IPTI Xtracts

Property Tax and Assessment News from Around the World

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Contents

CALIFORNIA

Los Angeles Voters May Approve "Mansion Tax" Affecting High-Value Real Property

In response to the homelessness crisis, voters in the city of Los Angeles were asked to vote on Measure ULA, aka the "mansion tax," on Nov. 8, 2022. Measure ULA seeks to raise funding for affordable housing and tenant assistance programs by imposition of a massively increased transfer tax to be charged on certain transfers of real property. Both sellers and buyers of commercial and residential real estate need to be aware of this new tax and its impact on the net purchase price in a purchase and sale transaction. It is anticipated that this new tax will have a ripple effect in the market as the extra cost is significant and likely changes underwriting assumptions.

How Does Measure ULA Work?

At present, both the city of Los Angeles and the county of Los Angeles levy a documentary transfer tax on every instrument that conveys land sold within the city. When the value of the property exceeds $100, the city tax is collected at a rate of $4.50 per $1,000 of consideration, while the county tax is levied at a rate of $1.10 per $1,000 of consideration, for a total of $5.60 per $1,000 of consideration.

If Measure ULA passes, effective April 1, 2023, there will be a drastic increase in the transfer tax amounts by imposing an additional tax on the sale or transfer of "high-value" real properties within the boundaries of the city. A tax of 4 percent of the property's value will be imposed on the sale of properties valued between $5 million and $10 million. If the property is valued at $10 million or more, the sale will be subject to a 5.5 percent tax. The value of the property for the purposes of the measure will include the value of any lien or encumbrance remaining on the property when it is sold. By way of example, starting on April 1, 2023, a seller of real property valued at $100 million will pay $5.5 million more in transfer taxes to the city. Note that if it passes, Measure ULA will become law on Jan. 1, 2023, but it will not impact transactions until April 1, 2023.

Certain qualified affordable housing organizations are exempt from the tax. To qualify for an exemption, the transferee must show a history of affordable housing development and/or housing property management experience, as determined by the Los Angeles Housing Department. Additionally, the measure will not apply to certain housing, nonprofit and public entities.

The measure is expected to raise between $600 million to $1.1 billion annually, fluctuating based on the amount of property transferred. A minimum of 92 percent of the revenue will be used by the Affordable Housing Program and the Homeless Prevention Program to fund affordable housing and tenant assistance initiatives.

Potential Effects

The impact of the measure will likely be widespread. In addition to owners of high-value residential real estate, commercial tenants and occupants city-wide will bear the brunt of the new tax. Rents could rise, businesses may close and others may choose not to invest or buy property in the city, absent some correction in the sale price of assets that accommodates the new transfer tax. Additionally, even though the tax affects property with a value at or more than $5 million, there will be a trickle down impact on small- and medium-size commercial and residential sale transactions.

Also, check back as additional votes are counted and precincts report. As of this writing, not all votes in the city of Los Angeles have been counted.

Can LA's 'Mansion Tax' Unlock Affordable Housing Across California?

Los Angeles voters appear likely to pass Measure ULA, which could generate $900 million a year for housing subsidies and tenant protections. But critics fear the fee will backfire.

On Tuesday, thousands of Los Angeles voters pulled the lever for Measure ULA, a ballot initiative that aims to fund affordable housing and tenant protections by applying a levy on property sales of more than $5 million. That's just the start of what this measure can do.

Backed by the advocacy coalition United to House LA and widely known as the "mansion tax," the measure is ahead by 8 points as of Nov. 10, but the final results may not be known for days. If it passes, the revenue it generates promises to do what previous legislation and a parade of LA politicians have so far failed to accomplish: speed new construction and deliver a way out of the city's spiraling homelessness crisis. The initiative is expected to generate some $900 million a year to subsidize housing, preserve affordable homes, guarantee counsel to tenants in eviction court, and subsidize other progressive priorities.

"This would be the biggest investment in tenant protections in the history of LA," says Laura Raymond, director of the nonprofit Alliance for Community Transit–Los Angeles and one of many key backers responsible for the measure.

Beyond those direct impacts, a win could be consequential for other California cities: Measure ULA shows one way to bypass the state's wide-ranging restrictions on tax increases, making it a potential model.

But critics warn that Measure ULA could end up hiking rents by raising costs for developers and depressing new construction. They also point to lackluster results from a 2016 bond to build supportive housing for homeless people as a cautionary tale.

The measure is straightforward: The current .45% transfer tax for all properties would jump to 4% for sales of more than $5 million, while transactions that top $10 million would garner a tax of 5.5%. It's a special tax, meaning revenues don't go into the city's general fund but rather a dedicated purse. There's a set-aside of 8% of revenues for an inspector general and oversight staff; the rest goes toward housing. The split for these funds is 70% for affordable housing (construction, subsidies and preservation) and 30% for homelessness prevention (various measures and tenant protections).

"We want to make sure that once this has passed, the housing experts, community organizations, community leaders and people who've been doing this work for many years are at the forefront of implementation," Raymond says.

The housing production fund — the big 70% slice — is divvied up in a way that shows a strong tilt toward alternative housing providers. For example, about one-quarter of this fund will subsidize construction by developers who use state or federal low income housing tax credits to build. That's the mainstream way that the vast majority of new affordable housing construction happens in the US. However, an equal share from LA's fund will go to projects by other entities, in this case a mix of public housing authorities, community land trusts, housing co-ops and nonprofit developers. This priority is perhaps not a coincidence, given that United to House LA is comprised of a diverse coalition of some 230 organizations, agencies, advocacy groups and nonprofits.

Affordable housing builders would be in for a windfall. An analysis provided by the city estimates that Measure ULA will generate between $600 million and $1.1 billion per year — an enormous increase in subsidies for affordable housing construction. While the measure's pro-tenant backers describe it as a mansion tax, that's somewhat cynical: Using sales figures from fiscal year 2021–22 as a base, most of the revenue generated by the transfer tax would come from sales over $10 million, and at that level, more of the sales come from multifamily and commercial properties than from single-family homes, according to a September white paper by researchers from the University of California, Los Angeles, the University of Southern California and Occidental College.

"Mansion tax" is a popular shorthand, but it's not unfair, Raymond says: "We're talking about very, very high-wealth individuals, but even more so large real estate corporations that honestly have not been paying their fair share, and have been making a killing off of this housing market as it is now."

Because so much of the revenue comes from sales of apartment buildings as opposed to sales of mega-mansions — more on that in a moment — critics fear that Measure ULA will disincentivize developers from building in LA. That would doubly undermine the goals of the advocates, since market-rate construction is necessary both to alleviate the pressure on the housing market and to furnish the sales that generate all the revenues for these subsidies.

A real estate executive named Moses Kagan outlined one plausible scenario in a tweet: If a developer builds an apartment complex for $7 million and sells it for $10 million, making a profit of about $2.3 million after costs, then a 5.5% transfer tax would work out to $550,000 (my math, not his). That's about 24% of the profit. Since a typical split on a deal runs to 80% for investors and 20% for developers, that tax ought to kill the deal.

But researchers at UCLA say that concerns about disincentives are overblown. The pain will land somewhere else along the chain, according to Shane Phillips, housing initiative project manager for the UCLA Lewis Center for Regional Policy Studies and co-author on a series of studies focused on Measure ULA and transfer taxes. "That money has to come from somewhere. It's not going to come from the buyer or renter," he says. "So the place it's going to come from is the owner of the land from whom the developer buys the property."

To be sure, the mansion tax could still disincentivize development by lowering the price that developers can offer to a price at which landowners would be unwise to sell. In an October report with graduate student Maya Ofek, Phillips outlines a real-world scenario: 570 N. Normandie Avenue, a 3,350-square-foot house in East Hollywood that sold to a developer for $1.55 million in September 2021. The developer plans to replace it with a new 16-unit building. Assuming the developer aimed to sell the new building after it was completed (at $8 million by Phillips's math), the developer would need to pay no more than $1.3 million for 570 N. Normandie to account for the transfer tax. That dog won't hunt: The owner would make more selling it to someone who just wanted to make the mansion their home.

