IPTI Xtracts

Property Tax and Assessment News from Around the World

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ARKANSAS

All schools should watch central Arkansas property tax court case, assessor says

Lawsuits working their way through Pulaski County Circuit Court could cost $200 million a year in lost property collections for public schools throughout Arkansas, the Washington County assessor told education supervisors Thursday.

Walmart is suing Pulaski County to change the method of appraising 10 stores there. The "dark store" appraisal method it seeks would cut the company's property tax bill in half, Assessor Russell Hill said. It's the first test of a company trying to force the new method in the state, he said.

A spokesman for Walmart, contacted Thursday, said the company is formulating a response to Hill's remarks. Walmart went to court in Pulaski County in September 2019. At that time, Walmart spokeswoman Delia Garcia said the company is "simply seeking a fair market value for the property taxation of our stores."

"Based on independent analyses of comparable properties using standard appraisal industry methodology, we believe Pulaski County property valuations are inflated, resulting in unduly inflated tax assessments," Garcia said.

The taxable value of a "big box" retail store is often based on the current value of the business being done there, Hill said. According to Hill, comparable sales of operating large retail outlets nearby are used whenever possible, but such comparisons are rarely found. The only other method, also used rarely, is to take the land value plus construction cost, minus depreciation.

Retail outlets in other states, starting with Indiana, have argued this method of appraising sets values too high. If a store closes, the building cannot usually fetch a price anywhere near what its appraised value is, other retailers have argued. The appraised price of a building should be the fair market value of the building and land itself, the argument goes.

By that method, the taxable value of the 10 Walmart properties in Pulaski County should be reduced from $145 million to $74.3 million, the lawsuits argue.

"The other big box stores are waiting in the wings," Hill said. They are willing to wait until Walmart goes through the courts first, he said.

Bryan Law, director of the Northwest Arkansas Education Cooperative, where Hill spoke Thursday, said the group's membership may discuss this topic at its meeting with regional legislators on Oct. 26. The cooperative is an association of administrators of school districts.

The Walmart litigation consists of 20 lawsuits involving the 10 properties, Joe Thompson, chief administrator of the Pulaski County assessor's office, explained Thursday. That's one lawsuit contesting the appraised value of each store in each of two tax years.

The lawsuits are proceeding slowly, in part because of covid-19's effect on court proceedings, Thompson said. There have been no hearings or depositions taken, he said.

If the "dark store" argument prevails, other businesses including other retailers, plus manufacturers and apartments, could make at least some form of the same argument, Hill and Thompson said.

Hill's office calculated how much commercial property could make such claims. Bentonville School District could lose $10.8 million a year, according to those figures; Fayetteville $12.1 million; Rogers $14.2 million; and Springdale $9.8 million. Even if losses are half that, Hill said, the impact would be severe.

The likely response would be what has happened in other states where the "dark store" method has prevailed, Hill said. Property tax rates would rise and the main burden would fall on non-commercial property such as homes, where their tax bills rose an average of 8% on such property in Indiana, he said.

If all businesses in the state were appraised for property taxes based on building and land — and not the value of the business done there — Washington County Assessor Russell Hill predicts these figures as a worst-case scenario for lost revenue:

• Counties: $39.8 million
• Cities: $31.8 million
• Schools: $207.9 million
Source: Russell Hill, assessor

Walmart lawsuits risk tax losses, school districts told

Lawsuits working their way through Pulaski County Circuit Court could cost $200 million a year in lost property-tax collections for public schools throughout Arkansas, the Washington County assessor told education supervisors Thursday.

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CALIFORNIA

LA County's total assessed property value tops $1.7 trillion

In 2019, only 80 county properties were reduced in value and that number fell to 69 in the 2020 report.

Los Angeles County's total assessed property value topped $1.7 trillion this year, a $100 billion increase over 2019, according to figures released Tuesday.

The 2020 annual report from the Los Angeles County Office of the Assessor, shows that year-over-year growth landed just above the region's 8-year average rate of 5.84%.

The report, based on values as of Jan. 1, 2020, does not include assessments amid the COVID-19 pandemic.

"The Assessor's Office identifies and values taxable property, but its impact to the public is far greater," Assessor Jeffrey Prang said in the report. "The $1.7 trillion in total net value translates to about $17 billion for vital public services such as fire, public health and education."

A breakout in the report shows that 40% of that $17 billion went to school districts, while 24% went to unincorporated areas, 15% went to unincorporated cities, 14% went to successor agencies and 7% went to special districts.

The pre-pandemic assessment role shows Inglewood posted the highest annual growth of 13.6%, followed by El Segundo (8.5%), Palmdale (7.5%), Pomona (7.3%) and Manhattan Beach (7.1%).

In terms of sheer magnitude, the city of Los Angeles remains the county's 600-pound gorilla with a total assessed property value of nearly $696 billion. That was up 6.6% over the previous year with 865,695 properties assessed.

Here are the Top 5 cities, total assessed property value, year-over-year change and properties assessed:

- Los Angeles — $695.9 billion, up 6.6%, 865,695 properties assessed
- Long Beach — $63.4 billion, up 5.4%, 118,247 properties assessed
- Santa Monica — $42.3 billion, up 7%, 27,243 properties assessed
- Beverly Hills — $39 billion, up 6.6%, 13,126 properties assessed
- Santa Clarita — $37.2 billion, up 5.8% , 72,261 properties assessed

Property value growth is fueled by a number of factors, with the biggest being properties that are sold. Other value-boosting factors include an adjustment for inflation, new construction and business personal property taxes and fixtures.

