IPTI Xtracts

Property Tax and Assessment News from Around the World

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CALIFORNIA
A New Real Estate Transfer Tax On Residential And Commercial Properties Over $5 Million

Measure ULA, also known as the "Homelessness and Housing Solutions Tax," was a ballot measure in Los Angeles which was recently approved by voters in the 2022 Los Angeles County Midterm Elections. Measure ULA will impose a new and additional transfer tax on real estate valued at more than $5 million. Although this tax is sometimes misleadingly advertised as a "mansion tax," it will be imposed on both residential and commercial real estate transactions. The new tax will apply to real estate transactions occurring on or after April 1, 2023 and will remain in effect until repealed by the people of the City of Los Angeles. San Francisco, Culver City, Santa Monica, and a number of other California cities have recently passed similar measures imposing new transfer taxes or increasing existing transfer tax rates for real estate transactions.

The tax rate for the new Homelessness and Housing Solutions Tax will be 4% of the consideration paid or value of the property transferred when the consideration or property value exceeds $5 million but is less than $10 million, and 5.5% if the consideration or value exceeds $10 million. The foregoing $5 million and $10 million thresholds will be adjusted annually based on inflation. The new tax will be in addition to the existing 0.56% combined documentary transfer taxes imposed in the City and County of Los Angeles (0.11% County Documentary Transfer Tax and 0.45% City Documentary Transfer Tax) and will, therefore, represent a significant increase in the cost of real estate purchase and sale transactions in the City of Los Angeles.

The new Homelessness and Housing Solutions Tax is not a progressive tax. In other words, the new tax will apply to the entirety of the consideration or value of a property; not just the portion of the value or consideration that exceeds the applicable dollar threshold. For example, if the sale price of a property is $7,500,000, the tax payable will equal $300,000, and if the sale price of a property is $15,000,000, the tax payable will equal $825,000.

Unlike the Los Angeles documentary transfer tax, the Homelessness and Housing Solutions Tax is not exclusive of the value of any lien or encumbrance remaining on a property at the time of the sale or transfer (i.e., the new tax will be calculated on the full gross value of the property, and not the net equity value, if property is transferred subject to existing mortgage indebtedness).

The Homelessness and Housing Solutions Tax exempts certain qualified affordable housing, non profit, and government organizations. The tax applies only to properties located within the City of Los Angeles and does not include the other 87 incorporated cities in Los Angeles, such as Burbank, Long Beach, Pasadena, and Santa Monica.

The revenue generated from the new tax will be allocated primarily to establish and authorize programs to increase affordable housing and provide resources to tenants at risk of homelessness (e.g., homelessness prevention measures in the form of rent relief, income support, tenant rights education, and legal counsel for qualified tenants), in response to the ongoing affordability and homelessness crisis in Los Angeles.

The Homelessness and Housing Solutions Tax is estimated to raise over $900 million per year (based on County Assessor data from fiscal year 2021-2022). For context, currently, the City of Los Angeles raises an average of $207 million per year from documentary transfer taxes (based on pre COVID 19 fiscal years 2016-2019), and such revenues are added to the General Fund, not earmarked for housing.

Measure ULA left a number of questions regarding its implementation unanswered but authorizes the Director of Finance to issue rules and regulations for the implementation of the tax. Some examples of unresolved questions include: (i) Will the consideration or property values be determined on a per property basis or in the aggregate for portfolio sales that involve more than one parcel of real property in the City of Los Angeles?; (ii) Will the tax apply to transfers of interests in entities that own real property in the City of Los Angeles?; and (iii) Will the exemptions that apply to the existing Los Angeles documentary transfer tax apply to the new tax?

Similar to the existing Los Angeles documentary transfer tax, we expect that Los Angeles will interpret the new Homelessness and Housing Solutions Tax to apply to transfers of interests in legal entities that result in a "change in ownership" of real property held by a legal entity. Notably, however, Measure ULA also amends the City of Los Angeles Municipal Code to authorize the Director of Finance to further define the term "realty sold," which term triggers both the existing documentary transfer tax and the new Homelessness and Housing Solutions Tax, and which authority may be used by the Director to expand the scope of transactions that trigger the existing documentary transfer tax and the new tax.

By the same token, we expect that the rules and regulations for the implementation of the new tax will incorporate the same general exceptions and exemptions that apply to the existing Los Angeles documentary transfer taxes (e.g., transfers effectuating a mere change in the form of ownership and transfers by foreclosure or deed-in-lieu). However, we will await further guidance from the City's Director of Finance regarding the implementation of this tax.

L.A.'s rich are already scheming ways to avoid new 'mansion tax'

Death and taxes are life's two certainties — but not if the rich can help it.

Just weeks after Los Angeles voters backed a new measure that puts a one-time transfer tax on property sales above $5 million to generate money for affordable housing and homelessness prevention, the city's affluent homeowners are exploring potential ways of avoiding the tax.

Known as Measure ULA — for "United to House LA" — the ordinance marketed as a "mansion tax" will impose a 4% tax on property sales above $5 million, rising to 5.5% on sales above $10 million. So a $5-million sale would include a $200,000 tax, and a $10-million sale would include a $550,000 tax, which is typically paid by the seller.

It's set to take effect on April 1, 2023, and it's already causing shock waves in the L.A. housing market. While some analysts say high-end transactions will remain highly profitable, others fear the tax will not only drive high-end developers elsewhere, but also discourage the construction of multifamily housing that it was meant to foster.

Agents say homeowners and developers are already rushing to sell before the deadline.

"For owners who were on the fence about selling, this will speed up the process," said Compass agent Bret Parsons.
He said he had one client who was planning to slowly downsize and sell sometime in the next six months, but called Parsons right after the measure passed saying he'd clean the place up immediately so they could list it in the next few weeks. The new tax would take a chunk out of his retirement fund, and he needs to sell before April.

Others are getting a bit more creative. Since the tax only affects sales above $5 million, some homeowners are looking into splitting up their properties into smaller parcels with different ownership entities so they can avoid the tax altogether.

For example, if a homeowner is selling a mansion for $15 million, they'd be slapped with a $825,000 tax bill. But if they split up the property into three parts owned by three different entities and sold all three pieces for $4.999 million each, they would hypothetically elude the tax since it only kicks in at $5 million.

The measure hasn't gone into effect yet, so the legality of such a move remains unclear, and the city would likely take measures to stop such maneuvers. But homeowners are exploring every avenue.

"Rich people are very clever. They know how to manage cash, and they have time to look for loopholes," Parsons said.

Another strategy might be to hatch deals off the books to keep a sale under $5 million. For example, if a seller wanted $7 million for their house, they could reach a deal with a buyer to sell it for $4.999 million, thus avoiding the tax, but then sell the furniture in the home for $2 million.

Parsons said such deals are definitely illegal, but there will be crooks who attempt it.

Jason Oppenheim of the Oppenheim Group called the tax a travesty. He says sales will skyrocket for the next three months, but once the tax kicks in, the market will freeze. Sellers will hang on to their properties, and buyers won't buy unless they plan to own for multiple decades.

"It's going to push developers out of L.A.," he said. "A 4% or 5.5% tax equates to 20-30% of developer profits. So those developers will choose to develop in other luxury communities where they won't have to pay the tax, such as Beverly Hills, West Hollywood or Newport Beach."

The measure may also cause some interesting wrinkles in sale prices. For example, there probably won't be any more sales in the $5 million-$5.2 million range or the $10 million-$10.55 million range, since the seller would net less money than if they sold at $4.999 million or $9.999 million, respectively.

"It creates market inefficiencies and breeds that type of behavior," Oppenheim said.

Housing analysts say the measure's success at the polls was partly due to its branding as a "mansion tax," since the majority of voters don't own mansions and wouldn't be directly affected by it.

An analysis published by UCLA's Lewis Center for Regional Policy Studies supports that notion, claiming that the tax will affect only about 4% of overall real estate transactions in a given year, including commercial, and less than 3% of single-family home and condo sales. But it's a small percentage with a big impact; if the tax were to have been placed on sales in the city from June 2021 to June 2022, it would've raised over $900 million — a massive increase from the $207 million that existing transfer taxes currently raise annually at the rate of 0.45%.

Data from the Multiple Listing Service suggests that single-family home sales would be affected about five times as much as condo sales. Of the 5,498 single-family homes that have traded hands in L.A. so far this year, 229 have sold for $5 million or more — about 4.17%. Of the 2,526 condo sales in L.A. so far this year, only 22 have sold for $5 million or more — about 0.87%.

There's plenty of precedent for transfer taxes, which have been used for years to generate funds in major cities. San Francisco has a six-tier system that starts at 0.5% for sales above $100 and maxes out at 6% for sales above $25 million. New York City charges a 2.075% tax paid by the seller for properties over $3 million as well as a mansion tax paid by the buyer that ranges from 1% to 3.9% depending on purchase price.

In 2020, Culver City approved a marginal four-tier transfer tax, starting at 0.45% for sales below $1.5 million and maxing out at 4% for sales above $10 million.

Shane Phillips, the Housing Initiative Project Manager for UCLA's Lewis Center, wrote a report that helped inspire Culver City's transfer tax. He also co-authored two reports studying the potential impact of Measure ULA.

He said the tax is a good way for property owners who have done well financially to contribute to solving city problems that come from the appreciation of their property values, but the overall impact may come down to one key factor: exemptions.

As of now, everyone is on the hook for the tax: residential homeowners, commercial property owners, developers, etc. For most sellers, he said, the transfer tax shouldn't be that big of a deal. Over the last decade, property values have risen significantly, so a one-time tax isn't that big of a burden.

But given L.A.'s housing shortage, he thinks developers building new, mixed-income multifamily construction should be exempt from the tax, or else they might be discouraged from building such housing. As it stands, developers who buy land for less than $5 million and then construct multifamily housing on it, likely pushing its value above $5 million, would owe the transfer tax whenever they sell the property.

"If potential profits go down, landowners might be incentivized to sit on their land instead of developing it or selling it to a developer," said Phillips. "I'm not concerned for the welfare of landowners, but we have to acknowledge the economic reality that these people have choices. And we've made the choice to develop less compelling in some cases."

He added that the measure includes language that would allow city leaders to amend the rules if it furthers the purpose of the initiative. If it were up to him, Phillips would exempt multifamily housing developers from the tax given L.A.'s dependence on for-profit development.

“L.A. has very ambitious housing production goals going forward, and we shouldn’t be putting barriers in front of that production,” he said. “I want to see us be able to raise a lot more money for subsidized housing without it coming at the expense of private housing production, which is also essential.”

Doug Praw, a partner at the Holland & Knight law firm, was surprised to see the measure pass. He acknowledged the city has a homelessness crisis and a dramatic need to increase affordable housing but warned that the taxes placed on developers could come out of renters’ pockets.

“There’s a domino effect. Even though the tax is on higher price points, those funds have to come from somewhere,” Praw said.

He gave an example of building apartment units on a piece of vacant land valued at less than $5 million. But once the units are built, the land could be worth $12 million and would then trigger the transfer tax. To cover the tax and still manage a profit, a developer might charge higher rent.

Praw added that the tax will affect commercial investors more than homeowners, since a greater percentage of commercial properties trade above the thresholds of $5 million and $10 million compared to the typical home.

“The city’s in a tough spot. You have to raise funds to combat the lack of affordable housing, but you’re doing it on the backs of the real estate community that is now dealing with higher taxes and higher interest rates,” he said.

Peter Dreier, a professor at Occidental College who co-authored the UCLA report and worked with the people who drafted Measure ULA, said he isn’t worried about the tax’s effect on the private sector since the private sector has failed to build efficient affordable housing.

“Any housing that a janitor or nurse or teacher can afford already requires government subsidies,” he said. “There’s no affordable housing anywhere in L.A. without subsidies. The private sector hasn’t been able to build it, which is partly why we’re in this crisis.”

He disagreed with the argument that the tax will raise rents, saying that landlords already charge as much rent as the market will allow. And as for the claim that the tax will discourage development, he said it will only really affect one type of developer: house flippers.

“The people who want to build property and flip it immediately, they’ll be the ones that pay,” Dreier said. “Real estate here is very profitable. The one-time tax is a small percentage of average home appreciation over the last three to five years.”

He takes the complaints from real estate agents with a grain of salt, saying it's their job to criticize any new tax or regulation. He said if the agents were really worried about the sellers, they'd take a smaller cut themselves.

"Realtor fees are onerous compared to the size of this transfer tax," he said.

L.A.'s Filthy Rich Are in a Frenzy to Sidestep the New 'Mansion Tax'

Top-earning Angelenos are plotting strategies to avoid a new tax on super-luxe homes that will make them imperceptibly less rich

The richest of the filthiest rich in one of the world's richest cities are doing their damndest to figure out how to skip paying what fans and opponents alike are calling the new "mansion tax."

As the Los Angeles Times reports, last Election Day, voters approved Measure ULA—a documentary transfer tax that increases the city's cut of the money for land sold within it. Effective April 1, 2023, the rule will impose an additional tax on properties deemed "high value," with rates rising to four percent on property sales valued between $5 million and $10 million, and 5.5 percent on properties exceeding $10 million in value.

An analysis published by UCLA's Lewis Center for Regional Policy Studies finds that the tax will affect only about four percent of overall real estate transactions in a given year, including commercial, and less than three percent of single-family home and condo sales, the Times reports, but the lucky few whose obscene fortunes are affected by the tax are feverishly devising plans with their money handlers and other lackeys to avoid paying one red cent of it.

For, not only would the measure fluster a tiny group of homeowners—developers and agents would feel the burn, too.

Others believe that the tax would be a nifty way for super-cush property owners to help fix city problems. These problems, of course, stem from the significant appreciation of their property values, making said properties unaffordable for the average Angeleno. However, if developers were to be exempt from the tax, the madly monied contend, they could still build affordable housing without worrying about the fee. They claim, as such humans are wont to do, that the new tax—like all taxes—could make them averse to pursuing projects that might also benefit the greater good.