The critical question, then, is how many homes fall into the same band of potentially at-risk properties as 570 N. Normandie. According to Phillips, not many: Only a small share of units (10-20%) built in moderate-density zoned areas between 2013 and 2016 had actually been sold by 2022. "Most of these are just not selling, and if you're not selling, you don't pay the tax," he says. "If someone doesn't really intend to sell their property within five or 10 years, this tax is just not going to affect their decision-making process that much." On the margin, the dozens of units potentially lost in this scenario is outweighed by the thousands of units facilitated by the tax.

Although Phillips supports the measure, he says it has some drawbacks. The $5 million threshold is too high: Someone paying $2 million for a home ought to contribute to the common weal. And the transfer tax isn't marginal, which means that someone buying a property for $4.99 million pays nothing while someone paying $5.01 million pays the full rate on every dollar. A marginal rate with a lower threshold might have generated more for Los Angeles, perhaps with less friction, although Phillips concedes that marginal rates are mostly misunderstood by people, even when it comes to their income taxes.

While transfer taxes aren't new, recently they're reaching California registrars via public plebiscites — which is new. Culver City passed a transfer tax by ballot measure in 2020 (with a lower, marginal rate) that already ranks as the city's third-largest income stream. This year alone, the levy has already raised tens of millions of dollars, mostly on the strength of a handful of nine-figure property sales. Phillips calls transfer taxes a "third-best option," following land value taxes, which virtually no US municipality uses, and property taxes, which California has strictly limited under Proposition 13 since 1978.

One thing distinguishes the Los Angeles push from other similar progressive transfer tax initiatives: Measure ULA only needs a simple majority to pass. Special taxes have historically required a two-thirds majority, but in a 2016 ruling, a California state appeals court found that this higher bar for a special tax only applies to ballot measures sponsored by legislators — city council members, county supervisors, state assembly members and so on. Ballot measure brought forward by citizens that raised dedicated taxes could pass by a simple majority, the court held. That decision cleared the way for a different kind of ballot measure. Prior progressive transfer tax initiatives passed in Santa Monica, Culver City and the Bay Area all direct revenues to the general fund, because they were led by legislators.

So Measure ULA, if it passes, will accomplish something that local lawmakers could not or did not — and indeed, its backers broadcast the fact that the measure was written by organizers, not politicians. Neither Karen Bass nor Rick Caruso, the two candidates locked in LA's still-undecided mayoral race, have weighed in on the measure. That may be a virtue, says Raymond.

"In the past, we've had politicians get behind one solution. Right now we see criminalization of homelessness as being a major focus. That's where they've poured a lot of their energy over the last couple of years, sweeping the streets," she says. "This is very different from that type of approach."

San Francisco puts a price on remote work's hit to property tax revenue—and it's hundreds of millions of dollars

San Francisco could lose around $200 million by 2028 in property tax revenue because of offices emptied as people work from home, under the worst case scenario detailed in a report from the city's chief economist Ted Egan.

The hub of the technology industry is experiencing record office vacancies. They could rise to about 31% by the fourth quarter next year in the most pessimistic case, warned Egan in the presentation for a board of supervisors's committee hearing Wednesday.

Commercial property values would fall, and that would mean less revenue for the city from property taxes. In the short-term, the risk is lessened by long-term leases and the fact that under a California law known as Proposition 13, valuations for property tax purposes are often well below market prices. That cushions municipalities during downturns.

"However, if office demand is permanently reduced by remote work, eventually the city will see sizable reductions in property tax revenue from offices," Egan said in the report.

Tech companies, the driver of the city's economic growth and jobs, embraced flexible work policies in the wake of the pandemic but are now laying off thousands of people. Salesforce, the city's biggest private employer, lets its employees decide where to work, while San Francisco-based Twitter has shed half its workforce under new owner Elon Musk. He's ordered the remaining workers to return to the office.

The office sector represents 18% of the city's property tax collections. San Francisco would have to set aside $150 million in required reserves by 2026 and then up to $200 million by 2028 if conditions don't improve, according to the report.

This fiscal year, the city expects to collect $2.38 billion in total property taxes.

San Francisco consistently ranks near the bottom of a list of 10 US metro areas for the share of workers back at their offices, data from security company Kastle Systems shows, with just about 40% on average.

Even the city's optimistic forecast from empty offices expects a revenue loss, of about $100 million by 2028. Its base case pegs the loss at $128 million.
Egan cautioned that there's an "unusual level of uncertainty" in the forecast, but that it was "prudent to assume a less-than-normal level of office demand" over the next five years.

CONNECTICUT

2022 Municipal Revaluations in Connecticut

A large number of Connecticut municipalities are conducting revaluations as of October 1, 2022.

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

If these discussions do not succeed, the deadline for formally protesting an assessment to a municipality's Board of Assessment Appeals is February 20, 2023, although some communities may extend the date to March 20, 2023. Appeal forms should be available on the municipality's website as the deadline approaches. This protest is required in order to file a Superior Court tax appeal challenging value. Under certain circumstances, a tenant responsible for taxes can file the appeal.

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

If an owner is not satisfied with the board's decision, the next and final remedy is an appeal to Superior Court. The deadline for appealing to Superior Court is within two months from the date that the board's decision is mailed. The case is heard by a judge without a jury. If the board changes your value but not the extent you requested, failure to appeal that decision may preclude any appeal until the next revaluation.

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

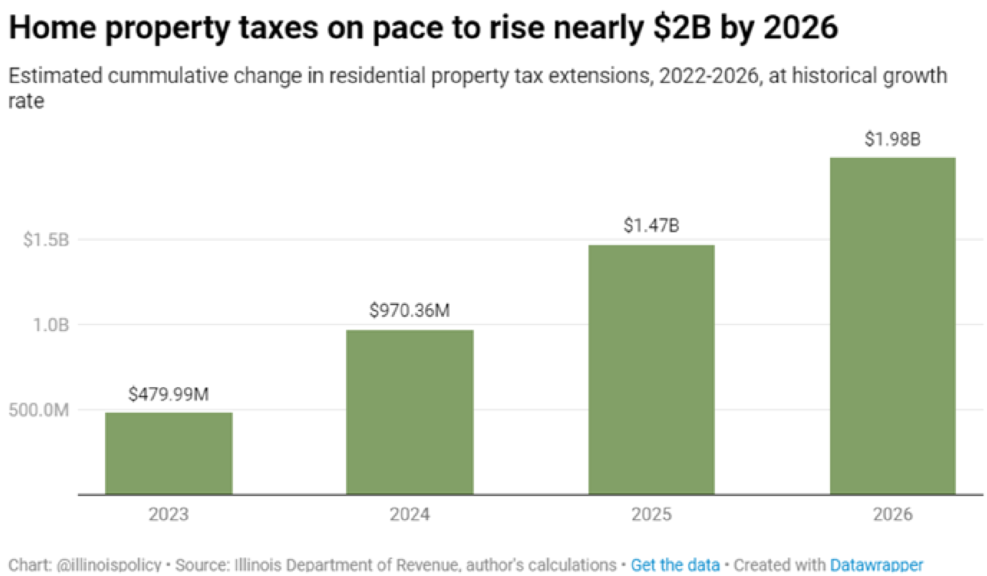
Please also keep in mind that assessments of like properties must be equalized. Significant disparities in the values of similar properties may be actionable even if the proposed value of a given property, standing alone, is appropriate.

ILLINOIS

Amendment 1 could lock in $2B residential property tax hike

Statewide residential property tax extensions are on pace to total more than $24 billion by 2026, which is $2 billion more than the current total. Amendment 1’s expansion of government union power would likely accelerate that $2 billion increase.

Illinois households can expect to pay an additional $2 billion in property taxes by 2026 if voters OK Amendment 1 and property tax increases continue at their recent rate.



Statewide, residential commercial property tax extensions are on pace to total more than $24 billion by 2026, up from $22 billion in 2022. The bulk of this increase, $1.1 billion, will fall on Cook County homeowners, while collar county homeowners will pay an additional $567 million, and downstate homeowners will pay $306 million more in property taxes by 2026.

