposed amendments to the state constitution are focused on property taxes.

According to the ballot, if Proposition 2 is approved, the amendment would increase the amount of the state's existing homestead exemption from $25,000 to $40,000.

"So, whatever value you have on your house, once you apply for it, of course, and you qualify for it, then it would reduce the taxable value for the school district by 25,000," said Hidalgo County Assistant Chief Appraiser Jorge Gonzalez. "On your ballot, you're seeing that it might go up to $40,000, if it's passed by the taxpayers."

Gonzalez breaks down how public schools would tax qualified homestead exemption residents.

"In our county, I believe our typical rate for school districts ranges between 1.15 to 1.25 cents per $100 evaluation," Gonzalez said. "So, whatever the net is left, they are going to go ahead and tabulate that net value times their rate."

One report says if voters approve Proposal 2, it would save qualifying homeowners about $176 on their property tax bill on average.

If approved by voters, Proposal 1 would decrease the tax dollar amount that elementary and secondary schools may impose on qualified homestead owners who are elderly and disabled.

"We're pretty sure the taxpayers are going to pass favorably on both constitutional amendments," Gonzalez said.

If voters pass the amendments, they would go into effect on January 1 of next year.

Gov. Abbott talks property taxes in Tyler roundtable

Abbott met with local business leaders to discuss property taxes and other impacts on small businesses. The roundtable was held at Price International on Highway 271 in Tyler.

During the roundtable, Abbott discussed the state of the Texas economy, as well as measures he is taking within the state government to help provide tax relief to small businesses. He also touted the state's economic boom, saying that "Texas is the #1 state for doing business in the country."

"Texas has now risen to having the 9th largest economy in the entire world," he said. "More Texans have a job today than ever before in our state." He further added that during his tenure as governor, property taxes have been cut in every single legislative session and made state income tax unconstitutional.

The governor went on to explain that his new "Tax Payer Bill of Rights" legislation will lower the cost of doing business, spur the economy, spur the capability of hiring more people and paying more people so that small businesses can continue to grow. He said that the bill will offer up to $100,000 in property tax exemptions in order to create more tax relief for small businesses.

According to Villa Montez co-owner Mundo Villapudua, "We're paying more than what we're bringing in."

Of the many small business leaders from around East Texas that joined Abbott at the roundtable, Rodney Price from Price International and Annie Spilman from the National Federation of Independent Businesses spoke about the governor's tax relief efforts.

Price thanked Abbott for his interest in trying to relieve tax burdens for small business owners.

"It is significant and we appreciate it and we don't take it for granted," he said.

Spillman also had this to say about Abbott's tax relief efforts:

"Dealing with supply chain issues and labor shortages can be a little bit easier to swallow when you know that you don't have the government breathing down your neck. And in Texas, that's not the case and we appreciate it."

Just last week, Abbott participated in a fireside chat at the U.S. Chamber of Commerce Committee of 100 meeting in Austin.

"Businesses and families are moving to Texas because we provide an environment that allows people to succeed on their own terms," Abbott said. "Texas offers a brand of freedom unlike any other state in America—we have no state income tax, we've cut red tape and burdensome regulations, and we continue to invest in our young, diverse and ever-growing workforce. We are committed to cultivating this thriving economic climate in the years to come to ensure that all Texans have the ability to achieve their dreams."

Sticker shock: Bexar County home appraisals up nearly 28%

Homestead exemption critical to easing property tax burden

SAN ANTONIO – By law, appraisals must reflect the housing market, which is sizzling. High demand along with limited inventory has driven sales prices up.

The average sales price of a home jumped from $273,001 in 2020 to $312,555 last year, according to the Real Estate Center at Texas A&M University. With sales prices up, appraisals followed.

"I think most people would call it sticker shock," said Bexar Appraisal District Chief Appraiser Mike Amezquita.

The district will mail notices on April 8 and post them online on April 9.

Homeowners like Armand Fermin are accustomed to rising values. He bought his historic home south of downtown a decade ago.

“I got the house when I could afford it in the neighborhood,” he said.

Since then, his property value has steadily climbed.

“It’s probably tripled,” he said.

He may be in for a jolt when his new valuation arrives.

Perhaps surprising is that the surge in property values comes on the heels of a pandemic.