"If potential profits go down, landowners might be incentivized to sit on their land instead of developing it or selling it to a developer," Shane Phillips, House Initiative Project Manager for UCLA's Lewis Center, tells the Times. "I'm not concerned for the welfare of landowners, but we have to acknowledge the economic reality that these people have choices. And we've made the choice to develop less compelling in some cases."

The measure is making certain homeowners and those adjacent to their wealth get truly creative about keeping all of it right in their pockets. Given that the tax is fixed on sales only above $5 million, the newest, greasiest workaround is to split properties into smaller parcels with different ownership of each. This means owners could (in theory) avoid an $825,000 tax bill on a $15 million property if they were to band together and sell the three parcels for just shy of $5 million each. Thus, they would hypothetically rip off not only the taxman, but also the city in which they live, and from which they derive untold benefit and advantage.

The most obvious scheme, however, is to simply unload property before the mansion tax goes into effect in April. As Compass agent Bret Parsons tells the Times, "For owners who were on the fence about selling, this will speed up the process."

He added that "rich people are very clever" and "they have time to look for loopholes." We're sure the latter is quite true.

Regardless of the acumen perceived by those who feed on the wealth of the hyper-secure, they want you to believe that the new tax could prove to be destructive given L.A.'s current housing crisis. Though the tax was intended and voted in as a measure to benefit the entire city, the logic goes that the fabulously well-to-do would sooner sink a metropolis than pry open a change purse. And some of them are unabashed in expressing that threat.

Jason Oppenheim of the Oppenheim Group told the Times that the tax is a travesty, as the handmaiden to power predicts sales will skyrocket for the next three months, followed by a market freeze once the tax hits with sellers hanging onto their deteriorating properties like grim death as hapless buyers (also rich as hell) are unable to buy unless—heaven forfend!—they plan to own for multiple decades.

"It's going to push developers out of L.A.," Oppenheim warned. "A 4% or 5.5% tax equates to 20-30% of developer profits. So those developers will choose to develop in other luxury communities where they won't have to pay the tax, such as Beverly Hills, West Hollywood or Newport Beach."

Well, if that's the kind of person who'll be fleeing L.A. when the mansion tax takes effect, it just might be a beautiful spring after all.

Stanford surpasses Getty Museum as largest recipient of property tax exemptions in California

Local leaders say university is depriving neighboring cities of much-needed revenue

Stanford University recently surpassed the Getty Museum in Los Angeles as the largest recipient of property tax exemptions in California. The university received more than $16.8 billion in tax exemptions last year for its various campus properties, nearly half of the $35.2 billion of property tax exemptions in the county, according to the Santa Clara County Assessor.

Local leaders say the tax exemptions are depriving neighboring cities of much-needed revenue because there are fewer tax dollars to support local public schools, community colleges, special districts like VTA, and county and city governments.

As Stanford considers plans to build more student and faculty housing and continues buying off-campus homes for faculty, some local leaders are concerned about the university's impact on their cities.

"Every time (Stanford) buys a home, that home potentially comes off the property tax rolls," Palo Alto Council member Tom DuBois told San Jose Spotlight. "That's kind of a big deal because it means their property will never be reassessed."

The Santa Clara County Board of Supervisors voted earlier this week to accept a report from the university and local stakeholders outlining expansion plans in several areas, including building more housing for students and faculty. Before accepting the report, some officials expressed their own concerns about the university's impact on cities like Palo Alto.

"It's a double-whammy," County Supervisor Otto Lee said. "It's taking housing stock from the public. And two, it's now the county ... (that) is also losing out on that (revenue)."

Since the 1980s, Stanford and Palo Alto have had an ongoing agreement under which the university compensates the city for utilities, police and fire assistance and public transit. DuBois and Vice Mayor Lydia Kou said they're interested in exploring models similar to those followed by some Ivy League universities, in which the universities pay more for city services as a way to recoup lost tax revenue. The funds could be used for increasing local library hours, subsidizing child care programs and expanding public transit systems, Kou said.

"Palo Alto's needs have not been fully vetted," she said. "I think it benefits all of us if we all work together."

DuBois and Kou also have urged the university to build more housing for its service workers and contribute to Caltrain's electrification project, which would help students and faculty who live far from campus to access the university more easily.

"The exemption supports the university in fulfilling its mission of research, education and service to the benefit of the region, country and world," Stanford spokesperson Luisa Rapport said. "Stanford has also devoted significant lands in the Stanford Research Park and at the Stanford Shopping Center to commercial uses that are not exempt and generate significant tax revenues for the Palo Alto Unified School District, the city of Palo Alto and the county of Santa Clara."

Private universities, hospitals, religious organizations and public schools are among the organizations eligible for property tax exemptions under state law. The spirit of these exemptions is that the loss of tax revenue is recouped through community services provided by these organizations.

Stanford's recent moves to buy up local homes for its faculty has sparked a separate controversy at the county assessor's office.

"The people in Palo Alto make the argument that Stanford doesn't pay their fair share, and that's understandable," Assessor Larry Stone said.
Stone said Stanford has sold homes to its professors at below-market rates. Those professors have then expected their homes to be assessed at those below-market rates.

"The professors are all up in arms with my office," Stone said. "They say we should assess them at the purchase price. We tell them no. The job of the assessor is assess all assessable property at its fair market value."

Rapport said the assessments have created economic hardship for its professors. In response, Stanford has requested further tax exemptions on those homes to make up the added costs of those assessments.

"It is critical to Stanford's educational mission to provide housing that is affordable for faculty," Rapport said. "We have met with the Santa Clara County Assessor's Office, and we welcome working with them to identify a resolution on this issue.

City Of Los Angeles Trumpets A "Mansion Tax" For Real Estate To Ring In 2023

Measure ULA (United to House LA) was passed by 58% of the City of Los Angeles' voters in the November 2022 referendum and will become law on January 1, 2023, but it will only impact transactions starting on April 1, 2023. The new tax will be payable to the city in addition to the existing documentary transfer tax already imposed on property sales within the city, which has a combined city and county rate of 0.56%.

Real estate owners of residential or commercial property valued at $5 million or more within the City of Los Angeles, in particular those considering or in the process of a transaction in 2023, will want to take note of this new measure and consult their tax and real estate professionals and counsel now to assess the impact on any existing or proposed transactions that may close on or after April 1, 2023. This new tax and its impact are discussed in more detail below.

What is it?

Measure ULA, commonly referred to as the "Mansion tax," is also more accurately referred to as the "Homelessness and Housing Solutions Tax." Regardless the moniker, it will impose a new tax on the transfer of certain residential and commercial real property located in communities within the City of Los Angeles valued at over $5 million. The city estimates these transfer taxes will generate $900 million a year to pay for housing subsidies and provide financial assistance for tenant protections and housing security.

What will the economic impact be?

Currently, the City of Los Angeles and Los Angeles County levy documentary transfer taxes on every transfer instrument that conveys land sold within the city and county. When the property's value exceeds $100, the city collects tax at a $4.50 per $1,000 of consideration. The county levies a tax of $1.10 per $1,000 of consideration. The city and county transfer taxes currently amount to $5.60 per $1,000 of consideration.

On April 1, 2023, there will be a drastic increase in the transfer tax amounts payable when recording transfer deeds. The City of Los Angeles will impose an additional transfer tax on the sale or transfer of "high-value" commercial and residential real properties within the city boundaries. That tax will be calculated in the following manner: 4% for properties sold between $5 million and under $10 million and 5.5% for properties sold for over $10 million. The additional tax would apply to the entire sale value, not just the amount over the $5 million and $10 million thresholds, regardless of whether there has been a gain or loss on the sale. A property's value will include any lien or encumbrance remaining on the property after the sale.

This taxing scheme is similar to the model already in place in other cities in California, such as San Francisco, and more recently in Culver City and Santa Monica, which border several of the City of Los Angeles's communities. The sale or property value thresholds are scheduled to be adjusted each year based on inflation. The tax is anticipated to affect approximately 4% of real estate transactions per year.

Are there exemptions?

The Measure specifies that certain exemptions from the new tax do not apply to the existing documentary transfer taxes currently imposed. These exemptions include transfers to certain non-profit entities, community land trusts, and limited-equity housing cooperatives that, subject to certain exceptions, demonstrate a history of affordable housing development and affordable housing property management experience. Also, any other transferee exempt from the City's taxation power under the state or federal constitutions will apply, such as mere changes in identity, form, or gifts of a property free from debt.

It is still being determined whether the exceptions outlined in the State of California transfer tax statute under sections 11911-11930 of the Revenue and Taxation (R&T) Code, will apply to the new tax (e.g., foreclosures and deeds-in-lieu of foreclosures). It is also unclear from the drafting whether or not the City will interpret certain parts of the Measure, including the application of the $5 million and $10 million thresholds, to transfers that include separate interests in real property (e.g., land and improvements, commercial condos) or partial ownership interests. We will have to see how the final drafting of the law addresses these issues.

Will it apply to other non-instrument transfers?

Based on the provisions drafted in Measure ULA, it appears likely that for property tax reassessment purposes, the city will also interpret the tax as applying to a transfer of interests in a legal entity which result in a change in ownership of real property held by the legal entity.

CONNECTICUTT
East Windsor selectmen delay property revaluation until next year

This year's planned property revaluation in East Windsor will not be implemented in order to reduce the burden of price increases in gas, food and utilities on residents, town officials announced this week.

"There are simply too many other outside pressures pushing on people right now," First Selectmen Jason Bowsza said.

The Board of Selectmen voted unanimously last week for the postponement.

If the updated assessment on property values had been conducted in 2022, the average increase across all properties would have been 30%, with residential values increasing by 40% and commercial by 10%, Bowsza said.

The revaluation assessments, which are required under state law every 10 years and are typically updated every five years.

But "people are hurting and we didn't want to compound the stresses of a property revaluation right now if we could avoid it," Bowsza said.

Instead, East Windsor residents won't face a revaluation until 2023. The next fiscal year budget will operate on the last major revaluation done in 2017, Bowsza said.

The planned 2022 revaluation was a statistical update, which is based on a market assessment rather than a full physical inspection of individual properties.

State law requires municipalities to conduct a full revaluation every 10 years, alternating with a statistical revaluation every five years.

The last statistical revaluation in East Windsor was done in 2012, and the full physical revaluation was last done in 2017.

Bowsza said state law allows the town to delay property revaluation one time and for one year. A penalty could result if revaluation were put off longer.

At the Dec. 15 Board of Selectmen meeting, Martin Heft, undersecretary with the state Office of Policy and Management, said the penalty for East Windsor would be around $86,000 in state aid for further delay.

Bowsza said he would send a request to the OPM secretary, which has the power to waive the penalty.

During the Dec. 15 meeting, Heft and Bowsza presented three options to the board on how to deal with the planned 2022 statistical revaluation.

The first option was to implement a full physical revaluation, even though East Windsor was due for a statistical review.

Bowsza said that would allow for the real estate property market to correct itself and would lead to a considerable drop in the tax rate. But the cons would include a significant tax impact on mostly small homes and homes that have not sold in the last five years.

The second option would be a phase-in revaluation, which would spread out the increase over several years by implementing it in percentages over the next few years.

Bowsza said this could lead to the town receiving fewer state grants.

His major concern with the third and preferred option was the real estate market uncertainty, which ballooned during the COVID-19 pandemic.

"We just don't know that the market is going to be any lower in 12 months," Bowsza said at the meeting.

Bowsza believes that they are "giving the market an opportunity to correct a little bit" and see if housing values will come down some in the interim.

What Revaluation May Mean For Your Tax Bill, Explained

Following confusion from readers concerning the tax implications of the recent real estate revaluation, a review of how revaluation works, and what some of the numbers presented in the previous article mean, is in order.

Many Newtown homeowners may have found the tax assessments on their homes have gone up a large amount — the average residential assessment increased 43 percent. Commercial, Industrial, and Public Utility assessments increased 9.1 percent across the three categories, and apartments increased 78.6 percent. The combined increase across all real estate categories is 39 percent.

This comes a year after residents saw a large increase in vehicle taxes.

However, with home values increasing so much, and the subsequent increase in the value of the town's Grand List, which is the total values of taxable property across the entire town, the estimated mill rate will go down to compensate. With the mill rate going down, this will mean a decrease in taxes paid on vehicles, as vehicles are paid off the same mill rate as real estate.

A mill equates to one dollar in taxation for every $1,000 in taxable property.

While nothing is set in stone, Finance Director Bob Tait is estimating that the mill rate will decrease from the current 34.67 mill rate to 25.86 mills.

NOTE: this new mill rate is only an estimate, based on the budget staying flat from this year.

So if the Legislative Council this spring approves a 0 percent spending increase and barring no other changes, 25.86 mills would be the mill rate for the 2023-24 fiscal year. However, the town is beginning its review of the budget, with officials formulating their budget requests to go to the First Selectman now, and then most go to the Board of Selectmen, the Board of Finance, the Legislative Council, and finally, the voters in April, before the actual new mill rate will be known.

This means that 25.86 is the base line from which any budget increases will be calculated, rather than the old 34.67.

Using the estimated mill rate, Tait noted that an average residential home that paid $8,570.42 in taxes in 2022-23, as well as with two vehicles where they paid $811.50 on one and $486.90 on the other, would this year pay $9,003.93 on their home, a $433.51 or 5.1 percent increase; $646.50 on the first car, a $165 or 20.3 percent decrease; and $387.90 on the second car, a $99 or 20.3 percent decrease, for an overall difference of $169.51 in total taxes, a 1.7 percent increase.

Individual taxpayers may see larger or smaller increases, depending upon their individual situations, Tait said.

Tait presented how to calculate an estimated tax bill: For real estate, divide the amount in your revaluation notice and divide by 1,000, then times by 25.86. For motor vehicle taxes, take the prior tax amount and times it by .75 (ie, it should be 20 percent less than the prior year).

The new assessments are an update based on sales of property in the area, and not based on full inspections of each home. The town's next full revaluation with full inspections of each residence is in 2026.

The town is required by state statute to do a revaluation every five years, switching between a statistical revaluation (where appraisals are calculated based on recent sales, but homes are not individually inspected), and a full revaluation (which includes individual inspections of properties across town).

To view the latest data on your property, go to vgsi.com to access your latest property information.