Cook County faces bulk of future property tax hikes

Property taxes are expected to rise by $1.1 billion in Cook County, $567 million in collar counties and $306 million downstate by 2026

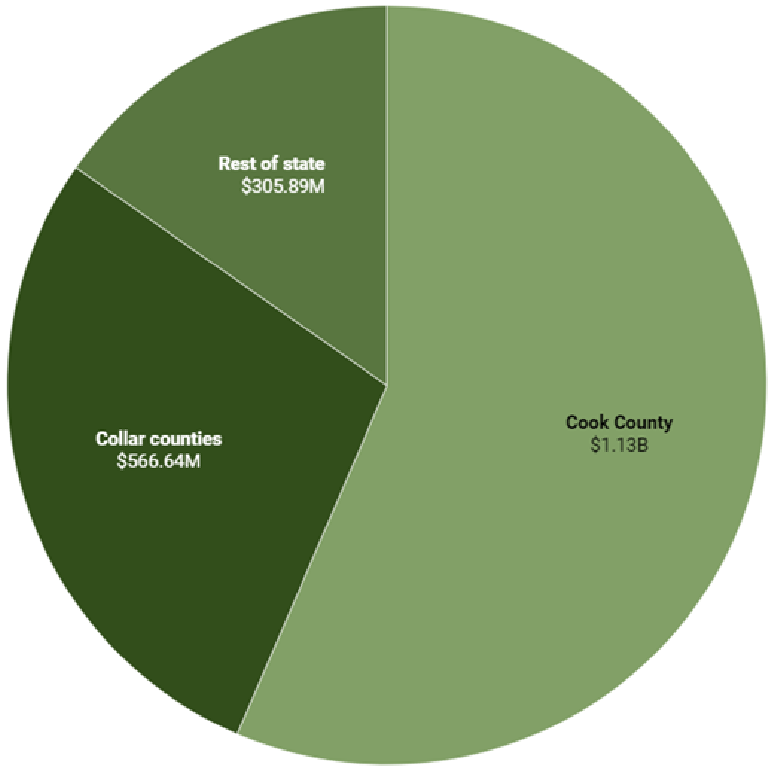


Chart: @illinoispolicy • Source: Illinois Department of Revenue, author's calculations • Get the data • Created with Datawrapper

Translated for the state's median homeowner, the property tax hike is conservatively estimated at more than $2,100 during the next four years.

The increase in property taxes could wind up being much worse if Amendment 1 is passed on Nov. 8. The measure at the top of the ballot would allow government unions to make demands outside the normal scope of bargaining, strike if their demands are not met, thwart simple, pro-taxpayer reforms, crowd out government services and exacerbate corruption in Illinois.

Amendment 1 is a referendum on taxes in Illinois more than anything else. If property taxes simply continue to rise at their historical rates, homeowners across the state will be asked to pay nearly $2 billion in higher residential property taxes annually by 2026. Should government union bosses exercise new powers granted through Amendment 1, the tax hike on Illinoisans could wind up being far more costly.

That endless loop of unlimited union demands, higher government costs and rising taxes is likely why no other state has a similar amendment.

Illinois voters have a decision to make before Nov. 8: either they can vote to fund the never-ending demands of government union bosses, or they can send a message by saying "no" to more tax increases in Illinois.

Homeowners were in line for lower property tax bills. Here's why they likely won't get them.

The Cook County Board of Review often slashes commercial property assessments, saying it is just correcting mistakes by Assessor Fritz Kaegi's office. But that results in higher taxes, mostly for homeowners, who deserve more transparency on the board's operations.

Cook County homeowners were in line for lower property taxes in the bills now being sent out, according to a report by the county assessor.

But homeowners won't get those tax decreases from last year in the bills to be posted online Tuesday and dropped into the mail on Dec. 1. Instead, they will probably see either similar bills, or tax increases.

That's all due to the actions of a different agency — the Cook County Board of Review, the report says. In fact, according to the report, homeowners will shoulder a bigger share of the county's overall tax burden this year than they did last year.

We certainly don't expect to see many homeowners dancing in the streets over this news. Instead, they should be asking how this happened.

A complex system

Here's how the complicated property tax system works: First, Cook County Assessor Fritz Kaegi's office sets an assessment on each taxable property. Then, property owners who don't agree with the assessment can appeal to the Board of Review. There are other steps as well. Generally speaking, the higher the assessment, the higher the final tax bill.

Owners of big commercial properties often take advantage of this system. When they file appeals, the Board of Review often doesn't just tweak their original assessments. For valuable commercial properties, it often slashes them.

For the Old Post Office Building at 433 W. Van Buren St., for example, the assessor calculated the market value at $871,031,166. According to the assessor, the Board of Review lowered it to $619,375,280, a reduction of 29%.

The assessor calculated the market value of the 1K Fulton building, 1000 W. Fulton St., at $197,271,980. The Board of Review reduced it to $161,794,884, or by 18%. For the hotel part of the Trump International Hotel & Tower Chicago, the Board of Review cut the assessment by 31%.

Was Kaegi's office really that far off on its original assessments?

Big cuts like that for commercial properties mean owners of those commercial properties pay much less in taxes. Because local governmental taxing units are supposed to get the full amount of money they levy, no matter how assessments are doled out, lower tax bills on commercial properties mean other property owners — often homeowners — have to pay more.

The Board of Review says it is just correcting mistakes made by Kaegi's office. But when it makes changes of this year's magnitude, it owes it to the taxpayers to be a lot more transparent about how it rewrites the tax bills.

Ideally, the assessor and Board of Review should generally agree — or come close — on what the assessments should look like.

A cottage industry, and high stakes

Part of the problem is that Cook County's property tax system long has been plagued by an industry of lawyers and elected officials who profit off the system and its numerous and seemingly endless appeals. Kaegi has refused to take political donations from lawyers who appeal assessments. Newly elected Board of Review Commissioner Samantha Steele has said she also will refuse such donations. The Board of Review should make that a strict policy for all three of its commissioners.

Because Illinois property owners pay high property taxes compared with other states, the stakes are high. The property tax system ought to operate with total transparency. At the very least, the Board of Review should get on the same computer system as the assessor's office, instead of using a slow and painstaking interface. Being on the same computer system would make it easier to share information.

Spotless ethics needed at the Board of Review

In 2020, Cook County Treasurer Maria Pappas released a report saying the amount of property taxes local governments in Cook County had jointly billed each year had grown nearly three times the rate of inflation over 20 years. In election season, many homeowners cite the size of property taxes as one of the issues they care most about.

Different Cook County agencies should not be fighting with each other. Instead, they should come together to create a transparent system under which anyone in the public can see and understand how property taxes are calculated.

LOUISIANA

Voters reject amendment affecting property tax adjustments

Louisiana voters rejected a proposed state constitutional amendment meant to give local taxing authorities more flexibility with millage rate adjustments.

Both chambers of the state Legislature unanimously approved putting Amendment 5 on Tuesday's ballot, and it had the support of the Council for a Better Louisiana. The business lobby did not take a position.

The amendment would have eliminated a quirk in the law that says to maintain full taxing authority to roll millages forward, the local entity must exercise it at least once every four years between reassessments or permanently lose it. It called for letting taxing bodies increase rates up to the maximum allowed until that authorized millage rate expires, rather than until the next property reassessment cycle.

Voters approved three of the eight proposed amendments, according to complete but unofficial results from the Louisiana Secretary of State's office.

Amendment 1: Let the state increase to 65% the maximum amount of money seven state trust funds can invest in the stock market: 36% yes, 64% no.
Amendment 2: Extend property tax exemption available to veterans with service-related disabilities to their surviving spouses after their deaths: 73% yes, 27% no.
Amendment 3: Allow most civil service employees to support an immediate family member's political campaign: 33% yes, 67% no.
Amendment 4: Let local water districts reduce customers' water bills if charges stem from water lost outside of the customer's control: 75% yes, 25% no.
Amendment 5: Give taxing authorities more time to decide whether to "roll forward" millages: 43% yes, 57% no.
Amendment 6: Capping reassessment increases of homes in Orleans Parish to 10%: Slightly more than 50% no.
Amendment 7: Allow involuntary servitude only for "lawful administration of criminal justice." (The amendment's author recommended rejection due to confusion over the wording.): 39% yes, 61% no.
Amendment 8: Remove the requirement that certain property owners with disabilities annually certify their income to get their property tax rates frozen: 55% yes, 45% no.