“We expected values to tank and anything but that happened,” Amezquita said. “With working from home, people were buying more space. Values went up across the board.”

Most homeowners will not have to pay property taxes on the full amount of the increase in value. The homestead exemption caps at 10% of the amount the assessed value can go up. For example, a person with a homestead exemption who sees his value increase from $250,000 to $300,00 would pay property taxes on $275,000.

Property owners can check to see if they are claiming all exemptions they qualify for, such as homestead, over-65, and disabled veterans, by visiting the district’s website bcad.org.

Still, if taxing entities such as the city, county and school districts do not cut tax rates, many property owners will be paying hundreds more in property taxes.

“For folks that own their property, they’re going to write a bigger check, and for folks mortgaging their property and collecting in escrow, they’re going to see their escrows go up,” Amezquita said.

Something else property owners can do is protest. That can be done online, as well. The deadline is May 16 for most.

Amezquita even encourages it.

“All the Appraisal District gets out of higher values is a long, hot summer,” he said.

	2022	2021	Total Increase from 2021
Bexar County’s Total Market Value	$274.6 billion	$224.4 billion	22.4% increase
Single-family residential	$160.3 billion	$125.5 billion	27.8% increase
Multi-family	$23.9 billion	$19.1 billion	24.8% increase

	2022	2021	Total Increase from 2021
Commercial	$47.2 billion	$39.9 billion	18.4% increase

Property tax relief that doesn't lower your tax bill

Texas lawmakers tried to lower property tax bills during their 2019 session, and a new report says they put a dent in the problem: Taxes aren't rising as quickly as they would have. But they didn't solve it: Property taxes are still rising.

Three years ago, Texas lawmakers were trying to honor a promise to cut property taxes and raise the state's share of the cost of public education.

They did it — and they didn't. A new assessment of those 2019 changes — from the Texas Taxpayers and Research Association, a business trade group that concentrates on tax and fiscal policy — concludes that property tax increases will slow, but won't stop.

It's like having a headache that's not as bad as the headache you'd have had without their intervention.

In the end, it's still a headache.

Many property owners — homeowners, building owners, landowners, you name it — don't care as much about their property value or their tax rate as they do about their property tax bill, which is the product of value and rates. And tax bills continue to rise in spite of the Legislature's new restrictions.

Property values in the state, on average, are rising — in some places, at an astonishing pace. Because of the 2019 legislation, tax rates for schools and other government entities are falling.

But tax bills, which are based on those two numbers, continue to increase. That check you write every year is still getting larger every year.

It's why exuberant officeholders can't honestly say they cut our taxes.

Property value notices, that harbinger of future tax bills, are being delivered in a matter of weeks. News alert: The higher values are good news if you're selling, bad news if you're buying, probably bad news if you're going to be paying next year's tax bill.

TTARA says school tax rates have dropped 13% since the 2019 Legislature did its work on property taxes. But the other half of the equation — taxable values — rose 23% over that same period. (These are averages and won't be the right numbers for any particular house or building or piece of land.)

"As property values rise, jurisdictions are finding they must cut tax rates or face voters," they write. "As a result, property tax rates are dropping like never before."

However, school tax bills over that period, the product of those two numbers, rose 8%. That's an improvement from a system that might have dealt property owners 23% increases, but it's still an increase.

An example: Someone in a $400,000 house paying $8,000 in property taxes would have seen an increase of $640 — instead of an increase of $1,840. Better, but still a bigger bill.

Politicians are still feeling pressure from unhappy property taxpayers. "It will take many years for Texas to become more tax competitive with other states absent additional infusions of state funds to bring our local taxes more in line," the TTARA report says.

They point to the state's financial condition as a hopeful sign: Comptroller Glenn Hegar has said the Texas Legislature coming into office next year will have a budget surplus of $12 billion or more, and a balance in the state's so-called Rainy Day Fund of about that same amount. "Lawmakers in 2023 should have more than sufficient funds to further buy down tax rates for Texas property owners," the report says.

Rising values are generally good for property owners; who doesn't appreciate a good investment? But voters looking for property tax relief care a lot less about falling tax rates than about rising tax bills. The political problem is still baked into the system, even though lawmakers made some progress three years ago.

Overall, TTARA's analysts write, property tax bills in 2021 totaled $73 billion — but would have totaled $79 billion without the 2019 changes in the law. "Texas property tax bills would have been $6 billion, or 8%, higher in 2021 had it not been for property tax reforms," write TTARA's analysts.