While the informal hearing process for those who disagree with their assessments ended on December 14, for those who wish to appeal the assessments after the informal hearing process is complete, they must file a written appeal to the Newtown Board of Assessment Appeals on the prescribed appeal application, which can be found on the Town of Newtown website at: newtown-ct.gov/board-assessment-appeals.

Those wishing to appeal may also obtain the prescribed appeal application at the Assessor's Office since the informal hearing process is complete. Appeals cannot be accepted until the 2022 Grand List has been filed, usually around January 31.

Appeals applications must be received in the Assessor's Office by 4:30 pm on February 20.

FLORIDA
Disney is suing over its property tax assessments — again

Some things in this world are certain, like death and Disney fighting its taxes.

Walt Disney Parks and Resorts recently filed a dozen lawsuits to appeal the 2022 property tax assessments done by the Orange County property appraiser.

It's the second time this year Disney has turned to the courts to fight its tax bill. Disney, which has contested its property assessments in court for years, filed a series of lawsuits six months ago over the assessments for several resorts and administrative spaces.

In the newest round of Orange County lawsuits from this month, Disney argued against the property appraiser's methodology for the assessments at the four theme parks, multiple resorts and some of Disney's other buildings.

"The Appraiser failed to comply with … Florida Statutes and professionally accepted appraisal practices in assessing the Subject Property. … The Appraiser has included the value of certain intangible property in the Assessments," Disney said in court documents which didn't provide details about what The Mouse claimed was done improperly.

In 2022, Epcot was assessed at about $521 million, Hollywood Studios at $479 million, the Magic Kingdom at $467 million and Animal Kingdom at $387 million, according to court documents.

Disney said it has fully paid the 2022 tax bills as it fights the assessments. Disney submitted its tax bills, which, for the No. 1 park in the world, the Magic Kingdom, was $12.8 million if paid by Nov. 30. Epcot's tax bill was $14.3 million.
For Disney theme parks, 2022 was a banner year financially, with then-company CEO Bob Chapek praising the record financial results last month before he was ousted a short time later. The Disney Parks, Experiences and Products division reported $7.9 billion in revenue for the fourth quarter.

Disney did not immediately respond to requests for comment for this story.

Orange County's previous Property Appraiser, Rick Singh, had said Disney was historically undervalued.

"It's a matter of being fair and equitable," Singh told the Associated Press in 2017. "If the single mother who is working two jobs has to be held accountable to pay her fair share, so should everybody else."

Singh, who also dealt with well-publicized scandals in office, was later voted out of office and Amy Mercado took over as the new Appraiser in 2021.

Mercado has shown a willingness to make deals with Disney.

Last year, she reached a settlement with Disney that refunded the company about $9 million for the 2015-2020 tax bills for the four theme parks as well as several smaller properties including the Transportation and Ticket Center, the Wedding Pavilion at Disney's Grand Floridian Resort & Spa and Fantasia Fairways Miniature Golf Course.

Mercado's office declined to comment Friday, but she said last year, "The whole purpose of our office, regardless of who is in it, is fair, equitable and just values. It doesn't matter who the owners are. What I believe we need to do is remove all the political noise that has occurred throughout the years and give everyone, every property owner, their fair shake."

Dominatrix trio propose tax-funded sex dungeon at council meeting

A council meeting in Fort Lauderdale, Florida was interrupted when a trio of latex-clad dominatrices walked in and demanded a tax-funded sex dungeon.

No, we're not kidding.

The leader of the trio known only as Miss Krave spoke to the council with a proposal to spend $250,000 in order to build a BDSM dungeon "created for us, by us, the taxpayers and voting citizens."

Setting the tone, Miss Krave opened up her speech with "good evening, council peoples. You may call me Mistress."

The council's meeting focused on a $906,500 contract for a waste disposal centre but Mis Krave had an alternative solution for where the money should be spent.

"I do however find it interesting that you will spend almost $1 million to hide your secrets down the drain. Hiding that condom I know you used to cheat on your spouse with," she told the council.

"So, I propose that you use a quarter of that mil to support doms and subs in Broward County to build a dungeon, created for us by us, the taxpayers and voting citizens."

Miss Krave finished her speech by reminding the council to not let her "glamourous look distract you from doing your duty to take my demand."

"I look forward to spanking each and every single one of you at the new esteemed dungeon. You are dismissed."

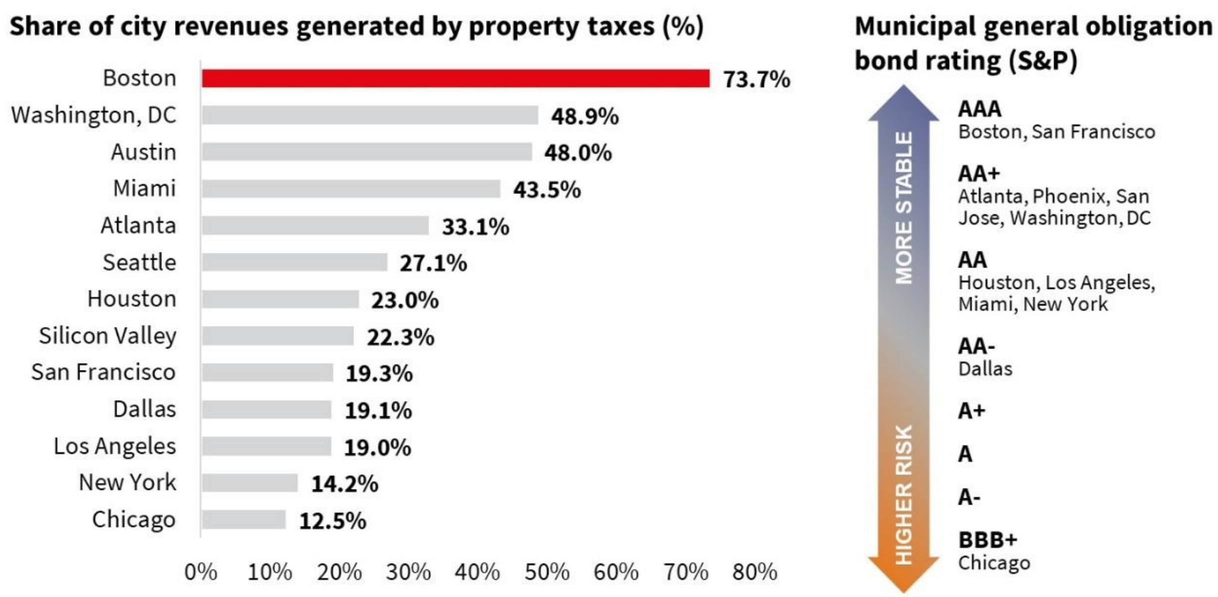
And of course, gay Twitter does what gay Twitter does best by crowning the trio as LGBTQ+ icons, legends, and even mothers.

"Icons. Legends. Queens," one user wrote.

"Gagged everyone in the room," another wrote.

So far, no news as to whether the BDSM dungeon is going to be approved as of yet but it is the silly season and miracles can happen.

GENERAL
Falling property tax assessments could challenge local governments



Source: JLL Research, Bloomberg

As property values decline meaningfully in the wake of interest rate increases, some of the largest office markets in the U.S. face heightened risk of shock to municipal finances due to greater reliance on property taxes for revenue, or pre-existing challenges that will be amplified amid a slowing economy.

Office asset values in major markets have generally declined 15%-30% since the beginning of the year, potentially eliminating billions of dollars in municipal revenues in cities with higher property tax rates.

While the prospects of a municipal default or bankruptcy won't lead to immediate consequences for landlords or tenants, critically poor city finances lead to long-term challenges in attracting population growth and business investment. Previous examples have included the bankruptcies of Stockton, CA and Detroit.

A potential drop in capital gains and sales taxes could create further budget challenges, which should make economic development and pro-business governance a critical priority for local jurisdictions to blunt the impact.

States that collect the most in property taxes

Real estate platform ZeroDown examined data from the Census Bureau's annual State Government Tax Collections Survey to see how much money states collect in property taxes.

It's important to note there are 14 states that do not collect property taxes at the state level. And while states with the most expensive properties, such as New York and New Jersey, have some of the highest property tax rates in the country, their revenues are divided among local governments such as cities or counties. In most states, property taxes, which are paid on property (either by an individual or corporation) based on its value, account for only a small portion of revenues. The federal government collected $23 billion in property taxes last year.

Since property tax rates are usually based on assessed value, it may seem counterintuitive that the rate of property tax increases actually slowed in 2021 compared to previous years—despite single-family housing prices staying red-hot across the country. But this effect can be explained by rates staying the same as property values increased. This lag in property taxes catching up with property values will hit homeowners with higher tax bills in 2022. According to Attom Data cited by The Washington Post, the average tax bill on single-family homes in the U.S. was up 1.8% from $3,719 in 2020 to $3,785 in 2021.

Note that the U.S. Census Bureau did not release 2020 data due to the COVID-19 pandemic. All 2019 figures cited in the following list have been adjusted for 2021 rates of inflation and rounded to the nearest dollar.

20. West Virginia
- Property tax as share of total revenues: 0.13%

- 2021 total property tax revenues: $8.1 million
West Virginia is known for its Appalachian Mountain vistas, as well as the organized labor and environmental legacies of its coal industry. Before the pandemic, West Virginia enjoyed the second-lowest property tax rates nationwide. For remote workers who don't need to drive several hours to their jobs in metro Washington D.C., the Mountain State, with its median property tax bill of $899 in 2019, offers a much lower cost of living compared to adjoining Virginia and Maryland.

19. Missouri
- Property tax as share of total revenues: 0.25%

- 2021 total property tax revenues: $37.4 million

Kansas City, Missouri, is often touted as one of the best places in the U.S. for blues and barbecue. The Show-Me State is also one of the most affordable places in the country for down-payment-saving millennials and Gen Zers to buy a starter home. Not surprisingly, lower home prices have also kept property taxes fairly low, at a 2019 median of $1,782.

18. Mississippi
- Property tax as share of total revenues: 0.32%

- 2021 total property tax revenues: $29.9 million

The Magnolia State is known for Southern cooking and Gulf Shores hospitality. Together with neighboring Alabama, Mississippi has some of the lowest housing costs in the country. Mississippi is #6 for the lowest property tax bill in the U.S., with a median value of $1,249.

17. Wisconsin
- Property tax as share of total revenues: 0.43%

- 2021 total property tax revenues: $95.8 million

The Badger State is famed for its college and Green Bay Packers football, as well as America's Dairyland license plates. Despite being in the medium range of Midwest housing affordability, Wisconsin also has high property taxes paired with above-national-average income and sales taxes. The median household property tax bill for 2019 was $3,643.

16. South Carolina
- Property tax as share of total revenues: 0.59%

- 2021 total property tax revenues: $79.0 million

Much like its neighbor Florida, South Carolina attracts residents with its sunny beaches and warm winters. The state draws visitors to the colonial mansions of historic Charleston and the world-famous Hilton Head Island golf resort.

In recent years, affordable living and taxes have drawn thousands to live in the Palmetto State. Pre-pandemic, South Carolina homeowners enjoyed the fourth-lowest property taxes in the country, with a median bill of $1,148 per year.

15. Maine
- Property tax as share of total revenues: 0.82%

- 2021 total property tax revenues: $44.6 million

All-time bestselling horror novelist Stephen King calls Maine home. The Pine Tree State continues to draw less famous New Englanders and other Americans with an affordable cost of living and steady job growth. Some Maine residents also take advantage of neighboring New Hampshire's lack of a state income tax. Because of Maine's much lower property taxes, some residents will commute for work in the Granite State. For 2019, the median property tax bill in Maine was $2,896.

14. Louisiana
- Property tax as share of total revenues: 0.85%

- 2021 total property tax revenues: $103.8 million

Louisiana ranks as the fifth-most-affordable state in terms of property taxes, but it also has suffered housing shortages following 2005's devastating Hurricane Katrina and the more recent Hurricane Ida. In 2019, the median property tax bill for Bayou State homeowners was a relatively low $1,171.

13. New Mexico
- Property tax as share of total revenues: 1.23%

- 2021 total property tax revenues: $91.8 million

In 110 years of statehood, New Mexico has been famous for attracting artists to its picturesque mesas of the high desert. In recent decades, the Land of Enchantment has also enjoyed a natural gas boom and tourist influx to its ski resorts such as Taos. A widely publicized event purported to be a flying saucer crash has also drawn UFO believers worldwide to the small city of Roswell since 1947. Similar to neighboring Arizona, New Mexico has a small property tax bill, averaging $1,676.

12. California
- Property tax as share of total revenues: 1.27%

- 2021 total property tax revenues: $3.2 billion

California has been one of the hardest-hit states in terms of net out-migration, even before the pandemic. The Golden State sits inside the top 10 ranking of highest property taxes in the country. Combined with near-record prices, these factors motivated many residents to sell. Before looking up U-Haul rates from San Francisco to Austin, however, Californians may want to consider the median 2019 property tax bill of $4,536 was just a few hundred dollars more per year than in Texas.

11. Georgia
- Property tax as share of total revenues: 2.63%

- 2021 total property tax revenues: $732.3 million

Georgia is known for college football, Savannah's historic oak-shaded avenues, and the nation's busiest airport in Atlanta. The city's leading tourist destination is Dr. Martin Luther King Jr.'s National Historical Park. Atlanta is an epicenter for Black-owned startups and entrepreneurship.

Well before the pandemic, Georgia's low property taxes and coastal getaways were drawing primary residence and vacation home buyers to the Peach State. In 2019, the median property tax bill for Georgia homeowners was $1,982.

10. Nevada
- Property tax as share of total revenues: 3.71%

- 2021 total property tax revenues: $386.5 million

There's no question the pandemic hastened and expanded the trend of Nevada luring Californians and other Americans to Las Vegas. With the second-most sunniest days per year of any state (behind Arizona), Nevada has no state income tax and discreet business registration laws, making it a magnet for entrepreneurs and gamblers trying their luck.

With Vegas and Reno home sales staying hot as most U.S. metro housing markets cool this summer, new Nevadans can look forward to affordable property tax rates. In 2019, the median Nevada homeowner received a tax bill of $1,789.