NEBRASKA

First Nebraska Casino Generates $1.1 M in Tax Revenue in First Five Weeks

- WarHorse Casino Lincoln has generated $1.1 million in tax revenues since opening last September 24th.
- According to the Nebraska Racing and Gaming Association, close to $800,000 has been raised for the state's Property Tax Credit fund.
- WarHorse Lincoln is the first casino to open in Nebraska.

The WarHorse Casino in Lincoln has already paid the state over a million dollars in tax revenues since it opened five weeks ago.

According to data from the Nebraska Racing and Gaming Commission, the temporary Lincoln gaming facility has produced $1.1 million in tax revenues since it debuted last September 24th.

That amount has translated to close to $800,000 in contributions to a state property tax relief fund so far, including $597,854 alone during the month of October, its first full month of operations. Meanwhile, Lancaster County and Lincoln City have each received $142,597 in taxes while $28,519 has been allocated to a state general fund and a problem gambling fund.

Nebraska casinos are mandated by law to pay 20% of their gross gambling revenues to the state, with 70% of that going to the state's property tax credit fund while 20% is split evenly between the host county and host city of the casino.

Reducing Property Taxes was One of the Main Selling Points of Legalizing Casinos

Reducing the state's property taxes was one of the main selling points of Nebraska's casino legalization law. The Nebraska legislature projected that once all six casinos in the state are open, a total of $93 million annually will be contributed to the state's property tax credit fund.

So far, the total weekly gaming taxes paid by the temporary Lincoln casino is at $150,000 to $200,000 per week but that's because the limited space has allowed only 433 slot machines. Once the permanent casino is up and running in two years, the number of slot machines and the amount of revenue are expected to triple.

The tax revenue will get even higher when the temporary Fonner Park Casino in Grand Island opens before the end of this year. The interim Grand Island casino will have over 280 slot machines and will add table games early next year.

First Casino to Open in Nebraska

The WarHorse Lincoln Casino is the first legal casino to open in Nebraska. The casino is owned by WarHorse Gaming, which is an entity formed by Ho-Chunk Inc. and the Nebraska Horsemen's Benevolent and Protective Association. Ho-Chunk Inc. is the economic arm of the Winnebago Tribe of Nebraska.

WarHorse broke ground on the permanent casino last July with the construction period expected to last for 18 months. The permanent casino will feature over 1,300 slot machines, 100 table games, a retail sportsbook, a 200-room hotel, an events space, restaurants, and live horse racing.

While the permanent casino is still under construction, WarHorse Gaming converted Lincoln Race Course's simulcasting building into a temporary gaming facility with 433 slot machines while the $200 million permanent facility has yet to be completed. The interim casino debuted last September 24th as the first in the state.

Nebraska Gaming Expansion

WarHorse Casino Lincoln and the other Nebraska casino projects are the products of the state's Gaming Expansion which voters approved during a 2020 referendum. That law provided for the establishment of legal casinos at the state's licensed race tracks in Columbus, Omaha, Grand Island, Hastings, Sioux City, and Lincoln.

Aside from its Lincoln casino, WarHorse Gaming is also building a second casino in Omaha's Horsemen's Park. The company is also planning to open a temporary casino there in April or May 2023. WarHorse has a third casino project at the former Atokad Park but that isn't expected to be pursued until the permanent Lincoln and Omaha casinos have opened.

Fonner Park in Grand Island is also opening a temporary casino before the end of the year. Meanwhile, Caesars recently signed a lease agreement with Ag Park in Platte County for the temporary Columbus casino. Communities in Norfolk and Ogallala have also signified their intention to build a casino.

NEW YORK

Appellate court upholds town's valuation of Colonie Center mall

Owners had said it was overvalued for tax purposes

A mid-level appellate court panel has ruled against the owners of Colonie Center in a dispute over the mall's value, which is used to calculate school and property taxes.

"We find no error in Supreme Court's rejection of (Colonie Center appraiser Edward) Williams' appraisal and resultant dismissal of these proceedings," appellate justices wrote in an Oct. 27 decision upholding the lower trial court's opinion.

In that case, the trial court rejected the contention of appraiser Edward Williams that the mall was over-valued for tax purposes between 2017 and 2019.

The dispute did not include Macy's and the former Sears anchor store, since those two sections of the mall were in separate tax parcels.

Williams offered a number of technical reasons why he believed the mall was overvalued, including the idea that long-term leases were not reflective of what Colonie Center was bringing in each year.

And justices discounted the reduced rents that some tenants were paying in the mall.

"(Town of Colonie appraiser Kenneth) Gardner explained that the reasons for a tenant's willingness to pay a particular rent vary and that renewing a major tenant at a reduced rent often benefits the mall as a whole," the justices concluded.

"He also credibly testified that in-place leases are routinely modified or adjusted throughout their terms, undermining Williams' assertion that long-standing leases cannot be considered reflective of market value."

Justices also noted that it's not unknown for rents to be renegotiated in response to changing economic conditions.

Williams had argued that the property had a market valued at approximately $72 million, $68 million and $64 million, respectively, between 2017 and 2019.

Gardner pegged the market value at $96 million, $98 million and $101 million, respectively, during that same time period.

The appellate justices ruled in favor of Gardner.

For tax purposes which include a number of other factors, though, the mall is valued at about $65 million.

Precise levels were unavailable Friday but the mall generates more than $1.5 million annually from property taxes for the South Colonie school district, with about $342,000 to the county and $244,000 to the town.

Reform NYC's Property Taxes, And Soon: City Officials Say

New York City's much-hated property tax system soon could be overhauled. Here's what homeowners need to know about what's being discussed.

For homeowners who didn't have three hours to spare, here's the takeaway from a marathon City Council hearing Tuesday: New York City's property tax system is terrible and must be changed.

But how — and, perhaps more importantly, if — the property tax system could change depends on New York City and state elected leaders working together, officials said.

"This is going to take the governor, mayor, Legislature, City Council, all collaborating," city Comptroller Brad Lander testified. "That's not an easy thing to do."

The impetus for the hearing was two-fold: the expiration of the controversial "421-a" tax break and a study released toward the end of former Mayor Bill de Blasio's term that outlined sweeping potential reforms to make the system more equitable and understandable.

The study argued small residential property tax owners — specifically one-to-three family homes, coops, condos and small rentals — should be put in the same tax class. It also recommended that tax class rates should be fixed for five-year periods, among other changes to simplify the system.

Lander, for his part, said he broadly agreed with the study's proposals, which would eliminate value cap increases that keep taxes artificially lower for many wealthier New Yorkers while other lower-income homeowners are overtaxed.

He called himself an "undertaxed" homeowner.
“Over time, my neighbors and I will have to pay something more like our fair share,” he said.

Lander argued the city should develop a new version of the vaunted "Mitchell-Lama" program that would create permanently affordable and cooperative homeownership.

Working From Home Could Eventually Eliminate $522 Billion in US Office Value, Study Finds

New York Could See Largest Drop

Remote working is expected to wipe out about $522 billion of U.S. office value by 2029 compared to its pre-pandemic level, with New York the hardest hit, according to a study.

More than 2 ½ years since the pandemic made working from home more common, a study has found employees being in the office only some or no days comes at a heavy cost to the value of U.S. office property that could linger for years.

Based on the assumption that some form of work from home is likely here to stay, the loss of value in the U.S. commercial offices may total about $522 billion by 2029 from its pre-pandemic level in 2019, according to a study published Thursday by business school professors at Columbia University and New York University. New York, the largest U.S. commercial market, alone will lose in value nearly $56 billion, more than one-tenth of the U.S. total, according to the 82-page study, titled "Work From Home and the Office Real Estate Apocalypse."

Remote work "changes the risk premium on office real estate," the study said. "The pandemic has had large effects on both current and expected future cash flows for office buildings. These valuation changes have repercussions for local public finances and financial sector stability. … There's substantial uncertainty about future office values."

Columbia professor Stijn Van Nieuwerburgh, one of the authors of the study, told CoStar News in an email the headline numbers could be revised because limited market data requires them to "scale up" to "obtain a market-wide number for value destruction."