Some relief, in other words, but still a headache.

VERMONT

Vermont Native American tribes now exempt from property tax

The legislation will go into effect on July 1, 2022.

Last week, Gov. Phil Scott signed a bill exempting Native American tribes from property taxes.

The governor also wrote a letter to legislators when he signed the bill saying, in part, "I sign it out of respect for the heritage of our Native American communities and traditions. Further, the associated costs to the Education Fund and the General Fund borne by all Vermonters are forecast to be negligible."

The bill also stipulates the tribes benefitting from this exemption cannot lease or rent the land for profit.

The Chief of the Nulhegan Band of the Coosuk-Abenaki Nation, Don Stevens, says this won't be an issue.

"It really isn't gonna collapse the state budget by giving us a hand up or giving us an uplift to use our tribal lands for the purposes that we always have," Stevens said.

Stevens also says the bill is a good step toward helping tribal communities, who believe their land was originally taken from them. Many claim paying taxes on the land now places a financial burden on tribes.

"We need to be able to have food security and help with our health disparities and be able to regain some of those things that we've lost and I think this is a good partnership to do that," Stevens said.

Stevens said he hopes more tribes will acquire land in the future in order to continue food security and tribe sovereignty. He also said he is open to having community conversations going forward.

"We're just continuing being part of that ancestral homelands and being able to use those lands the way our ancestors did; just to feed ourselves and to provide the necessary things that we need for our tribe," Stevens said.

The new legislation will go into effect on July 1.

Vermont Bill Would Exempt Tribal Lands From Property Taxes

The Vermont Senate has given preliminary approval to a bill that would exempt property owned by state-recognized Native American tribes from state and municipal property taxes.

The Vermont Legislature is considering a bill that would exempt property owned by state-recognized Native American tribes from property taxes and recognize that Vermont lands “are the historic and current territories of the Western Abenaki people."

The legislation, which won preliminary approval in the Senate on Friday, states that "stewardship of these lands was removed from the Abenaki by European governments and settlers" and acknowledges "the Abenaki people as the traditional land caretakers of Ndakinna (En-DAH-kee-nah), which includes parts of Vermont, New England, and Quebec."

Sen. Ruth Hardy, a Democrat, told fellow senators Friday that the bill "is a direct and intentional step forward in this recognition process and restoration of the relationship between Abenaki land and people."

To be exempt from the state and municipal property taxes, the property must be used for the purposes of the tribe and not leased or rented. The tax exemption is intended to lower tribes' costs "to allow them to dedicate more their financial resources to furthering tribe related activities," Hardy said.

Don Stevens, chief of the Nulhegan Band of the Coosuk-Abenaki Nation, said the tax exemption allows the tribes to be able to use those resources "to help uplift our people" with food security and other needs. It also allows tribes, which rely on grants and donations, to accept land without having to worry about whether they can pay the property taxes, he said when interviewed in February.

"It's really a moral issue about not having us pay the taxes. It's the right thing to do," he said.

Richard Menard, chief of the Abenaki Nation of Missisquoi, said the tax exemption would be a big financial advantage for the tribe, which also relies on donations and grants.

"Our property taxes on our tribal building is like $6,000 a year... That would definitely help us out a lot," he said

The tribe runs a food shelf, and with refrigerators and freezers, the utility bill is high, he said. It also buys food for the program, he said.

The tax exemption currently would apply to four properties in the towns of Barton, Brattleboro, Swanton and Brunswick Springs, Hardy said. The effect on the education fund from the statewide property taxes is very small at $7,000, Hardy said. There's also a small municipal property tax implication, that varies by the towns, she said.

If given final approval in the Senate next week, the bill would go back to the House. If approved and signed by the governor, the measure would take effect July 1.

WISCONSIN

With Milwaukee property assessments increasing nearly 18% on average, leaders are expecting residents to be angry

Milwaukee city leaders are bracing for a barrage of unhappy property owners when new assessments land in mailboxes starting this week — with some of the city's lowest-income areas seeing the largest increases.

"I hope you guys have your crash helmets on," Ald. Robert Bauman, who represents the city's downtown, told new City Assessor Nicole Larsen in a committee meeting last week.