9. Michigan
- Property tax as share of total revenues: 6.96%

- 2021 total property tax revenues: $2396.4 million
The Wolverine State has drawn tourists to its abundant outdoors in recent years with its Pure Michigan ad campaign, voiced by "Toy Story" actor Tim Allen. When it comes to moving to the Great Lakes, regardless of the decades-long exodus from Detroit, Michigan has not been spared from housing shortages and bidding wars. A large number of wealthy Chicagoans buying second homes in Michigan has been a factor in housing costs, particularly along the lakes, as has the shortage of construction materials and homebuilding labor in rural areas.

With a median homeowner tax bill of $2,706 in 2019, Michigan remains in the middle of the pack for property taxes in the Midwest.

8. Kansas
- Property tax as share of total revenues: 7.02%

- 2021 total property tax revenues: $815.7 million

The Jayhawk State stands at the geographic center of the U.S., stretching from Kansas City, Kansas, in the east to the High Plains bordering Colorado in the west.

Despite having some of the most affordable housing in the Midwest, Kansas also runs in the middle of the pack for property and state income tax rates, per the Census data. Kansas homeowners' median property tax bill was $2,466 in 2019.

7. Montana
- Property tax as share of total revenues: 8.63%

- 2021 total property tax revenues: $334.8 million

Like neighboring Idaho, Montana has experienced pandemic and remote work-accelerated population growth. Affordable housing for middle- to lower-income residents, particularly those who work in higher education, hospitality, and tourism, has become a major issue in the state.

Amid the housing boomlet, small-government activists have pushed a ballot initiative to cap property tax rates at 2019 levels. The median 2019 property tax bill for Montanans came in at $2,196.

6. Arkansas
- Property tax as share of total revenues: 11.15%

- 2021 total property tax revenues: $1.3 Billion

Arkansas is known to current generations as the birthplace and childhood home of former U.S President Bill Clinton. Aside from agriculture and abundant natural gas reserves, the Natural State offers inviting spas and outdoor spaces. Visitors have been enjoying the historic spa baths of Hot Springs since a railroad line was constructed in the 1870s.

Whether you pronounce the name of longtime residents as "AR-Kansans," the state's homeowners enjoy the third-lowest property tax bills, per the Census research. The median Arkansas residential property tax bill was just $992 in 2019.

5. Alaska
- Property tax as share of total revenues: 11.39%

- 2021 total property tax revenues: $120.0 million

Alaska is the second-least-populated state and possibly the only portion of the U.S. poised to benefit from expanded shipping through a thawing Arctic ice cap. Since the U.S. purchased the vast territory from Russia in the 19th century, an abundance of natural resources including fisheries, gold, oil, and gas has drawn settlers to the Last Frontier.

However, alongside the Northern Lights and breathtaking fjords comes certain drawbacks, beyond jokes about the state's frigid temperatures and geographic distance from the contiguous U.S. Alaska doesn't have enough residents to support a property tax, and thus it funds basic services with sales tax collections and federal transfers. Consequently, with most of Alaska's territory designated as federal or tribal lands exempt from state property taxes, people in the largest cities of Anchorage and Juneau pay more in property tax. Alaska's median residential property tax bill reached $3,692 in 2019.

4. New Hampshire
- Property tax as share of total revenues: 12.49%

- 2021 total property tax revenues: $401.4 million

You might expect a state with a founding motto "Live free or die" to have lower property taxes than its famously liberal Democratic New England neighbors Vermont and Massachusetts. Thanks to the trade-offs associated with New Hampshire's lack of a state income tax, that's not the case.

In part reflecting its high average property values and number of second homes for Massachusetts residents, New Hampshire's 2019 median property tax bill came in at a whopping $6,244, ranking it the third-most-expensive state for property taxes.

3. Washington
- Property tax as share of total revenue: 13.34%
- 2021 total property tax revenue: $4.4 billion

Washington State is famous for Seattle's Starbucks, Microsoft, the Boeing assembly line, and the rainy Pacific Northwest climate. But the Evergreen State has persisted as a tech startup hub in no small part due to its lack of a state income tax.

As with Texas and New Hampshire, the trade-off for no state income tax is higher property taxes, with Washington's 2019 median homeowner bill weighing in at $3,617.

2. Wyoming
- Property tax as share of total revenues: 15.78%

- 2021 total property tax revenues: $295.9 million

If you're looking for a home with open spaces to roam, Wyoming is the least-populated U.S. state, with slightly fewer residents than Alaska. The Cowboy State is known for its ranching, mining, and winter skiing destinations, including the year-round resort of Jackson Hole.

In 2019, Wyoming homeowners enjoyed the 10th-lowest property tax bill in the country, with a median bill of $1,483.

1. Washington D.C.
- Property tax as share of total revenues: 33.35%

- 2021 total property tax revenues: $3.0 billion

Already one of the most expensive cities in the country, the nation's capital also takes the cake for some of the highest property taxes in the land. Last year, The Washington Post ranked the District of Columbia as having the third-highest property tax rate in the U.S.

How a ‘Golden Era for Large Cities’ Might Be Turning Into an ‘Urban Doom Loop’

The past 30 years “were a golden era for large cities,” Stijn Van Nieuwerburgh, a professor of real estate and finance at Columbia Business School, wrote in November 2022: “A virtuous cycle of improving amenities (educational and cultural institutions, entertainment, low crime) and job opportunities attracted employers, employees, young and old, to cities.”

New York, Los Angeles, Boston and San Francisco, Van Nieuwerburgh continued, “became magnets for the highest-skilled employees and the top employers, with particular concentrations in finance and technology.” In late February and early March 2020, the Covid-19 pandemic hit New York and other population hubs. In Van Nieuwerburgh’s telling, the Covid-19 crisis “triggered a massive migration response. Many households fled urban centers. Most of these Covid migrants moved to the suburbs.”

As the pandemic endured and subsequent coronavirus variants prompted employers to postpone return-to-office plans, Van Nieuwerburgh noted, “Covid-induced migration patterns began to take on a more persistent character. Many households transitioned from temporarily renting a suburban home to purchasing a suburban home.”

In Van Nieuwerburgh’s view — and that of many of his colleagues — what seemed like a transitory step to avoid infection has become a major force driving the future direction of urban America.

Scholars are increasingly voicing concern that the shift to working from home, spurred by the Covid pandemic, will bring the three-decade renaissance of major cities to a halt, setting off an era of urban decay. They cite an exodus of the affluent, a surge in vacant offices and storefronts, and the prospect of declining property taxes and public transit revenues.

Insofar as fear of urban crime grows, as the number of homeless people increases and as the fiscal ability of government to address these problems shrinks, the amenities of city life are very likely to diminish.

Jacob Brown, a postdoctoral fellow at Princeton's Center for the Study of Democratic Politics, elaborated in an email on the consequences for cities of the more than 20 percent of urban employees now working full or part time from home:

With respect to crime, poverty and homelessness, Brown argued:

One thing that may occur is that disinvestment in city downtowns will alter the spatial distribution of these elements in cities — i.e. in which neighborhoods or areas of a city is crime more likely and homelessness more visible. Urban downtowns are often policed such that these visible elements of poverty are pushed to other parts of the city where they will not interfere with commercial activities. But absent these activities, there may be less political pressure to maintain these areas. This is not to say that the overall crime rate or homelessness levels will necessarily increase, but their spatial redistribution may further alter the trajectory of commercial downtowns — and the perception of city crime in the broader public.

"The more dramatic effects on urban geography," Brown continued, may be how this changes cities in terms of economic and racial segregation. One urban trend from the last couple of decades is young white middle- and upper-class people living in cities at higher rates than previous generations. But if these groups become less likely to live in cities, leaving a poorer, more disproportionately minority population, this will make metropolitan regions more polarized by race/class.
My Times colleague Nicholas Fandos documented the damage that even the perception of rising crime can inflict on Democrats in a Nov. 27 article, "Meet the Voters Who Fueled New York's Seismic Tilt Toward the G.O.P.": "From Long Island to the Lower Hudson Valley, Republicans running predominantly on crime swept five of six suburban congressional seats, including three that President Biden won handily that encompass some of the nation's most affluent, well-educated commuter towns."

Questions about the pandemic

When will the pandemic end? We asked three experts — two immunologists and an epidemiologist — to weigh in on this and some of the hundreds of other questions we've gathered from readers recently, including how to make sense of booster and test timing, recommendations for children, whether getting covid is just inevitable and other pressing queries.

How concerning are things like long covid and reinfections? That's a difficult question to answer definitely, writes the Opinion columnist Zeynep Tufekci, because of the lack of adequate research and support for sufferers, as well as confusion about what the condition even is. She has suggestions for how to approach the problem. Regarding another ongoing Covid danger, that of reinfections, a virologist sets the record straight: "There has yet to be a variant that negates the benefits of vaccines."

How will the virus continue to change? As a group of scientists who study viruses explains, "There's no reason, at least biologically, that the virus won't continue to evolve." From a different angle, the science writer David Quammen surveys some of the highly effective tools and techniques that are now available for studying Covid and other viruses, but notes that such knowledge alone won't blunt the danger.

What could endemic Covid look like? David Wallace Wells writes that by one estimate, 100,000 Americans could die each year from the coronavirus. Stopping that will require a creative effort to increase and sustain high levels of vaccination. The immunobiologist Akiko Iwasaki writes that new vaccines, particular those delivered through the nose, may be part of the answer.

And on Tuesday, Mayor Eric Adams of New York announced a plan to subject severely mentally ill people who are found on subways or city streets to involuntary hospitalization.

Nicholas Bloom, an economist at Stanford, described some of the economic forces at work in an email:

In big cities like New York and San Francisco we estimate large drops in retail spending because office workers are now coming into city centers typically 2.5 rather than five days a week. This is reducing business activity by billions of dollars — less lunches, drinks, dinners and shopping by office workers. This will reduce City Hall tax revenues.

Compounding the problem, Bloom continued:

Public transit systems are facing massive permanent shortfalls as the surge in working from home cuts their revenues but has little impact on costs (as subway systems are mostly a fixed cost). This is leading to a permanent 30 percent drop in transit revenues on the New York subway, San Francisco BART, etc.

These difficulties for cities will not go away any time soon. Bloom provided data showing strong economic incentives for both corporations and their employees to continue the work-from-home revolution if their jobs allow it:

First, "Saved commute time working from home averages about 70 minutes a day, of which about 40 percent (30 minutes) goes into extra work." Second, "Research finds hybrid working from home increases average productivity around 5 percent and this is growing." And third, "Employees also really value hybrid working from home, at about the same as an 8 percent pay increase on average."

In the case of New York, Bloom wrote that he is "reasonably optimistic in the long run" and "current office leasing markets are soft but not in collapse."

That view is not shared by three other experts in real estate economics, Arpit Gupta of N.Y.U.'s Stern School of Business, Vrinda Mittal of the Columbia Business School and Van Nieuwerburgh. They anticipate disaster in their September 2022 paper, "Work From Home and the Office Real Estate Apocalypse."

"Our research," Gupta wrote by email, emphasizes the possibility of an "urban doom loop" by which decline of work in the center business district results in less foot traffic and consumption, which adversely affects the urban core in a variety of ways (less eyes on the street, so more crime; less consumption; less commuting) thereby lowering municipal revenues and also making it more challenging to provide public goods and services absent tax increases. These challenges will predominantly hit blue cities in the coming years.

In their paper, the three authors "revalue the stock of New York City commercial office buildings taking into account pandemic-induced cash flow and discount rate effects. We find a 45 percent decline in office values in 2020 and 39 percent in the longer run, the latter representing a $453 billion value destruction."

Extrapolating to all properties in the United States, Gupta, Mittal and Van Nieuwerburgh write, the "total decline in commercial office valuation might be around $518.71 billion in the short run and $453.64 billion in the long run."
Their conclusions are not necessarily cast in concrete, but they are bleak:

We estimate that remote work is likely to persist and result in long-run office valuations that are 39.18 percent below prepandemic levels. The decline in office values and the surrounding central business district retail properties, whose lease revenues have been hit at least as hard as office, has important implications for local public finances.

For example, the share of real estate taxes in N.Y.C.'s budget was 53 percent in 2020, 24 percent of which comes from office and retail property taxes. Given budget balance requirements, 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.

Both would affect the attractiveness of the city as a place of residence and work. These dynamics risk activating a fiscal doom loop. With more people being able to separate the location of work and home, the migration elasticity to local tax rates and amenities may be larger than in the past.

In a separate email, Van Nieuwerburgh warned:

As property values of urban office and urban retail fall, with the increased importance of work from home, so do the tax revenues generated from those buildings and the associated economic activity. Since local governments must balance their budget, this means that they need to raise tax revenues elsewhere or cut public spending. The former is bad for the business climate. The latter is bad for the quality of life in the city: cuts to public transit, schools, police departments, sanitation departments, etc. As the quality of public services deteriorates, crime could increase, making public transit potentially even less attractive. More generally, an urban doom loop could ensue, whereby lower property tax revenues beget lower spending and higher taxes, triggering more out-migration, lower property values, lower tax revenues, less public spending, more crime and worse schools/transit, more out-migration.

In his November 2022 paper, "The Remote Work Revolution: Impact on Real Estate Values and the Urban Environment," Van Nieuwerburgh writes:

Since March 2020, Manhattan has lost 200,000 households, the most of any county in the U.S. Brooklyn (–88,000) and Queens (–51,000) also appear in the bottom 10. The cities of Chicago (–75,000), San Francisco (–67,000), Los Angeles (–64,000 for the city and –136,000 for the county), Washington, D.C. (–33,000), Seattle (–31,500), Houston (–31,000) and Boston (–25,000) make up the rest of the bottom 10.

As major cities are caught in a downward fiscal spiral, the forces driving the process will be felt in varying stages. The loss of transit ridership fares and sales taxes is immediate; declining residential, retail and office property taxes will take longer to phase in as new appraisals are performed; drops in income tax revenues will occur as families moving outside city limits change their legal residence.