At the start of the pandemic, when the physical office use rate at one point plunged to 10% in March 2020 from 95% in February 2020, the study found the value of U.S. office property fell at an even faster rate, at 45%, according to the report, citing security firm Kastle System's keycard access swipe data.

The office use rate has since recovered to 47.5% in a 10-city average, according to Kastle's latest data. New York still has more than half of its office space for workers unused, with only 47.2% reported as of Nov. 9. And it comes as real estate brokerage CBRE found indications of less demand for some office space in cities than in suburbs.

As remote working has led some companies to exit their leases or reduce space, office lease revenue dropped 17 percentage points between December 2019 and May with two-thirds of that coming from space declines, according to the study, adding rent decreases made up the rest. The study also found there's a correlation between companies with more work-from-home days and cutbacks to their office space.

To be clear, there's no guarantee office property would remain solely in that use for the next seven years of any steady drop in values, and that remote and hybrid working policies of companies will stay in place.

Even so, the total footprint of newly signed leases in the study's database fell from 253.43 million square feet per year just before the pandemic to 59.32 million square feet in May, with rents falling 13.16% between December 2019 and December 2021 before reversing to pre-pandemic levels by the end of 2021, according to the report.

Top-Tier Fares Better

"Rents may not have bottomed out yet," the study said, adding nearly 62% of U.S. leases and almost 72% of office leases in New York didn't come up for renewal in 2020 and 2021. That's not to mention U.S. office vacancy rates are at 30-year highs in several major markets, including 21.5% in New York in the second quarter, according to the study.

In an encouraging sign, the study also found the so-called flight-to-quality trend of corporate tenants seeking well-located properties with appealing amenities, especially as companies want to entice workers back, is real.

"Higher-quality buildings, those that are built more recently and have more amenities (informally called Class A+), appear to be faring better in the pandemic," according to the study. "Their rents on newly signed leases do not fall as much or even go up, in contrast with the rest of the office stock. … Lower-quality office appears to be a more substantially stranded asset, given lower demand, raising questions about whether these assets will ultimately need to be repurposed."

While the average office asking rent in the United States was "largely unchanged" at $35.23 per square foot in the third quarter, effective rents for top-tier properties in some of the largest markets have risen by 4.2% year-to-date through third quarter, according to a report from the real estate services firm CBRE.

In another sign of the negative effect of remote working, CBRE found that vacancy rose at a faster pace in downtown areas versus the suburbs, adding the 17.4% U.S. downtown vacancy rate marked the second straight quarter that it topped the suburbs, which totaled 16.9% last quarter.

Amid worries about higher interest rates and a potential recession, third-quarter leasing has fallen for the third straight quarter, according to CBRE. Major corporate tenants including Facebook parent Meta and Amazon have announced job cuts with plans to reduce or pause real estate expansions.

During the widespread emergence of remote work, real estate investment trusts including New York's SL Green Realty, Manhattan's largest office landlord, and Vornado Realty Trust have witnessed their values slide. Vornado's chief executive, Steven Roth, recently said its stock is "stupid cheap."

With workers not back to the office, retail and other businesses that cater to them also have been hit hard despite some signs of improvement in markets such as New York.

All that will have "important implications for local public finances," the Columbia and NYU study found. For instance, it noted the share of real estate taxes in New York's budget was 53% in 2020, 24% of which came from office and retail property taxes.

"The fiscal hole left by declining [central business district] office and retail tax revenues would need to be plugged by raising tax rates or cutting government spending," the study said. "Both would affect the attractiveness of the city as a place of residence and work. These dynamics risk activating a fiscal doom loop."

Meanwhile, with office properties often financed with debt, which sits on banks' balance sheets and in portfolios of debt on the commercial mortgage-backed securities market, large declines in value would have consequences for institutional investors and for financial stability, according to the study.

Property taxes on Staten Island could be slashed by 30%; here's how

It's now up to state lawmakers to create legislation based on a proposal by New York City officials to reform property taxes, which could result in a 30% cost decrease for most Staten Island homeowners.

The reforms, proposed by the New York City Property Tax Commission, would dramatically slash Staten Islanders' property taxes, and would require lawmakers at the state and city level to reform a decades-old system.

The commission's final report, released in December 2021, suggested ways to alleviate inequities in the city's property tax system, which greatly impacts Staten Island homeowners, who have historically paid a higher rate for less expensive homes when compared to other parts of the city.

"Our city's property tax system is unfair and broken. ...Staten Island homeowners have been carrying the weight of this system for too long, and this plan could affect real change for property owners citywide. I look forward to the city and state working together to get this done for all New Yorkers," said Councilwoman Kamillah Hanks (D-North Shore).

A recent analysis by the New York City Independent Budget Office (IBO) revealed last week that the commission's proposal would allow about 72% of Class One properties, which includes one- to three-unit residential properties, to receive a tax cut.

"Looking at particular areas, we see that virtually all homeowners in Staten Island would get a tax cut…," said Acting Director George Sweeting at a City Council Committee on Finance hearing last week.

However, about 28% of the Class One properties citywide would get a tax increase.

The city Department of Finance concluded that the median property tax decrease would be 30%.

“This analysis by the IBO, which was also corroborated by the Department of Finance in their testimony [last week] validates almost every reason I have been fighting for property reform for so many years, why I fought to create a NYC Property Tax Reform Commission and why I endorsed the commission’s recommendations,” said City Council Minority Leader Joe Borelli (R-South Shore).

Said Councilman David Carr (R-Mid-Island): “The testimony we heard [last week] really underscores why we have been fighting for these reforms and just how over-taxed Staten Island homeowners have been. The changes the Property Tax Reform Commission have recommended could finally fix this long-standing inequity. The Administration and the Council must unite to ensure that Albany will make it happen.”

RECOMMENDATIONS

The most significant recommendation would combine several types of properties -- including co-ops and condos, 1-3 family houses, and small apartment buildings of 2 to 10 units -- into a new single residential class.

Currently, condos and co-ops are taxed at a lower rate than homes despite often being more expensive. Property values in the new residential class would be based on sales-based market value instead of the current system that values co-ops and condos against comparable rental units.

This would eliminate “the confusing and counterintuitive requirement that co-ops and condos be valued using imputed capitalized net income as if they were rental properties,” said Sweeting.

“These changes would eliminate two of the most glaring problems in the current system. The present treatment of co-ops and condos is confusing and opaque, presents assessment challenges for the Department of Finance, and obscures how low co-op and condo effective tax rates (ETRs) actually are, particularly when taking into account the co-op condo abatement–which the Commission recommends eliminating,” said Sweeting in his testimony on Tuesday.

HOW PROPERTY TAXES ARE CURRENTLY CALCULATED

The New York City Department of Finance (DOF) determines property tax rates. There are four classes of properties, which are each valued and assessed differently under the law. Residential properties, classified as Class One, include one- to three-unit properties.

The Finance Department calculates property taxes using the following formula: [(assessed value – exemptions) x tax rate] – abatements = annual tax rate

The market value of properties is determined through statistical analysis that considers various factors, such as the recent selling price of similar properties in a neighborhood. The assessed value is a percentage of the market value, which by law cannot exceed 6%.

Exemptions for certain owners, such as veterans, clergy, people with disabilities and senior citizens, are subtracted from the assessed value, determining the taxable value that is multiplied by the tax rate for Class One set by the Finance Department.

Some owners may qualify for additional breaks, called abatements, such as those who have green roofs or use solar power, which are subtracted from the property tax bill after all of the above calculations.