Still, a higher assessment does not always translate to higher property taxes when those bills arrive later in the year.

Larsen told the Judiciary and Legislation Committee that because the city did not do a revaluation in 2021, before she arrived at the office, the 2022 reassessments will reflect two years of market changes instead of the typical one.

And, she noted, the market for residential real estate was robust in 2020 and 2021, with the median sale price of homes in the city rising from $138,000 in 2019 to $172,000 in 2021. Meanwhile, the number of sales of residential properties increased from 4,700 in 2019 to about 8,600 in 2021.

The citywide increase in assessed value was 13.23% between commercial and residential property, she said.

The increase in assessed value of residences — single-family homes, condominiums, duplexes and triplexes — averaged 17.77% citywide compared to a 6.68% increase for commercial property, she said.

"All of the aldermanic districts experienced an increase, there were no decreases this year," she said of residential property values. "The market is that intense."

The largest increase in residential property values came in Aldermanic District 7 in the central city at 31.86%. The smallest was in District 3, which includes the city's east side and Riverwest, at 10.3%.

Notices will be mailed to property owners by Wednesday but will be posted online before then, she told the Journal Sentinel.

Owners can appeal their assessments between Monday and May 16, and for the first time will be able to file their appeals online, she said.

This isn't the first year that city residents have seen a significant jump in the city's assessment of their home values.

Owners often fear that an increased assessment will automatically translate into higher property taxes, but assessments are only part of how property tax bills are calculated. The primary driver is the tax levy — that is, the total property taxes that will be budgeted by the Common Council and Mayor Cavalier Johnson during the budget process this fall.

Once the levy is set later this year, payments are spread across the overall value of taxable property in the city. That means individual property owners' tax bills depend more on whether their increase was above or below the average change in assessment citywide.

Central city neighborhoods see largest increase

Two central city aldermanic districts saw the largest percentage increases in residential property values while the two lowest were in districts representing the east side and Riverwest and downtown, according to data Larsen presented to the committee.

The largest increase of 31.86% in District 7 was closely followed by a rise of 30.93% in District 15, represented by Alds. Khalif Rainey and Russell Stamper II, respectively.

Meanwhile, the smallest increase of 10.3% came in District 3 that covers the city's east side and Riverwest, followed by a rise of 12.42% in Bauman's downtown district.

Ald. Ashanti Hamilton, the committee's chair, said residents were likely to be shocked at the significant increases in their assessments but also concerned about what that could mean for their taxes.

At the same time, he said, while some people will be upset by the rising values, there is an upside.

Hamilton said his district on the city's north side, which saw a 22.6% increase in residential assessments, had been among the areas of the city that rebounded more slowly from the 2008 recession. There was an expectation that residents would start to see their property values increase before now, he said, urging Larsen to highlight the positives in communication with residents.

"Many people when they saw their assessments in previous years wanted to make the arguments that their houses were worth a whole lot more," he said. "And I think this is probably coming in line with what they feel to be more correct in the attention that they put into their properties and the investment that they've put into their properties and what they feel like their neighborhoods should be pulling as far as value is concerned."

Likely appeals a 'wild card'

The decision not to perform a reassessment last year was due to a "huge volume" of appeals and then-Assessor Steve Miner's sense that he did not have the staff to handle the workload at that time, Ald. Scott Spiker said of his recollection of those discussions.

Spiker asked whether Larsen was anticipating an explosion of appeals due to the significant increases in assessments, putting the city in the same position that led to the one-year pause.

"That's the wild card is will the online appeals flood the system," Larsen said.

Milwaukee is the only city in the state offering that option, she told the committee, adding that she expected a greater number of appeals.

Debra Kraft, chair of the city's Board of Review, did not have the number of appeals from before 2020 but said, anecdotally, objections had "exploded." She said she has been on the board for six years.

She said the Board of Assessors, a group of supervisors who are the first to hear objections, in 2020 received 5,737 objections from property owners. In 2021, the Board of Assessors received 723 objections, she said.

Property owners who do not agree with the Board of Assessors' conclusions can ask for a hearing from the Board of Review, an independent citizen board appointed by the mayor and confirmed by the Common Council.

In 2020, 846 objections reached the Board of Review. In 2021, that figure was 202, she said.

The board is still working through 431 cases from 2020 and 2021, she said.