One of the major consequences of these patterns, Jessica Trounstine, a political scientist at the University of California, Merced, wrote in an email, "has been segregation in fiscal capacity within metro areas." In most cases, she suggested, "the people who will leave cities will likely be higher income and whiter than the people who stay. This means that prior patterns will only be amplified, not reversed."

There are a number of ways to describe the changing character of urban America and the ever-evolving nature of post-pandemic life.

Tracy Hadden Loh, a Brookings fellow, wrote in an email that one way to view an urban downtown is like "a natural ecosystem" that has received a major shock:

Prior to the pandemic, these ecosystems were designed to function based on huge surges in their daytime population from commuters and tourists. The shock of the sudden loss of a big chunk of this population caused a big disruption in the ecosystem.

Just as the pandemic has caused a surge in telework, Loh wrote, "it also caused a huge surge in unsheltered homelessness because of existing flaws in America's housing system, the end of federally funded relief measures, a mental health care crisis and the failure of policies of isolation and confinement to solve the pre-existing homelessness crisis."

The upshot, Loh continued, is that both the visibility and ratio of people in crisis relative to those engaged in commerce (whether working or shopping) has changed in a lot of U.S. downtowns, which has a big impact on how being downtown "feels" and thus perceptions of downtown. These negative perceptions have become a real barrier to further recovery and are also shaping local elections, especially out West, where homelessness is worse, such as last year's Seattle mayoral election or the recent L.A. mayoral election.

Some urban experts have a less pessimistic outlook.

Edward Glaeser, an economist at Harvard and an author, with David Cutler, of the 2021 book "Survival of the City: The Future of Urban Life in an Age of Isolation," wrote by email: "Conventional economic theory suggests that real estate markets will adjust to any reduction in demand by reducing price. Some of this has already happened in commercial real estate." Glaeser also noted that "many businesses that thought that they were priced out of N.Y.C., San Francisco and Boston markets will reconsider if commercial prices are 30 percent lower."

In fact, Glaeser argued, while a 30 percent drop in rents in N.Y.C. or S.F. would not lead to disaster, a similar drop in Buffalo or Cleveland might be more problematic because many landlords might just decide to walk away from their properties. In that case, a bleak spiral could begin where vacancies beget vacancies as the urban service providers that cater to local businesses shut down or relocate as well.

The nation, Glaeser continued, is at an unusual confluence of trends which poses dangers for cities similar to those experienced in the 1970s. Event No. 1 is the rise of Zoom, which makes relocation easier even if it doesn't mean that face-to-face is going away. Event No. 2 is a hunger to deal with past injustices, including police brutality, mass incarceration, high housing costs and limited upward mobility for the children of the poor.

Progressive mayors, according to Glaeser, have a natural hunger to deal with these problems at the local level, but if they try to right injustices by imposing costs on businesses and the rich, then those taxpayers will just leave. I certainly remember New York and Detroit in the 1960s and 1970s, where the dreams of progressive mayors like John Lindsay and Jerome Patrick Cavanagh ran into fiscal realities.

In the short run, Glaeser wrote, both the reduction in tax revenues and current political impulses are likely to lead to more crime and homelessness, which will in turn create more of an urban exodus. I am sufficiently optimistic about cities to think that they are likely to react relatively quickly to that exodus and then pivot to being smarter about urban management. In this more hopeful scenario, the likely medium-term effect is to create a new generation of city manager-mayors, like Mike Bloomberg, who care about inequity but fight it in a smart way.

Richard Florida, a professor of economic analysis and policy at the University of Toronto, stands out as one of the most resolutely optimistic urban scholars. In his August 2022 Bloomberg column, "Why Downtown Won't Die," Florida asks, "Can America's iconic downtowns survive?" His answer:

Great downtowns are not reducible to offices. Even if the office were to go the way of the horse-drawn carriage, the neighborhoods we refer to today as downtowns would endure. Downtowns and the cities they anchor are the most adaptive and resilient of human creations; they have survived far worse. Continual works in progress, they have been rebuilt and remade in the aftermaths of all manner of crises and catastrophes — epidemics and plagues; great fires, floods and natural disasters; wars and terrorist attacks. They've also adapted to great economic transformations like deindustrialization a half century ago.

What the Covid-19 pandemic has done, Florida argues, "is to accelerate a set of changes in our downtowns that were already underway. Vestiges of the industrial age, they were gradually evolving from the one-dimensional, work-only central business districts of the 1950s, '60s and '70s."

In an email, Florida wrote that many urban central business districts are "relics of the past, the last gasp of the industrial age organization of knowledge work, the veritable packing and stacking of knowledge workers in giant office towers, made obsolete and unnecessary by new technologies."

Now, he argued, "Downtowns are evolving away from centers for work to actual neighborhoods. Jane Jacobs titled her seminal 1957 essay, which led in fact to 'The Death and Life of Great American Cities,' 'Downtown Is for People' — sounds about right to me."

Despite his optimism, Florida acknowledged in his email that American cities are uniquely vulnerable to social disorder — a consequence of our policies toward guns and lack of a social safety net. Compounding this is our longstanding educational dilemma, where urban schools generally lack the quality of suburban schools. American cities are simply much less family-friendly than cities in most other parts of the advanced world. So when people have kids, they are more or less forced to move out of America's cities.

Florida made the case in his email that cities have become critically important incubators:

What worries me in all of this, in addition to the impact on cities, is the impact on the American economy — on innovation and competitiveness. Our great cities are home to the great clusters of talent and innovation that power our economy. Remote work has many advantages and even leads to improvements in some kinds of knowledge work productivity. But America's huge lead in innovation, finances, entertainment and culture industries comes largely from its great cities. Innovation and advance in these industries come from the clustering of talent, ideas and knowledge. If that gives out, I worry about our longer-run economic future and living standards.

While the future path of cities remains uncertain, Patrick Sharkey, a sociologist at Princeton, provided an overview of the problems they face:

Cities that have lost revenue from commercial activity have received substantial support from the federal government over the last few years, but that assistance won't be sustained in the future. What comes next is not clear, but big cities have to reinvent themselves in an era when the downtown business district seems to be permanently changing. The risk that comes with fiscal distress is clear: If city governments face budget shortfalls and begin to cut back on funding for public transit, policing, and street outreach, for the maintenance of parks, playgrounds, community centers and schools and for services for homelessness, addiction and mental illness, then conditions in central cities will begin to deteriorate.

The result?

When support for the people and the basic institution of urban life is withdrawn, people suffer and public spaces start to empty out. This, along with the rising prevalence of guns across the country, creates the conditions for gun violence to worsen, reinforcing the process of decline. None of this is inevitable, and we know that investments in the people and institutions of cities are effective in creating safe, thriving public spaces. But it's not entirely clear to me where those investments will come from if revenue falls in the years to come.

In a paper from September, "Working From Home Around the World," Nicholas Bloom, whom I cited earlier, and five colleagues argue that "the implications for cities are more worrisome. The shift to working from home reduces the tax base in dense urban areas and raises the elasticity of the local tax base with respect to the quality of urban amenities and local governance."

There is reason for both apprehension and hope. Cities across time have proved to be remarkably resilient and have survived infectious diseases such as bubonic plague, cholera, smallpox and polio. The world population, which stands today at eight billion people, is 57 percent urban, and because of the productivity, innovation and inventiveness that stems from the creativity of human beings in groups, the urbanization process is quite likely to continue into the foreseeable future. There appears to be no alternative, so we will have to make it work.

5 Property-Tax Changes Hitting U.S. Homeowners in 2023

From disaster-related rebates in Florida to a mansion tax hike in Los Angeles, new tax bills bring losses and gains across the nation

Homeowners in a few top markets will see changes in their tax bills next year due to both federal and local legislation.

In California, two significant changes will affect homeowners in Los Angeles and San Francisco. The mansion tax passed by voters in November in Los Angeles adds an additional one-time transfer tax on the sale of real estate valued at over $5 million. For properties valued at $5 million to $10 million, the transfer tax is set at 4%. For properties valued over $10 million, the rate increases to 5.5%. The tax goes into effect in April and will be a permanent change to the city's tax landscape. The implementation of this transfer tax is estimated to raise up to $900 million annually in additional funds for the homeless in the city.

San Francisco will also increase property taxes to address the city's housing crisis. Landlords and other property owners of buildings with three or more rental units will pay additional tax penalties if the units stand vacant for more than 182 days. Starting in 2023, the owners will need to rent out those units or face a 2024 tax penalty of up to $5,000 per unit. This rate will increase to as much as $20,000 per unit in future years, depending on the size of the dwelling. The goal of the tax is to prevent property owners from sitting on valuable real estate when rentals are in such high demand.

In 2023, Salt Lake City will see a historic 4.9% rise in property taxes. The city has not increased property taxes since 2014. For a home valued at $520,000, the median in the city, homeowners will pay an additional $130 a year.

In Florida, lawmakers are looking to provide relief to homeowners whose property is damaged by natural disasters. If a residential property is rendered uninhabitable for 30 days or more, the bill provides property tax rebates for the portion of the year the property is defunct. The bill also provides $150 million in affordable housing assistance for residents impacted by hurricanes, and $60 million in repair, replacement, or relocation of housing costs, a portion of which is allocated to assist homeowners in paying insurance deductibles.

On the federal level, wealthy property owners throughout the U.S. will be able to protect more of their assets for their heirs, as taxpayers will see an increase in the estate-tax exclusion. In 2022, the lifetime estate-tax exclusion was $12.06 million, but in 2023, the IRS will raise that rate by nearly $1 million to $12.96 million. Couples can combine their exclusions, enabling them to pass on nearly $26 million, before or after death. This estate-tax exclusion may fall in coming years, so taxpayers are encouraged to take advantage of the higher rates now.

HAWAII
Oahu homeowners balk after property tax assessments soar

Many said they are seeing 20 percent to 30 percent increases in their assessments.

When Connie Irwin received her real property tax assessments for her Haleiwa home last week, she was shocked.

The retiree — who lives on a fixed income — said the property tax assessment for her home went from $2,585,000 last year to $3,337,000. Similar increases next year could force her to sell, she said.

“You know, I was mad. I was angry that this is just an arbitrary number,” said Irwin. “It went up almost $800,000 in one year. We’ll probably squeeze by this year ... but if it goes up next year, and the next year, we’re out.”

Irwin is one of thousands of Oahu residents who received their real property tax assessments from the city last week. Many said they are seeing 20 to 30% increases in their assessments.

“I understand everybody’s prices go up — maybe even 10%. But 26%?” said Philip Brouillet, a Mililani Mauka resident who is experiencing a similar value increase in his home.

Honolulu Mayor Rick Blangiardi said he also was shocked by how much real estate values appreciated last year. He said the city will “aggressively” look at ways to reduce the burden.

“This was an aberration. It’s the first year that home sales exceeded $10 billion,” he said.

“We’re going to try to deal with this as responsibly and as thoroughly as we possibly can.”

Andrew Kawano, director of the city Department of Budget and Fiscal Services, said the city will look into a one-time tax credit or increased exemptions for homeowners.

“Any amount helps taxpayers that are living paycheck to paycheck,” he said.

But some homeowners believe higher tax credits and exemptions aren’t enough. They’re hoping the city will slash the current tax rate of $3.50 for every $1,000 of property value.

"The City and County needs to be proactive in taking care of their constituents and use a different tax rate and even give everybody a tax break this year to help offset the higher cost of everything else," said Brouillet.

But the city said reducing the tax rate is going to be a tough sell given that this year's property value increase seems to be an anomaly and because the city's costs are also rising.

The assessments mailed out last week are just the first stage of property tax process.

The actual tax bills will be determined after March after the City Council approves the budget.

ILLINOIS
Cook County's delinquent property tax sales process discriminates against minorities, lawsuit states

The lawsuit alleges that the tax sales process disproportionally causes minority families to lose their homes without compensating them for their property.

Cook County discriminates against Black and Latino residents by not compensating them when they lose their homes after failing to pay property taxes, a lawsuit claims.

The suit, filed Thursday in federal court by two low-income Black residents and two community groups, alleges that the county's delinquent property tax sales process widens "the racial wealth gap."

The lawsuit seeks class-action status and names Cook County and its treasurer, Maria Pappas, as defendants.

The lawsuit seeks to make illegal the county's method of conducting the tax sale and to require compensation for homeowners who lost their homes.

"Many low-income homeowners have just one asset to pass on to future generations: the value of their home," said John Bouman, director of Legal Action Chicago and co-counsel for the plaintiffs.

"By depriving homeowners who fail to pay their property taxes of the entire value of this asset, and by disproportionately affecting Black and Latino homeowners, the tax sale system widens the racial wealth gap that has plagued this region for years," Bouman said in a statement.

In Illinois' current system, when a homeowner falls behind on paying property taxes, a third-party tax buyer can purchase the outstanding debt and get a lien on the property.

The homeowner has 30 months to pay back the tax buyer on those taxes plus interest and fees, which can sometimes be three times as much as what was originally owed. If the homeowner fails to pay it back in time, the buyer can seek to confiscate the property.

Three-quarters of properties offered in Cook County's 2021 delinquent tax sale were in Black and Latino communities, even though those racial groups accounted for half of county residents, the lawsuit states.
The county has a mechanism to reimburse homeowners who lose their property, called an indemnity fund, but it is chronically underfunded, and homeowners take up to 10 years to receive payment.

The suit was filed by two Black, low-income homeowners, one of whom is Michael Bell.

Bell owned a home on East 100th Street in the South Deering neighborhood, the suit says. He inherited the home from his mother in 2017, and after losing his job at a car wash in 2018, fell behind on his property taxes.

In 2019, the county sold the taxes he owed — $1,649.67 — to a tax buyer who placed a lien on the home. Bell failed to pay back the tax buyer who, with interest and penalties, charged Bell more than $11,000.

Bell missed an April deadline and stands to lose his home. The lawsuit claims he should be compensated for the remaining equity of his home — the difference between the unpaid taxes and the value of the home.

Plaintiff Michelle Kidd owned a home in west suburban Maywood, which she bought in full for $230,000 in 2011 while working as a bus driver. In the mid-2010s she became disabled and fell behind on her property taxes.