INEQUITIES AMONG EFFECTIVE TAX RATES

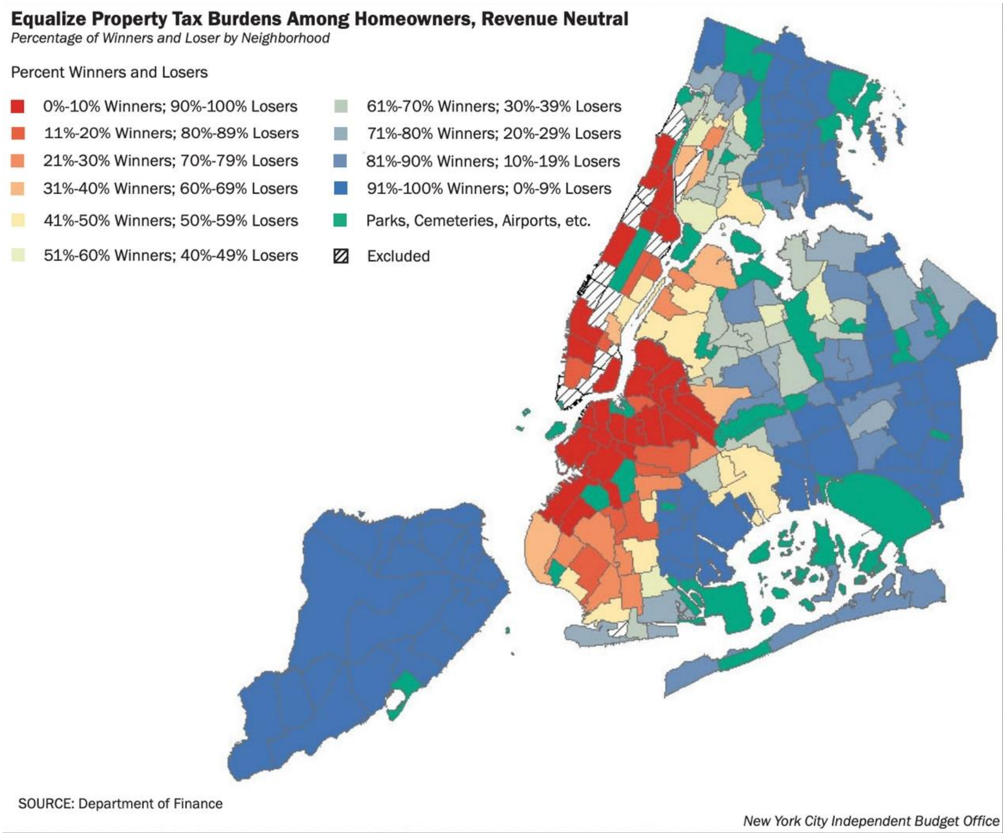
Inequity in property taxes, specifically the effective tax rate that residential property owners pay, stems from a state law that caps how quickly taxes can increase year-to-year.

The Property Tax Cap states that Class One property owners' effective tax rates cannot increase more than 6% per year, or more than 20% over a five-year period. New York City Comptroller Brad Lander, who has been leading the charge for property tax reform across the city, explained that the law is meant to prevent people's property taxes from exponentially increasing if the property's value quickly appreciates over a short period.

In the past, Borelli has referenced a color-coded map that shows places like Staten Island and southeast Queens paying higher effective property tax rates than some of the city's most affluent areas, like Park Slope and the Westside of Manhattan.

For example, a Richmond Valley home valued at about $1.3 million in a city Department of Finance's 2021 report pays about $2,800 in quarterly property tax, while a Cobble Hill home valued at about $3.4 million pays about $2,400 quarterly.

It's time to fix NYC's broken, unfair property tax system



A new plan could slash property taxes on Staten Island by 30 percent. (Image courtesy of NYC Independent Budget Office)

Staten Islanders have historically paid a higher property tax rate for less expensive homes when compared to homeowners in other parts of New York City.

That has to change.

A plan from the New York City Property Tax Commission could slash Staten Islanders' property taxes by 30 percent and alleviate the overall inequity in the city's antiquated property tax system.

An recent analysis by the New York City Independent Budget Office said that the commission's plan would allow about 72 percent of Class One properties in the city, which includes one- to three-unit residential properties, to receive a tax cut.

"Looking at particular areas, we see that virtually all homeowners in Staten Island would get a tax cut…," Acting Director George Sweeting said at a City Council Committee on Finance hearing.

The city Finance Department calculates property taxes using a formula that takes in assessed value, exemptions, tax rates and abatements.

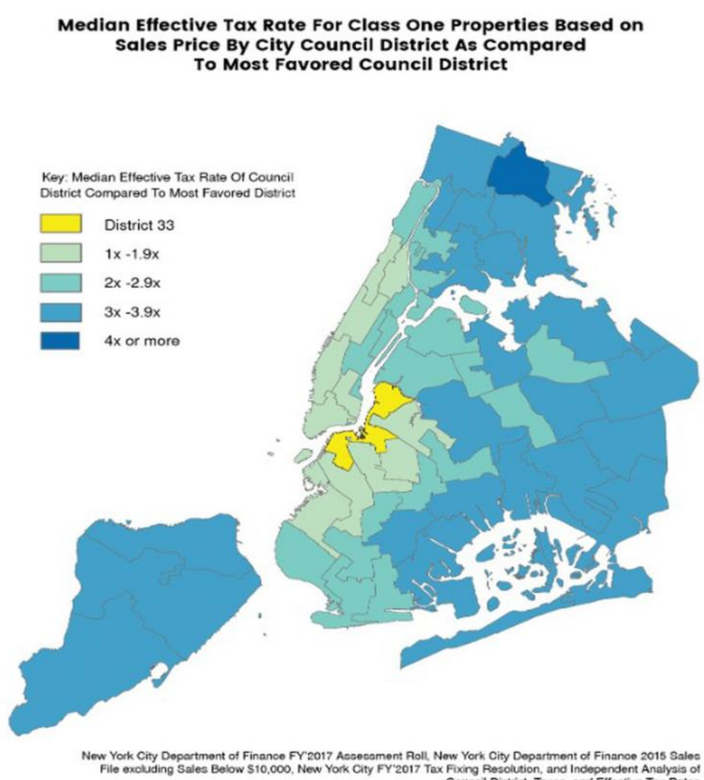
The market value of properties is based on several factors, including the recent selling price of similar properties in a neighborhood.

The inequity in property taxes, specifically the effective tax rate that residential property owners pay, stems from a state law that caps how quickly taxes can increase year-to-year.

The law states that Class One property owners' effective tax rate cannot increase more than 6% per year or more than 20% over a five-year period.

The law was designed to prevent a homeowner's property taxes from skyrocketing if the property's value quickly appreciated over a short period of time.

While well-meaning, the law has had unintended and expensive consequences for many city homeowners. City Councilman Joe Borelli (R-South Shore), a leader in the fight for property tax reform, has referenced maps that show how Staten Island and southeast Queens residents pay higher effective property tax rates than residents of some of the city's most affluent areas, like Park Slope and Manhattan's West Side.



Map illustrates the inequity in effective tax rates paid by New York City Class One property owners during fiscal year 2017. (Image courtesy of city Comptroller Brad Lander's Office)

For example, a Richmond Valley home valued at about $1.3 million pays about $2,800 in quarterly property taxes while a Cobble Hill dwelling valued at about $3.4 million pays about $2,400 quarterly.

That's unfair anyway you look at it.

Democratic City Comptroller Brad Lander said that the state law has kept the property taxes in areas of Brownstone Brooklyn, where he lives, and Manhattan artificially low, meaning that homeowners in other areas, including Staten Island, wind up paying more to compensate for that under-taxing.

As Lander said, it's one of the core inequities in the system.

And one that city and state lawmakers must fix.

The commission's most significant recommendation would combine several types of properties -- including co-ops and condos, one- to three-family houses, and small apartment buildings of two to 10 units -- into a new single residential class.

Property values in the new class would be based on sales-based market value.

This would also correct a flaw in the current system, under which co-ops and condominiums are often assessed at a mere fraction of their "true value" because the value is based on comparable rental properties, which tend to be of lower value.

There is a downside to the commission's plan: Under the reforms, about 28% of Class One property owners citywide would get a tax increase.

And while the overall system needs to be fixed, lawmakers must ensure that homeowners will continue to be shielded from exponentially higher property taxes if the value of their home suddenly increases.

Councilmembers Kamillah Hanks (D-North Shore) and David Carr (R-Mid-Island) are on board with Borelli in backing the commission's reforms. Lander adds a strong voice to the mix.

After years of debate about property tax inequity, there finally seems to be real momentum toward tackling the problem. We mustn't waste it.

We urge city and state lawmakers to now work together finally fix our antiquated, unfair property tax system.

NORTH CAROLINA

Higher taxes to come? Ready or not, another revaluation is coming in Mecklenburg County

Amid an exceptionally hot housing market, Mecklenburg County is anticipating another dramatic increase in property appraisals as the revaluation nears.

Higher home values could lead to higher property taxes — depending on whom voters elect to local offices this November.

What's happening: Government assessors are reappraising more than 400,000 parcels across Mecklenburg County. The revaluation process is supposed to ensure landowners are taxed their "fair share" — or no more or less than the true market value of their property.

Put simply, the revaluation updates values from a 2019 market (the time of the last revaluation) to a 2023 market.

Why it matters: This spring, after the revaluation, the Mecklenburg County Board of Commissioners and city and town leaders will adjust tax rates. They could go up, down or remain "revenue neutral," meaning property owners' tax bills would stay roughly the same.

For example, in 2019, the county lowered its tax rate from 82.32 cents per $100 to 61.69 cents per $100. Since values went up significantly, it was still a tax hike, nearly 2 cents higher than the revenue-neutral rate of 59.7 cents.

The big picture: The revaluation, and the tax hike debate to follow, has become a talking point in the races for Mecklenburg County Board of Commissioners seats. Both The Charlotte Observer and WSOC have asked candidates where they stand on a potential tax increase.

Most Republican candidates favor lowering taxes or adopting a revenue-neutral rate, referencing ballooning inflation and families' persisting financial struggles from the pandemic. Some Democratic candidates say it's too early to make a decision, and they want to more information from staff first on whether it can meet citizens' needs with a revenue-neutral rate.

Republican candidate for District 4, Ray Fuentes, is opposing the revaluation entirely and has told outlets he would vote to stop it from happening in December.
By the numbers: The Mecklenburg County Assessor's Office is estimating a 48% median increase in residential assessed values and 36% in commercial.

To compare: The median increase for property values in 2019 was 43% for residential and 77% for commercial, the Observer reported at the time.

How it works: The Mecklenburg County Assessor's Office has divided the county into 3,100 segments, or "neighborhoods," to study as a "mass appraisal." By tracking sales and monitoring market data in these areas, staff will capture the values of the entire neighborhoods on Jan. 1, 2023.

"Let's just say there's a neighborhood of 200 parcels. Over the last year, we've had 15 transactions," Ken Joyner, county assessor, told Axios. "We're going to look at the median of those 15 transactions and use that to consistently value those homes."

The assessor's office keeps tabs on sale records that detail structures' square footage and reviews permits for significant renovations that may add to a home's value. Over the last several years, staff have visited every property in the county, noting conspicuous changes that weren't documented in the permitting process.

Most homes within a neighborhood appraise similarly, Joyner says. But sometimes assessors in county shirts (with a county car, an ID and business cards) will walk through neighborhoods, knocking on doors to talk to homeowners and checking out the exteriors.

"It's really about making sure that we've got the right square footage on the home, that we understand the number of bathrooms in the home, things like that that are really going to have weight," Joyner says. "Is it a heat pump or is it a gas pack? … Do they have a really nice patio in the back, or is it just an 8 by 10 deck?"

Flashback: North Carolina law requires revaluation every eight years, although most counties in the region (including Gaston and Catawba counties) have moved to four-year cycles. When Mecklenburg County conducted its last revaluation in 2019, eight years had passed, and the drastic spikes in valuations sticker shocked residents. This is the first reappraisal since the county committed to a four-year cycle.

What we're watching: Residents in gentrifying neighborhoods could face displacement if their property values rise and increased taxes follow. Plus, people of color and low-income homeowners are less likely to appeal their valuations, whereas those of wealthier backgrounds can hire lawyers and slash their tax burdens.

In 2020, the Carolina Panthers, for example, knocked $357 million off the Bank of America stadium's valuation by appealing, Axios previously reported. The break is saving the team nearly $3.5 million per year.

What's next: Property owners will receive their valuations in the mail this January.

People can either ask for an informal review to go over potential errors with the assessors or, if they feel their estimate is unreasonable, they can file a formal appeal and go before the Board of Equalization and Review.

OKLAHOMA

Wagoner County assessor, power plant settle lawsuits over valuation of equipment

The Oneta Power facility, 25142 E. 105th St. in Broken Arrow, has settled its lawsuits with the Wagoner County Assessor's Office over the valuation of the company's tangible personal property.

Three lawsuits that challenged the Wagoner County Assessor's Office's valuation of an electric power generating company's tangible personal property — and at one point the legality of county ad valorem taxes on reservation land — have been settled.

Oneta Power Inc. and the Wagoner County Assessor's Office agreed to the settlement, which was filed Wednesday in Wagoner County District Court and covers three lawsuits filed for each tax year challenged.

"I am pleased we were able to come to a decision," said Wagoner County Assessor Sandy Hodges.

The agreement, which settles three years of assessments, calls for Oneta Power Inc. at 25142 E. 105th St. in Broken Arrow to pay tangible personal property taxes based on a settled fair cash value of $311.5 million for tax year 2020, according to court documents.

The assessor's valuation of personal property in 2021 and 2022 tax years is $307.5 million and $285 million, respectively, under the terms of the agreement.

Prior to the increase, the Assessor's Office valued Oneta Power's personal property at $282,021,000 in 2019.

Hodges said in an interview earlier that her office contracted with an outside company to develop the valuation on personal property at the power plant for the 2020 tax year.

The review determined that Oneta Power's personal property — equipment, machinery and other tangible personal property — should be valued at $399,245,277 for tax purposes.

Oneta filed its initial lawsuit in August 2020.
In it, the company also raised the issue of whether it was legal for the county assessor to tax property, given the U.S. Supreme Court's McGirt ruling, issued in July 2020.

The McGirt ruling established that the Muscogee Nation reservation, which dates back to 1866, had never been disestablished by Congress, meaning that major crimes involving American Indians that occurred within the reservation were the jurisdiction of federal or tribal government rather than state government.

While the Supreme Court ruling was expressly limited to criminal matters, the issue of whether the jurisdictional ruling extends to civil matters has drawn debate.

“This raises the legal issue of whether or not the Wagoner County Assessor has lawful jurisdiction to levy and assess ad valorem tax on personal property within the territorial boundaries of the Creek Reservation, including the subject property,” Oneta Power wrote in its lawsuit petition.

In June, Oneta Power dropped its jurisdictional challenge.

In addition to a 10% increase in its personal property valuation between tax years 2019 and 2020, the agreement calls for Oneta’s business property valuation to decline in successive years.

In tax year 2021, Oneta Power will pay personal property tax based on a valuation of $307.5 million. The valuation will decline to $285 million in tax year 2022, according to the settlement.

The company argued in its initial lawsuit that its 2020 personal property was worth $218 million, rather than the nearly $400 million assessor estimate.

For the 2022 tax year, Oneta Power claimed that its personal property was worth only $246.9 million.

An attorney for the company could not be reached for comment.

Wind farm valuation judgement could impact schools

Canadian and Kingfisher Counties assessors lost their appeal last month against Kingfisher Wind LLC in a case that had originally determined Production Tax Credits (PTCs) were intangible property, and therefore, excluded from taxable valuation.

This decision affects the dollars that school districts will receive from wind farm ad valorem taxation. There are several other cases and state court ad valorem challenges filed by wind companies in about 15 other counties in Oklahoma, including Kay County.

School districts are some of the primary beneficiaries of county ad valorem taxes, and the amount of money that a school can borrow through voter-approved bond issues also is based on the assessed value of that property.

Property tax in Oklahoma, unless exempt by law, is subject to ad valorem taxation in the county in which it is located, at a percentage of its fair cash value.

The fair cash value, is the value that a willing buyer would purchase from a willing seller, both of whom are knowledgeable about the property.

The job of the country assessors is to determine what the fair cash value of all taxable property is within the county.

These valuations can be challenged by property owners by filing a protest with the county board of adjustment and then by filing a district court lawsuit.

The true impact of this decision is unknown at this time as the assessor has not provided any detail about how the judgement will be applied to the current protests and the upcoming 2022 valuations.