A lien was put on her property in 2017, and after she failed to pay taxes, penalties and interest, the tax buyer moved to possess her house in January of this year. She was ordered to be evicted later that month, but paid rent to the tax buyer until she left the home in May.

A state commission in 1976 deemed Illinois' practice of "total forfeiture" of property to tax buyers to be needlessly harsh and recommended replacing it with a "sale-surplus system" that would preserve home equity for the homeowners, the lawsuit states.

The 1976 commission found that the system, which remains in place to this day, lets the tax buyer reap "an unearned windfall at the expense of those who can least afford it."

The suit lists two community groups as plaintiffs: the Southwest Organizing Project and the Logan Square Neighborhood Association.

Pappas' office declined to comment on the lawsuit.

Pappas has been outspoken about how the property tax sale system is unfair. She has said her office is bound by Illinois law to hold the property tax sales.

The lawsuit will be handled by the Cook County state's attorney's office, Pappas' office said.

Lawsuit Takes Aim at Cook County Property Tax Sales System: 'It Violates Provisions of the Constitution'

When homeowners can't, or don't, pay their property taxes for more than a year, Cook County holds what's called a property tax sale.

A federal lawsuit brought Thursday by two Black homeowners caught up in this system on behalf of themselves, and everyone else caught up on the system, alleges the process violates the constitution and both federal and civil rights laws.

Governments depend on people paying their property taxes; that's what funds schools, libraries and police. When folks don't pay, Cook County sells the overdue taxes to a private entity that pays the bill.

The homeowner then has to pay back that tax buyer — not just the overdue taxes, but also some 18% in interest and fees.

If the homeowner can't, they can lose their lien and title to their home, but also the equity they'd built in their property.

As the lawsuit points out, neither the county nor the tax buyer has to pay the homeowner for that loss of equity.

"Unlike a bank mortgage foreclosure sale, where amounts realized in excess of debt owed on the property are returned to the owner, a property tax sale can ultimately result in a total loss to the homeowner of not just the home but also the entire value of the home over and above the taxes and related charges," the suit states.

Legal Aid Chicago's John Bouman, who is representing the plaintiffs, said distinct from the home itself, homeowners have a right to their equity.

"They own the equity too. This is what you insure when you buy homeowners' insurance, right? It's the value of the property. And by taking this away from people without any compensation, it violates provisions of the constitution," he said.

He alleges several constitutional issues, including the taking of property without compensation, government interference with property rights without due process and the government unduly punishing people, which he says is exactly what this is.

"You weren't able to pay your taxes. Fine, you're going to lose your house but you shouldn't also have to lose the equity in the house," Bouman said.

People of color are most impacted.
According to the suit: "Cook County's tax buyer program has especially pernicious and disproportional effects on communities of color. Last year, 75% of the Cook County parcels on the tax sale list were in Latino and Black neighborhoods, even though only 52% of County residents identify as Latino, Black or as being of two or more races."

Bouman said that's a violation of both the federal Fair Housing Act, and Illinois' Civil Rights Act

He said the lawsuit isn't going after the county's right to take action to get the taxes governments are owed, but it does seek to compensate those impacted for what he calls the "needless, punitive" part of the system: that loss of equity.

The lawsuit is filed against Cook County and Maria Pappas in her capacity as Cook County Treasurer.

Pappas is essentially compelled to go through these tax sale motions, given that it's state law that sets up the tax sale process.

The treasurer's office issued a statement saying, "we don't comment on pending litigation. The matter will be handled by the Cook County State's Attorney's Office."

But Pappas herself has been openly critical of the process.

Just last month in an interview with WTTW News, she condemned the process as preying on the county's most vulnerable residents and said she will press state lawmakers to make significant changes.

"It's a legalized racket that we need to break up, and we're going to do it," Pappas said.

Pappas has specific ideas for changing the process, but there's no firm legislation yet.

While criticism of the tax sale system as predatory is not new, it has not so far led to reform.

"The reason we filed the lawsuit is that this has been hanging out there for a long, long time and there hasn't been – Treasurer Pappas has talked about it in public, the General Assembly hasn't taken any action. People are losing their equity year in and year out, and we wanted to stop the meter on that," Bouman said.

Bouman said he believes action could be forthcoming, both as he hopes the lawsuit brings more attention to the issue and because state legislators are giving more attention to issues of racial disparities.

Those who make money off the system are likely to fight against measures that take away that opportunity, and have argued here needs to be a mechanism to force people to pay their property taxes otherwise people would avoid doing so, draining governments of the funding they depend on to provide services.

The lawsuit says both plaintiffs in the case, who are Black and live in majority Black neighborhoods, were unable to pay their taxes due to health issues that didn't allow them to work. Bouman said Michelle Kidd lost her home in Maywood; Michael Bell has not yet been evicted from his Chicago home but did lose his title.

The community organizations Southwest Organizing Project (SWOP) and Palenque LSNA are also plaintiffs as, per the filing, the nonprofits' "members and missions are threatened and undermined by the same failure to compensate homeowners."

MINNESOTA
Real World Economics: Property taxes are simple, and complex

Property taxes are up sharply for the coming year and a lot of taxpayers are upset about it. This is certainly the case for St. Paul, where a particular conjunction of factors for the city itself, for Ramsey County and for St. Paul Public Schools are all contributing to higher bills.

A community computer usenet in the relatively affluent, high-education neighborhood where I live lit up with angry posts as new numbers came out. Some comments were harsh critiques of the school system, rare in a politically liberal part of the city. So what is going on? The answer is many different things, but to understand them it's best to review the basics.

Historically, going back to colonial days, local government was financed by taxes on property. This included not only real estate — land and buildings — but also on personal and business property. Minnesota got rid of the personal property tax a half century ago, so "real estate taxes" and "property taxes" are pretty much the same thing. But if you want to know how many sows and bedsteads your great-grandparents owned in 1913, dig around in their county's tax records.

"Local government" generally means counties; cities, towns and rural townships within counties, and school districts. Those are the big three. There are other minor units of government — often connected with water in Minnesota. So we have lake improvement, soil and water drainage and other districts. And there may be councils linking the myriad municipalities in some metro areas, such as the once-pioneering Metropolitan Council for the Twin Cities. These can have minor taxing power.

The basic process is centuries old. The value of taxable property is determined and totals tabulated. Local government decides how much money it needs. The money needed divided by the total value of property is the “mil rate,” the percentage of the value of each piece of property that must be paid in tax.

Note that in this system, total taxes paid depended on how much local governments decided to “levy.” Taxes owed did not rise as average property values rose unless there was an increase in the levy. That is still true, but much misunderstood.

That simple model remains the underlying process, but there are many complications. Different classes of property exist — owner-occupied “homesteads” versus rented housing, residential vs. commercial vs. industrial vs. agricultural. Property of churches and other nonprofit entities such as colleges are exempt as is government property. Some property is affected by “tax-increment financing.” There are rules for fair and uniform assessment of the value of individual buildings or land. Public notices, hearings, equalization procedures, protests and appeals all figure in.

Moreover, there were inequities in the simple system. A school district that happened to include an iron mine or 600 megawatt power plant could have lavish schools with low taxes on homes and small businesses, while a nearby district without any large business property would have much higher rates on most people and more modest schools.

This was true across the nation. But Minnesota led the way in trying to make the system more just. Now tax money that flows to the state is redistributed back to school districts and to cities and counties according to formulas that redistribute collections from property-richer areas to poorer ones. There is agreement that, for education in particular, services available to children and citizens in general should not vary with the siting of a packing plant or oil refinery one mile to the east or west.

All well and good, but the contemporary system is highly complex. This too is often misunderstood. Few would guess that only 22% of St. Paul school revenue comes from the property taxes that have just risen. Some 47% is from state aid and another 21% from the federal government. Grants, fees and other miscellaneous sources bring in the rest.

The proportions would look quite different for Minneapolis, since it has many fewer government buildings and colleges that its eastern neighbor has. And it has proportionately more big office towers. Inner- and outer-ring suburbs such as Roseville or Maple Grove would be still different from the two old central cities.

The formulas for state aid to local governments are as complicated as railroad scheduling for the German army in 1914 — said to drive many brilliant people to insane asylums. And there inherently are consequences that seem perverse to property owners.

For example, if home values rose in St. Paul, the mil rate could drop. You would not pay more taxes on your house even if its market value soared. But if property values rose faster in St. Paul than elsewhere, we would not be as poor a district and aid from the state of Minnesota would drop. So local taxpayers would have to pony up more.

Such differentials in property value changes have effects within local government units as well. In the last few years, house prices have risen nearly everywhere, but not equally. The rise was much higher in attractive St. Paul neighborhoods such as Mac-Groveland, Highland and St. Anthony Park. The increase was much less in Frogtown or Payne-Phalen. So even if the total amount of tax money raised in the district as a whole does not change, the value of property in highly desirable neighborhoods will make up a higher fraction of the total. Taxes paid by these neighborhood owners will rise.

There also is much misunderstanding about the differential effects of inflation. There is a popular belief that “the cost of living,” as determined on prices paid for goods and services by households, should somehow apply to churches, condominiums, colleges and schools or other local government units. But the set of purchases these institutions must make vary widely from those of consumers.

Natural gas prices have spiked, in great part because of the war in Ukraine. The St. Paul school district’s spending on gas more than doubled in the last fiscal year compared to the two preceding ones. Electricity outlays, now dependent in part on the price of gas, increased by nearly 40%. Combined, the increases added $4 million to 2022 outlays compared to the prior two years. And they probably will be higher in fiscal year 2023.

Concerned citizens should look at some of the information available. The “Truth in Taxation Hearing — Pay23 Levy Information” for SPPS is excellent. The “price of government” tabulations put out by the state also teach many people things they did not know. These reports and others are easily available on the internet.

NEW YORK
The Property Tax Reform New York City Needs

Expect Governor Hochul soon to come under enormous pressure both from subsidized housing advocates and politically-wired developers to restore an expired development property tax break.

A coalition of affordable housing progressives and politically-connected developers will push for the subsidy known by its housing code number, 421a.

But this quick fix for a dated and distorted property tax regime in the nation's largest city misses the point: the city's overall property tax system desperately needs reform. And city spending is too high.

Development is discouraged — absent special tax breaks — because it's taxed at the highest level in a complex system. Commercial property gets hit hard, as well. Single-family homes face a higher effective tax rate than Park Avenue condos.

The underlying problem is this: in contrast to most American cities, New York property valuations have not kept up with true market value.

As a result, low-income minority neighborhoods and much of Staten Island reflect dated values that are too high.

In a report issued just before he left office, Mayor de Blasio's Advisory Committee on Property Tax Reform (yes, he had one), called for thoroughgoing change, including taxing all residential property — from single-family homes to apartment buildings — at the same rate, "regardless of property type."
The city's Independent Budget Office has estimated that such a reform would translate to a median tax reduction of $1,100 for some 500,000 property owners. It need not mean higher rates for anyone, however — if New York City were to get serious about cutting its proposed $100 billion budget.

This is a good time for tax fairness — but not tax increases. We are already seeing the burden of city and state income taxes driving the affluent to Miami.

There is no shortage of good budget targets: low health care premiums for city workers and retirees, bloated Department of Education administration, and outsized pension promises.

Instead, the city is making minor cuts to the school system, while begging Albany to restore a special tax break contingent on building more of something of which the city already has too much: subsidized housing.

Those who want to see new housing of any kind built in New York may be apt to back whatever it takes to do so. It's a temptation to be resisted.

New York simply has too much, not too little, subsidized housing.

More than a third of New York City's three-plus million housing units are already buffered in some way from market forces. These include 180,000 public housing apartments and nearly a million rent-regulated units.

Subsidies without time limit undermine the incentive to increase earnings or move on to a better opportunity.

Such distortions inhibit the turnover and new construction that characterize dynamic housing markets like those of Texas and Florida, to which New Yorkers are migrating,

New York's "market" sends the message that residents should try to score a good rental deal. Housing policy favoring subsidized units discourages ownership.

Only 31 percent of city residents own their own dwelling, roughly half the nationwide rate. Ownership, of course, is a proven way to wealth, not dependency.
The expiration of 421a would best be the occasion to take stock of both the city's overall bloated budget and opaque property tax system and to rethink New York's love affair with subsidized "affordable" housing. If the latter were really the ticket to inexpensive housing, New York would not have to keep subsidizing more.

This should be the time not to tinker at the edges of a flawed New York property tax system but to rethink and reform it, while, at the same time, cutting a bloated city budget whose costs squeeze those who pay the bills. That's what makes the city unaffordable in the first place.

Is The Chautauqua Mall The Only Big Box Store To Be Assessed For Too Much?

It's quite likely Washington Prime Group isn't the group most interested to see the Chautauqua Mall's taxable assessment nearly cut in half.

As the town of Busti, village of Lakewood, Chautauqua County and Southwestern Central School District figure out how much of the roughly $400,000 in tax overpayments they will individually pay back to the mall's owner, it seems a safe bet that other major commercial parcel holders will take notice of the mall's successful and lengthy effort for a property reassessment.

The Chautauqua Mall first challenged its property valuation in 2020, arguing the property's assessed value should be reduced from $9.26 million to $5,002,400. The court settled at $5,772,000. After weathering the pandemic, the mall asked for its tax assessment to be decreased all the way down to $1 million. Through mediation the sides agreed to an assessed value of $4,965,000. Such an assessment will go a long way toward cutting the mall's tax bill, which totaled more than $125,000 before including school taxes.

It could have been worse, but someone will be left paying a bill both for the past three years of tax overpayments by Chautauqua Mall and for the ongoing loss of taxable assessment. Unless the town, village and school cut spending to make up for the loss of taxable assessment, tax rates are going to go up — meaning a whole lot of residents and businesses will be paying more on their tax bills. But more importantly, one has to wonder if other big retailers who own big box stores on the Fairmount Avenue strip won't fight just as hard to see their tax assessments lowered.

Many can't make the strong case the mall could that it was assessed too highly. Malls were hit particularly hard by the pandemic, unlike other big box retailers that were allowed to remain open in the early months of the pandemic. And, many mall-based retailers have struggled to remain open and competitive in recent years as buyers have moved toward online shopping. But, Chautauqua Mall's success in its court-based assessment challenge may have set a roadmap for other nearby big box stores to follow.
Someone will pay. The question is who?

New York's 'zombie' office towers teeter as interest rates rise

Fed tightening is the final blow for many investors battered by Covid and remote working
During a prolonged bull market fuelled by historically low interest rates and nearly free money Doug Harmon and his team presided over record-breaking sales for many of Manhattan's trophy office buildings.

No longer. These days, Harmon, the chair of capital markets at Cushman & Wakefield, the real estate services firm, spends much of his time performing "triage", as he puts it.

The world's largest office market has of late endured the departure of big-spending Chinese investors, the rise of Covid-era remote working and the economic fallout from the Ukraine war. Now there is mounting concern that the dramatic rise in interest rates will be too much for many owners to sustain and that a long-awaited reckoning is drawing near.

"There's a consensus feeling that capitulation is coming," said Harmon, who likened rising rates to petrol igniting an office firestorm. "Everywhere I go, anywhere around the world now, anyone who owns office says: 'I'd like to lighten my load.'"

The industry is rife with talk of partnerships breaking up under duress, office buildings being converted for other uses and speculation about which developers may not make it to the other side. Meanwhile, opportunists are preparing for what they believe will be a bevy of distressed sales at knockdown prices, perhaps in the first quarter of the next year.

"We're going to see distress," said Adelaide Polsinelli, a veteran broker at Compass. "We're seeing it already."

Since January, shares of SL Green and Vornado, two publicly traded REITs that are among New York's biggest office owners, have fallen by half.

Fresh signs of strain came this week. Blackstone, the private equity firm, told investors it would restrict redemptions in a $125bn commercial real estate fund.

It also emerged that Meta, the parent company of Facebook, would be vacating about 250,000 square feet of space at the new Hudson Yards development to cut costs. It and other tech companies had been among the last sources of expansion in Manhattan's pandemic-era office market.

The small collection of offices like Hudson Yards — with new construction and the finest amenities and locations — are still in high demand, according to Ruth Colp-Haber, who, as head of Wharton Properties, consults companies on leasing.

But, she warned, the real "danger lurks downstairs in the class B and C buildings that are losing tenants at an alarming rate without replacements." All told, Colp-Haber estimated that roughly 40 per cent of the city's office buildings "are now facing a big decision" about their future.

Prognosticators have been forecasting doom for the office sector since the onset of the Covid pandemic, which has accelerated a trend toward remote working and so decreased demand for space. According to Kastle Systems, the office security company, average weekday occupancy in New York City offices remains below 50 per cent. A particularly dire and oft-cited analysis by professors at Columbia and New York University estimated that the collective value of US office buildings could shrink by some $500bn — more than a quarter — by 2029.

The sector has so far defied such predictions. Leases generally run for seven to 10 years and so tenants have still been paying rent even if few of their workers were coming to the office. In the depths of the pandemic, lenders were also willing to show leniency or, as some put it, to "extend and pretend."

But the sharp rise in interest rates may, at last, force the issue. Financing has suddenly become more expensive for owners and developers — if it is available at all. "If you have debt coming due, all of a sudden your rates are doubled and the bank is going to make you put money into the asset," one developer said.

Lower quality buildings may be the most vulnerable. As leases expire, many tenants are bolting or demanding rent reductions. Even as their revenues dwindle, owners must still pay taxes and operating expenses.

Bob Knakal, chair of investment sales at JLL, sees a growing horde of “zombie” office buildings in Manhattan that are still alive but have no obvious future. The typical zombie may have been purchased generations ago and supplied monthly cheques to an ever-expanding roster of beneficiaries.

“Now the building is not competitive from a leasing perspective because it needs a new lobby, and new elevators and windows and bathrooms. And if you went to those 37 people and said: ‘You know what? You have to write a cheque for $750,000 so we can fix the building up.’ These people would have a heart attack,’” said Knakal.

If there is debt to roll over, lenders will require the owners to contribute more equity to make up for the building’s declining value. “There’s a reckoning that’s going to come,” said Knakal, “and I think it’s going to be challenging for a lot of these folks to refinance.”

That appears to be spurring a flurry of backroom discussions between borrowers, banks, private lenders and others.

Manus Clancy, an analyst at Trepp, which monitors commercial mortgage-backed securities, likened the situation to that facing brick-and-mortar shopping malls five years ago as their prospects deteriorated. Many ultimately fell into foreclosure. Whether an office loan could be refinanced, he predicted, would depend on the newness of the building, its occupancy levels and the length of the leases. “There isn’t a lot of distress, per se, there’s a lot of concern,” he said.

Some obsolete office buildings may be converted to residential, which, in theory, would help to ease New York City’s chronic shortage of housing. But that is easier said than done, say many experts. It would require zoning changes. Even then, many office buildings may not be suitable candidates for residential conversions — either because their floor plates are too large, their elevators are wrongly situated, their windows do not open or their neighbourhoods are unappealing. To make such projects worthwhile, owners would have to sell at deep discounts.

That has not happened — at least not publicly. “Nobody wants to be the first one to dip their toe in this because nobody wants to set a new low unnecessarily,” David Stern, founder of Townhouse Partners, a consultancy that performs due diligence for commercial real estate underwriters, said. “That’s what everyone is waiting for: this incredible revaluation.” In more colloquial terms, a developer quipped that some owners, accustomed to holding properties for years, had not yet “seen Jesus” — but they would.

In the meantime, some recent transactions have hinted at the market’s shift. In July, RXR and Blackstone sold 1330 Sixth Avenue for $325mn, down from the $400mn RXR paid in 2010. In 2014, Oxford Properties, a Canadian investment firm, paid $575mn to win a bidding war for 450 Park Avenue, a 33-story tower. It was sold by a subsequent owner in April for $440mn.

“What is it worth today?” one broker asked. “Less than $440mn.”

Another Onondaga County town abandons full-value tax assessment. ‘Enough is enough’

Another town in Onondaga County has given up trying to keep property tax assessments level with current housing prices, despite advice from state officials that full-value assessing is the fairest and most accurate approach.

The Salina town board on Monday voted to stop the practice of full-value assessment in 2023, for the first time in more than 20 years. Salina follows the nearby towns of Lysander and Van Buren, which made the same decision a few months ago.

Officials in all three towns faced widespread anger this year from property owners whose assessments jumped by double digits. All three towns are near Clay, a town where assessments typically don’t change from year to year unless a property is physically improved.

“Enough is enough,” said Nick Paro, the Salina town supervisor. “We’re not going to die on this hill.”

Property assessments in Clay average just 3.3% of market value. The sharp difference between assessments in Clay and Salina creates the potential for disparities in taxes shared by residents of both towns, Salina officials say.

A syracuse.com report in June 2022 detailed several instances where property owners in the town of Salina paid $1,700 to $2,300 more in school taxes than homeowners in Clay who paid the same price for their houses.

State equalization rates are supposed to iron out the differences between towns with different assessment practices. For example, a house assessed at $7,000 in Clay is taxed this year based on an equalized value of $209,581.

But critics say equalization has failed to keep pace with rising home values, especially during recent years of rapid price inflation. That’s because the equalization rate is an average of price changes for all kinds of property, from vacant land to factories. Especially during the last few years, the prices of single-family homes have soared faster than other types of property.

The state tax department advises towns that changing assessments annually to reflect 100% of market value provides the most accurate results and is the easiest for property owners to understand.

But the law requires only that towns assess property at a "uniform percentage of value."

Annual revaluations are more work and more expensive than relying on equalization. Increasingly, towns are deciding it's not worth the trouble if all it does is anger property owners.
Ten years ago, 15 of Onondaga County's 19 towns assessed property at 100% of value. Only three still do.

Just five months ago, the Salina town board passed a resolution imploring state legislators to pass a law mandating full-value assessments for everyone. That way, they argued, every town would be on the same level and there would be no room for disparity.

Thus far, it seems unlikely that the state legislature will mandate 100% assessments. So the Salina board dropped the mandate from town law.

"If you can't beat 'em, join 'em," said Paro.

Salina drops full-value property assessments

To paraphrase the beginning of "Romeo and Juliet" by William Shakespeare, picture "two households, both alike in market value, in fair Onondaga County, where we lay our scene." As in Shakespeare's tragedy, there has been strife among neighbors — caused not by a family feud, but by New York State's patchwork of property assessment rates.

Take Clay and Salina, for example. A Post-Standard investigation found similarly priced homes in both towns had wildly different school and county tax bills despite both being in the Liverpool Central School District. Clay calculates taxes using an equalization rate, a ratio of a municipality's total assessed value divided by its total market value.

Until recently, Salina's assessments matched the market value. The Salina Town Board voted Dec. 12 to end full-value assessments.

New York State recommends that municipalities assess property at the market value but allows municipalities to set their own assessment rates. Until recently, only six of Onondaga County's 19 towns followed the state's recommendation, but in recent months three towns in the northern suburbs — Salina, Lysander and Van Buren — have opted to use equalization rates to calculate a property's assessment. Now, only three towns in Onondaga County still assess properties at market value: DeWitt, Manlius and Tully.

Equalization rates

Here is a breakdown of the 2022 equalization rate for each town in Onondaga County. The rate is calculated by dividing a municipality's total assessed value by its total market value.

A rate of 100 means property is assessed at 100% market value — in other words, if you bought or sold your home for $200,000 then your town bases your taxes on an assessment of $200,000.

- Camillus: 97
- Cicero: 86
- Clay: 3.34
- Elbridge: 85
- Fabius: 78
- Geddes: 70
- LaFayette: 75
- Marcellus: 94
- Onondaga: 78
- Otisco: 1.7
- Pompey: 78
- Skaneateles: 75
- Spafford: 65

Note: DeWitt, Lysander, Manlius, Salina, Tully and Van Buren all had a rate of 100 for 2022. Lysander, Salina and Van Buren have opted to use equalization rates beginning in 2023.

Learn more about equalization rates from the NYS Department of Tax and Finance.

Data: NYS Office of Real Property Tax Services

As housing prices have skyrocketed, residents of towns who used full-value assessments suffered some serious sticker shock when receiving their 2022 assessments. Equalization rates softened the blow for many homeowners but the assessment hikes exposed the disparities in tax bills caused by New York State's laissez-faire assessment practices.

"Equalization rates wouldn't be necessary if all municipalities assessed property at 100% of market value," reads the NYS Department of Taxation and Finance's explainer on equalization rates.

According to the Lincoln Institute of Land Policy, a nonprofit whose goals include promoting "efficient and equitable tax systems," each state has a unique set of regulations for property assessment. Maryland and Montana handle assessments across their states rather than leaving it up to municipalities. States such as Rhode Island and Nebraska have different assessment classifications based on whether property is residential, commercial, agricultural or industrial. New York does not differentiate.

“We passed a resolution five months ago pretty much telling the state the way assessments are done in New York is crazy and the state needs to do something to fix it,” Salina Supervisor Nick Paro told the Star-Review. “When there’s taxing entities [like school districts] that cross town lines, that causes inequities.”

Until the state agrees to overhaul the system, it’s up to towns to walk the line between balancing their budgets and keeping homeowners from being overwhelmed by mounting property taxes.

Assessments for 2023 will be released in the spring, and Paro said he does not foresee a huge change for land in Salina next year.

“We’re a pretty much built-out town. We’re not going to see large residential tracts being built,” he said. “We’re going to see a lot of redevelopment projects, but not new development.”

With Micron expected to draw 125,000 or more people to Onondaga County over the next 20 years, the region will need plenty of housing. As a “community between two cities” — Syracuse to the south and the 60,000-resident town of Clay to the north — Paro said Salina is an attractive prospect for first-time homebuyers.

“Salina has some of the most affordable housing in Central New York,” Paro said. “I hope people are going to be looking at Salina and be able to enjoy some of the amenities that are just around the corner. I think Salina’s positioned to have a bright future with Micron coming.”

NORTH CAROLINA
As Brunswick home sale prices skyrocket over three years, 2023 tax revaluation raises concerns

Brunswick County is closing in on a revaluation that could add billions to the county tax base. Some locals are concerned about the impact on how much they pay.

State law requires counties perform property revaluations every eight years, though Brunswick County policy is to reappraise properties every four. A revaluation process would be triggered if sale values increased or decreased by 15% regardless.

The county’s current tax base, taking into account all real estate and vehicles, is $31.7 billion this fiscal year.

Brunswick County Tax Administrator Jeff Niebauer told Port City Daily work on the revaluation is ongoing through the end of the year, wrapping Jan. 1. He could not offer an estimate on what the tax base would be but said his office's work on the project will stretch through January as it handles appeals, applications for exemptions and finalizes the base to be used in the budgeting process.

However, Niebauer did show the county board of commissioners some statistics on recent increases on home values during a Dec. 5 meeting. He noted the average sale price of a single family home in Brunswick County increased from $283,000 in 2019 to $420,000 in 2022, and the average market value sits at $276,000. As of Nov. 1 the tax office calculated the combined value of real estate in Brunswick County increased by 55.15%.

Three areas experienced increases north of 80%:

Oak Island: 85.01%
Caswell Beach: 84.17%
Northwest: 88.03%

Varnamtown, located north of Holden Beach, had the lowest increase of any municipality in that timeframe, at 40.21%. Leland, the county's largest town, saw a 52.49% increase.

Niebauer said those increases are not final and have changed since they were calculated in November.

"Depending on market conditions and recent sales in a given neighborhood, assessed value may increase, decrease or remain the same," Niebauer wrote to PCD in an email.

Niebauer noted the real estate increases are also the result of new developments coming onto vacant land increasing values of individual parcels significantly. The increases also include exempt properties, such as government facilities like the county administration complex in Bolivia.

"We still have to place its value, so that value is included in that report," Niebauer said. "However, it's not going to generate any taxes."

The increase also includes properties that will receive tax breaks, like those owned by seniors, veterans and people with disabilities.

County commissioners and municipal governments will help determine the impact, by setting tax rates for next fiscal year. If the taxable base increases, for example, they could lower taxes to maintain similar budgets. Though, it may not mean less a tax burden for a property owner whose value increased significantly.