PENNSYLVANIA

Judge blasts Pittsburgh Public Schools for appealing his property assessment ruling

The judge who set the figure to be used to determine the value at which real estate will be taxed in Allegheny County assessment appeal hearings is ripping the Pittsburgh Public Schools for appealing his decision.

In a 10-page opinion issued this week, county Common Pleas Court Judge Alan Hertzberg labeled the appeal as "unjustified" and accused the school district of standing in the way of efforts to correct the situation.

"Allegheny County failed to administer the property tax assessment appeal system in a just and impartial manner. After this was detected and exposed, Allegheny County agreed to rectify the situation," he wrote.

"School District of Pittsburgh, a beneficiary of taxpayers contributing more than their fair share, refuses to allow Allegheny County to accept responsibility and correct its improper assessment appeal system. Instead, the school district wants the taxpayers that it targets with property assessment appeals to continue paying more than their fair share."

Ira Weiss, school district solicitor, called the judge's claims "patently false."

"The school district takes issue with the content and tone of the court's opinion. However, the district will fully address these issues in its brief and argument to the Commonwealth Court rather than in the media. We are confident that after a full review, the arguments and position of the school district will be fully and fairly considered by that court," he said.

The school district's appeal stems from a Sept. 1 ruling by Judge Hertzberg in which he ordered a big reduction — from 81.1% to 63.53% — in the common level ratio for 2022 appeal hearings. The ratio is used to figure out the value at which a property will be taxed.

It can make a big difference in a property owner's tax bill.

At the 81.1% ratio, a home valued at $100,000 on appeal would be taxed on $81,100 of its value. But at 63.53%, the same house would be taxed based on a much lower value of $63,530.

In filing the appeal, the district argued that only the state tax equalization board had the authority to set the common level ratio and that anyone who objected to the calculation could take it up with the board or appeal to the state's Commonwealth Court.

It charged that Judge Hertzberg's Sept. 1 decision "has resulted in a state of administrative assessment limbo for ongoing assessment appeals which has unknown, far-reaching consequences for both property owners and taxing bodies alike."

In his opinion, the judge rebuffed the district's argument, saying the plaintiffs who sued to lower the common level ratio had filed objections with the state tax equalization board, or STEB, last year over the calculation of the 81.1% and that the board dismissed them.

He noted that his Sept. 1 order setting the 63.53% ratio also required the county to submit its data to the board for a recalculation. If that resulted in the same or a different ratio, that ratio would prevail. "Hence, STEB's authority to set the [ratio] was not violated," he wrote.

The judge also took issue with the district's contention that he erred because the deadline for filing appeals in 2022 was March 31, contributing to the "state of administrative assessment limbo."

"If the Allegheny County Board of Property Assessment, Appeals and Review is 'in a state of administrative assessment limbo' ... that is not because I made an error," he insisted.

"It is because Allegheny County provided incorrect data to STEB that inflated the [ratio] to 81.1% and because the school district attempted to cast uncertainty on the [ratio] of 63.53% by its unjustified appeal to the Commonwealth Court."

He maintained that the district, through depositions of the county's property assessment manager and acting chief assessment officer, was aware the 81.1% common level ratio was incorrect.

"Instead of working on the reasonable resolution of the situation agreed to by the other parties, the school district refused to be a party to the settlement to correct this injustice," he asserted.

Mr. Weiss took issue with that.

"Let's just say that the school district did not consent to the order that came out of a process that lacked a full or fair evidentiary hearing," he said.

'Cooking the books'

Judge Hertzberg, in his opinion, did not leave the county off the hook in terms of its handling of the common level ratio calculations.

The lawsuit filed to recalculate the ratio accused the county of improperly invalidating some valid property sales while validating others that should not have been, resulting in an inflated common level ratio.

Those claims, the judge maintained, were supported in depositions of the county's assessment manager and chief assessment officer and answers to interrogatories.

"From this evidence, there could be no doubt that Allegheny County's Office of Property Assessment had been 'cooking the books' on [ratio] data submitted to STEB," he wrote.

Not so, county spokeswoman Amie Downs responded.

"This is absolutely a mischaracterization. Mistakes were made by the Office of Property Assessment staff that have since been corrected. They were just that — mistakes," she said.

As part of the litigation, the county agreed to re-examine the way it coded some 2020 property sales that served as the basis for calculating the common level ratio.

In fact, it was that process that led to Judge Hertzberg determining that the ratio should be 63.53% instead of 81.1%.

Money at stake

The outcome of the district's appeal could have big ramifications for school districts and municipalities that rely on property assessment appeals to generate tax revenue.

Most of those appeals involve newly purchased properties where the sales price is much higher than the assessed value for taxing purposes. The new owners pay more in taxes than owners of similar homes bought years ago, creating what is sometimes derided as a newcomers or welcome neighbor tax.

If the common level ratio ends up being 63.53% it may not be worth it for taxing bodies to pursue such appeals, costing them revenue.

On the other hand, the lower ratio could result in lower tax bills for property owners who file their own appeals, depending on the value set at the hearing.

For example, take a house currently valued at $100,000 and taxed at $81,100. Even if the market value is increased to $120,000 on appeal, it would be taxed at $76,236 with the lower 63.53% ratio.

How Texas' property taxes compare to other states

Property taxes are a major topic in the landscape of Texas politics.

Are property taxes in Texas too high? Are they not as high as people say they are? The debate still continues; however, a new report from Texas Real Estate Source is giving Texans a more in depth comparison between Texas and other states.

So, let's get the most obvious question out of the way: does Texas have the lowest property taxes? No. The state with the lowest property taxes is the Aloha state Hawaii.

Are property taxes in Texas high? Yes. Texas' effective property tax rate is about 1.8% which makes Texas the state with the 7th highest property tax rate in the nation.

"Despite home values being slightly less than the national average, the high assessment rate results in the average Texan owing more than $3,000 in annual property taxes," the report said.

However, some counties have lower tax rates than others. According to the report, counties in rural West Texas have some of the lowest property tax rates in the state, including Borden County near Abilene. This Texas county has an effective tax rate of .34%.

Though property taxes are higher in Texas than other states, Texans do not have a state income tax and home values are still lower than many other states in the nation.

For the full report, click *here*.

Outdated property tax assessments result in unfair tax burdens

One of the most significant sources of revenue for public schools and local governments in Pennsylvania is property taxes. As homeowners across the commonwealth know, property tax bills greatly affect the budgets of many households, from middle-class families to single parents to older adults on fixed incomes.

Despite the huge impacts of property taxes, many counties across the commonwealth lack an up-to-date tax assessment. About half of the counties in Pennsylvania are using assessed values from before 2000; more than a dozen have not had a reassessment since before 1980.

Lackawanna County is one such county, having completed its last reassessment in 1968. Much has changed since then: housing in suburban communities has grown, while the City of Scranton lost about a quarter of its residents since the 1970 census. Jobs and people have moved and shifted as the world has changed. The Institute's analysis of data from Zillow found that some ZIP codes in Lackawanna County have seen home prices grow by anywhere from 23% to 48% from 2017 to 2021. Over a longer period, it is possible that these discrepancies could be even larger.

When property values appreciate at different rates in different neighborhoods, inequities result. Taxpayers who have seen relatively little appreciation in their property values since the last reassessment pay more taxes relative to the actual value of their home than those whose properties have appreciated more quickly; for this latter group of property owners, a larger gap exists between the assessed value used to calculate their tax bill and their home's actual value. In other words, taxpayers whose property values have grown at above-median rates are under-taxed relative to taxpayers whose properties have either appreciated more slowly or depreciated. Accordingly, some judges in the commonwealth have ruled that using out-of-date assessment values violates the Pennsylvania Constitution's requirement that taxes be uniformly applied.

Earlier this year, Lackawanna County moved to begin the reassessment process. But dozens of other counties around the state still base their property tax bills on decades-old data. As a major source of government revenue and substantial part of most homeowners' budgets, property taxes need to be collected equitably. While many homeowners may worry that a reassessment will bring higher tax bills, state law requires that reassessments be revenue-neutral — meaning that the overall tax burden will move around, but not go up. Some property owners will see their tax bills increase, others will see decreases, and others will see little change. In the end, though, these changes are important in ensuring that taxes levied on Pennsylvanians are uniform and fair.

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