At a meeting earlier in the month in Leland, Mayor Brenda Bozeman said she has no idea how the town will handle the revaluation until it gets the final figure from the county and holds its budget workshop in February.

PCD reached out to the Brunswick County Commissioners to gauge their opinions on handling the tax rate after revaluations come through. None responded.

The county's property tax rate is 0.4850 and has remained the same since 2015, when it raised from 0.4425. The rate has fluctuated through revaluations over the years. It was at a high point of 0.5925 in 2001 and 2002.

Brunswick's tax rate is above New Hanover's 0.4550 rate and well below Pender's 0.6450.

At several recent commissioners meetings, locals spoke out during public comment periods to request the commissioners adjust the tax rate to be revenue neutral after the revaluation is completed. Many comments were met with applause.

PCD asked for opinions from locals on Friends of Brunswick County, a community Facebook group with 12,000 members. A recurring concern was the revaluation's timing coinciding with a historic spike in prices and home sales across the country.

"My fear is they will have assessed on the short, yet massive overinflation of real estate," one resident wrote in a comment. "So if a house was assessed at 100k in 2018, it will now be assessed at 400k just because of the ludicrous price increases. That will drive many deeper into financial despair."

Art Dornfield, a resident who heavily attends county meetings, budget workshops and ran unsuccessfully against commissioner Marty Cook in this year's Republican primary, expressed the same concerns.

"[T]he problem that comes in is, and this is nothing against the current cast of commissioners, they'll tell you that they want to stay revenue-neutral, but revenue-neutral does not mean your taxes are not going to go up," Dornfield said.

Dornfield pointed out local officials like to tout Brunswick as one of the fastest-growing counties in the country. The county added about 7,000 residents in 2021; Leland alone grew by about 1,700 people.

"That's terrific," he said. "If that many people are coming here, you should have a larger tax base, so with more people paying taxes we shouldn't have an increase. If anything, it would be really nice if you gave us a tax break."

Niebauer said residents should not try to read into — or make calculations — on what will happen to their taxes based on value estimates, mainly because those figures have limitations, take more property than the county actually taxes into account and do not tell the story for individual parcels.

After the revaluation comes through, residents can challenge their new property values based solely on if they do not align with similar properties as of Jan. 1. An increase or decrease in value is not grounds for appeal.

Residents can expect to receive property tax notices in early January.

TEXAS
Companies say they're being denied Texas tax breaks as a state agency is overwhelmed with applications

Days before the expiration of a state program that provides billions of dollars in property tax breaks to businesses moving to Texas, two companies have gone to court arguing they're being frozen out from the last-minute savings due to an overwhelmed state agency.

The two renewable energy companies say the Texas comptroller's office, which reviews the applications to the corporate relocation or expansion incentive program, has denied their requests for more than $20 million in tax savings because the agency can't handle the number of entities seeking approval for tax incentives before the Dec. 31 deadline.

In 2021, the Legislature opted to let the program, known as Chapter 313, die after complaints that it amounted to "corporate welfare." But companies approved for the savings in 2022 can still receive them for 10 years, and hundreds of companies seeking to beat the deadline have flooded the comptroller's office with requests for the tax breaks.

Stetson Renewables Holdings LLC and Ogallala Renewable Project LLC submitted their applications in May 2022. In a request to the Texas Supreme Court filed Tuesday, their attorneys said Comptroller Glenn Hegar informed them that the Chapter 313 applications were received before the deadline and they were eligible for incentives.

But after eligibility is determined, the comptroller's office is required to conduct an economic impact evaluation on the application within 90 days, the companies say. The attorneys asserted that Hegar failed to complete the review in time, which resulted in the applications' denial.

"Thus, despite having an obligation that the Comptroller 'must' take action within 90 days, the Comptroller has used the expiration of that 90 day period as the reason for not providing the economic impact evaluation at all and for not issuing a certificate," the attorneys say in their filing.

In a statement Tuesday, Hegar said his office has seen an "extraordinary number of applications from companies seeking to secure an incentive under the current program."

He noted his staff had to manage a workload that has significantly increased in the past six months, despite no additional staffing support from the Legislature.

The companies filed Chapter 313 applications for wind and solar energy projects located in five different independent school districts across Texas: Bynum ISD, Hart ISD, Holliday ISD, Miller Grove ISD and Sulphur Springs ISD. They were informed of their denials last week. They claim in the filing that their applications were rejected, even though some companies — including the electric car company Tesla, owned by Elon Musk — applied for the savings after them and were still approved. Tesla applied for the tax break to build a plant that produces battery-grade lithium hydroxide.

"The Comptroller's failure to perform his statutory obligations and issue Certificates is jeopardizing approximately $773,550,000 in proposed capital investments in Texas, $27,001,784 in projected incentives, and projected minimum tax and other payments of $29,676,6001 to the school districts," the filing says.

According to the companies' applications filed with the school districts named in the letter, the five projects would result in the creation of six full-time positions. The companies requested a waiver of the job creation requirement in each of their applications.

Under the Chapter 313 program, manufacturing and energy companies apply to local school districts for a 10-year discount on their property tax bills in exchange for building or expanding in the community and, in a number of cases, creating new jobs. The Texas comptroller's office must also approve those agreements.

There's no downside for school districts to approve the tax breaks, because any foregone revenue for public schools is made up for by the state. That shift of state dollars, critics say, leaves less money on the table for other state services, such as health care or public safety.

Schools can also sign agreements directly with the companies for a supplemental payment in exchange for approving the tax break, which fosters inequity in funding among school districts, critics say.

"It is shameful to take money from schoolchildren to line the pockets of these wealthy corporations," said Bishop John Ogletree of The Metropolitan Organization in Houston, in a statement Tuesday opposing a different company's Chapter 313 application to Gregory-Portland ISD.

Hegar said his office will certify more than 300 projects this year. He criticized the companies' request of the state's Supreme Court with roughly two weeks left in the year.

"Despite receiving billions of dollars in property tax abatements over the life of the program and potentially billions more in approved incentives just this year, these companies and their attorneys are asking Texas taxpayers to shoulder even more despite the Legislature's decision to discontinue the program," Hegar said in a statement.

Texas Taxpayers Save $8 billion on Property Taxes this year

A combination of legislative bills, public votes on propositions, and tax rate votes by taxing jurisdictions are responsible for a surprise gift of lower Property Tax Homesteads in mailboxes this year.

Houston – On Tuesday, December 20th, Senator Paul Bettencourt (R-Houston) hosted a press conference at the Texas Senate District 7 Office in Houston, Texas to explain the astonishing news that many Texas homeowners are finding lower homestead property tax bills this year, despite record rising appraisal values. During the press conference Senator Bettencourt called the news that homestead taxpayers in Austin, Houston, and San Antonio have lower property tax bills on average, "astonishing!"

"As appraisal values continue to climb steeply across the state there's surprising, good news! Property Tax Bills for homeowners in Austin, Houston, and San Antonio are down and I'm not just talking about their ISD school taxes, it's the entire tax bill," said Senator Bettencourt. "It takes more than the legislature, it takes the public voting for propositions 1 and 2, which increased the Homestead exemption and will cut tax bills for Texans over 65, and most importantly it takes local elected officials to cast courageous votes for property tax relief for taxpayers."

Senate Bill 2, which lowered the voter-approval rate and provided taxpayers a greater say in their city and county tax rates and House Bill 3, which addressed school finance reform and tax relief are working to compress tax rates as appraisal values rise. According to Texas Taxpayers and Research Association (TTARA) estimates, the combined effects of SB 2 and HB 3 are saving taxpayers more than $8.2 billion this year and have saved Texas taxpayers more than more than $20 Billion since their passing. "For years we said help was on the way and today we can say help is here to stay!" said incoming State Representative Charles Cunningham.

"This is a high point for me to be able to return people's money to their pocket," said Houston Council Member Mike Knox. This year in Harris County, taxpayers are expected to save $256 million on their county tax bills alone, and more than $750 million across all taxing units' tax bills. These savings are directly attributable to the effects of property tax legislation passed in recent sessions, and local officials standing up for property taxpayers. Houston ISD Trustee Bridget Wade said, “We look forward to what the State’s doing to continue bringing relief to Texas Taxpayers.”

“Being able to lower the tax bill to homeowners with record appraisal value increases, that’s astonishing… it’s just what the doctor ordered, Merry Christmas, Harris County,” remarked Commissioner Tom Ramsey (R- Harris County, PCT 3).

WISCONSIN

What’s behind your Milwaukee property tax bill and how machine learning could make it fairer

One of the most common ways of calculating assessments — the “sales comp” approach — has come under scrutiny as more and more researchers identify biases in the underlying data.

For example, most of the historical data used to assess neighborhood value was based on redlining — a practice that automatically devalued neighborhoods with a majority Black or Hispanic population.

“If the information being fed into these databases has historical biases … it’s going to produce biased results," said Chad Venne, one of the instructors at the University of Wisconsin-Milwaukee’s real estate certificate program.

Even though these assessments are an integral part of how property taxes are calculated, the process itself is complex and often feels opaque to homeowners. Those calculations are further complicated by turbulent housing markets and a reliance on factors such as neighborhood desirability that have roots in racially biased data.

With property tax bills arriving in Milwaukee residents’ mailboxes this month, the question of whether everyone is paying their fair share, based significantly off property assessments, will be top of mind.

Homeowners who believe they have received an assessment lower than the home’s worth worry about losing equity. Homeowners who believe they have an assessment higher than their home’s worth worry about what the likely increase in property taxes could mean.

Need to appeal an assessment? The deadline to appeal Milwaukee property assessments is May 16. Here are five tips to know beforehand.

SAS, an analytics and technology company founded in the 1960s as the Statistical Analysis System, has created its own assessment model which is supposed to correct for historical bias.

In anticipation of property taxes being mailed out this month, we asked SAS and real estate experts what residents should know about the assessment process and what systems may have the best chance to overcome biased data.

How are assessments calculated?

According to Venne, there are three different ways assessed values are typically determined:

1. Replacement costs, or what it would cost to rebuild the property
2. An income approach, typically only used with investment properties
3. Sales comparison, often shortened to “sales comp”, approach which looks at the sales of similar homes in the area.

The sales comp approach, Venne explained, is the most common and also the most dependent on factors outside of the home.

“If you’re an existing homeowner, you’re sitting there at the mercy of what is happening around you,” he said.

Factors such as higher crime rates or vulnerabilities to weather events (such as a neighborhood that becomes chronically prone to flooding) can cause homes to sell for lower than they may actually be worth, lowering the value of homes assessed in that neighborhood.

What do property assessments have to do with taxes?

When multiplied by the local tax levy, assessments are used to help calculate a homeowner's property tax bill.

Higher-assessed properties tend to have higher property taxes.

“The way property taxes work is the municipality needs to raise a certain amount of money, that’s a dollar amount, and then they need to figure out what the property tax needs to be for each property. If I have $200,000 property and you have a $100,000 property, and they’re using the same rate, my taxes will be twice as yours,” explained Anthony Pennington-Cross, the Bell chair of real estate at Marquette University.

That's why Jennifer Robinson, the global government strategic advisor at SAS, said it is important assessments are done accurately and without bias — to ensure tax burdens are equitable.

"That is one of the largest forms of revenue that governments have, so it's really important that we get this right," she said.

How does Milwaukee calculate assessments?

In Milwaukee, property assessments are done on an annual basis.

According to a spokesperson from the assessor's office, the city uses a combination of market-adjusted costs and sales comp data to develop assessments. Factors considered include age/condition, house features, square footage and neighborhood desirability. However, Pennington-Cross noted models such as the city's, tend to work best in areas where the homes are very similar.

"If there's a lot of variety, then they're going to struggle. If a new house (is) next to an old house, a really well-maintained house next to a poorly maintained house, then the model will be off," he explained. "It basically is looking at, here in the neighborhood, the quality of the housing stock is good. If you're lower income and your home is not in great shape, you will likely be over appraised."

How does a turbulent real estate market impact assessments?

Venne said the recent volatility of the market has made any assessment method factoring sales comp data more difficult.

"We have rarely seen so much fluctuation at the magnitude we have over the last 18 months," he said. "If you're looking at the sales comp approach, every sale that happened changed the market because the prices were increasing so rapidly so quickly that the appraisers had a hard time trying to understand what truly was the market value."

This was particularly problematic in areas where gentrification was taking place.

"You find if you are a homeowner in those areas, that value of the real estate surrounding you might be dramatically increasing based on the process of new development coming in or new buildings happening in the neighborhoods," Venne said.

That, in turn, leads to higher property taxes which can sometimes displace residents who can no longer afford the taxes on their home.

However, there is good news.

Venne noted the market is cooling and those in the real estate industry are expecting enough lag from the previous year that averaging out the data for several years will get them closer to actual value.

What could make assessments fairer?
One company believes it has found the solution to overcoming the bias in historically racist data.

Reggie Townsend, the director of data ethics at SAS, said their assessment system uses machine learning, which is, as defined by MIT, “artificial intelligence that gives computers the ability to learn without explicitly being programmed.”

That machine learning can detect whether a model is exhibiting bias.
“In our platform, (we) look at sensitive variables, and we can flag those variables to determine if those might create a degree of bias in the outcome of the model,” Townsend said.

Appraisers then go over the results for accuracy. The goal is for the model to learn accuracy overtime.

In general, Pennington-Cross said companies that use machine learning are much better at picking up outliers, such as a dilapidated home among a block of remodeled and updated homes. “They’ve got a good technology which should be a little more flexible in how it views the world than traditional methods,” he explained.

But Pennington-Cross said assessments are rough by nature and the industry is still likely to struggle between a home’s actual value and value based on other factors, such as comparable sales.

“My guess is this is a step, but not a massive step,” he said.

How likely is it the SAS system could be used here?

The company has been using their machine learning assessment tool in a few North Carolina counties, such as Mecklenburg and Wake County. Robinson said the municipality is running it alongside their traditional system.

Robinson noted the technology only takes roughly three months to get off the ground.

However, experts such as Pennington-Cross say it’s an investment most municipalities will have to think long and hard about before adopting it.

“And if I’m a town, I don’t know if I can afford to do this,” he said.