The 2020 report's leading growth factors:

- Real estate transfers: $49.6 billion
- Consumer price index adjustment: $30.8 billion
- New construction: $13.3 billion

The report also tracks "decline-in-value" properties that have had their value reduced to account for a loss in market value. The 2008 financial crisis and the ensuing years saw hundreds of thousands of property value declines, although much of those values have been since been restored.

In 2008, 131,000 properties had their values reduced, but that wasn't the worst of it. That number hit 351,000 the following year and topped out at 426,000 properties in 2010. In 2019, only 80 county properties were reduced in value and that number fell to 69 in the 2020 report.

L.A County's total assessed property value of $1.7 trillion is up from $1.6 trillion in 2019, $1.51 trillion in 2018, $1.42 trillion in 2017, $1.33 trillion in 2016 and $1.26 trillion in 2015. That amounted to $440 billion in growth over the past five years.

Prang said the next report will likely be less upbeat as a result of this year's ongoing health crisis.

"January 1, 2021 could tell a different story," he said. "Decline-in-value relief will likely be available for many property owners due to COVID-19's impact on the market."

California Property Taxes: Major Changes May Be Coming

California real estate investors and other stakeholders need to pay close attention to Proposition 15, The California Schools and Local Communities Funding Act of 2020 (a.k.a. the "split-roll" initiative). If passed in the

November 2020 election, the initiative would significantly change how commercial and industrial properties are taxed in California.

The California State Constitution currently caps ad valorem property tax rates for both commercial and residential properties at 1% of the "full cash value" at the time of acquisition, with increases to assessed values capped at no more than 2% per year regardless of the property's actual fair market value. The 2% annual cap on increases to a property's assessed value remains in place so long as there is no "change in ownership" or "new construction" (as such terms are defined under California law). This has been the law in California since the passage of Proposition 13 on June 6, 1978.

If Proposition 15 is passed, non-exempt commercial or industrial properties would no longer be subject to the above reassessment framework. Rather, the split-roll initiative would repeal Proposition 13 protections for commercial and industrial property owners (including vacant land not zoned for residential use and not used for commercial agricultural production) by redefining "full cash value" under Article XIIIA of the California Constitution, thus requiring market-value reassessment of commercial and industrial properties every three years. The initiative is expected to raise an estimated $8-12 billion in tax revenue annually for schools and local governments.

If passed, existing commercial property owners as well as their tenants, can expect significant implications related to their California property taxes moving forward. The change would be phased in beginning in fiscal year 2022-2023. Properties such as retail centers whose occupants are 50% or more small businesses (as defined in the proposed law) would be taxed based on market value beginning in fiscal year 2025-2026 (or, at a later date that the legislature decides on).

Owners and tenants of commercial and industrial properties will need to review their leases to understand how the potentially significant increases in property taxes will be allocated between the parties. With respect to triple net investments, owners would be able to pass through these higher tax costs to their tenants which could impact lease renewals and place downward pressure on rents. Owners of properties with gross or modified gross leases, such as office or industrial buildings, may be forced to bear the burden of the tax increase themselves.

The ballot measure does not affect the value assessment of (i) residential properties (including multi-family, but excluding any portion of the property that is used for commercial and industrial purposes), (ii) agricultural properties, (iii) vacant land used for open space, park or equivalent designation, and (iv) owners of commercial and industrial properties with combined value of $3 million or less. The exemption for commercial and industrial properties will not apply if any of the direct or indirect beneficial owners of such real property own a direct or indirect beneficial ownership interest(s) in other commercial and/or industrial real property located in California, which such real property in the aggregate (including the subject property) has a fair market value in excess of $3 million. In addition, the initiative would exempt small business tangible personal property from taxes and $500,000 in value for a non-small business tangible personal property.

Although the proposition will redefine what "full cash value" under Article XIIIA of the California Constitution means for commercial and industrial properties when it comes to property tax reassessment, the existing change in ownership statutory framework may still be relevant to transfer taxes owed by commercial and industrial property owners in jurisdictions that have enacted ordinances triggering transfer tax upon a change in ownership. Thus, a change in ownership may still trigger significant transfer taxes upon a sale of property or a change in control of an entity that owns real property in California.

In recent months, the initiative has gained momentum due to the effects COVID-19 has had on local governments. According to a poll conducted by the Public Policy Institute of California, as of September 2020, 51% of likely voters said they would support the initiative, with 40% opposed and 9% undecided. The proposition requires approval by a simple majority of voters for passage.

Property Tax Break Swap; California Prop 19 Means Different Things To Different Homeowners

On the ballot this year is a proposition that says it will help wildfire victims and change state property tax policy.

Prop 19 would allow homeowners over the age of 55 to keep their property tax rate for up to three moves anywhere in the state, it will also allow victims of wildfire or natural disaster to transfer their property tax rate for one move anywhere in the state.

Right now property owners over the age of 55 can transfer their current property tax rate to a home of equal or lesser value one time, but they can only do so in the same county or in one of ten counties, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne and Ventura counties.

Santa Rosa city councilmember Chris Rogers is a survivor of several wildfires and a supporter of Proposition 19.

“I get asked all the time why people choose to rebuild in fire-impacted areas,” Rogers said.

Many people in his district choose to rebuild in at-risk areas because high property taxes offer them few options for going someplace else.

“Insurance requires folks to rebuild where they lost their homes. and then once they’ve rebuilt their homes, they have almost the golden handcuffs of their lower property tax values that are there,” Rogers said.

When Californians buy a new home their property taxes usually go way up. Property taxes in this state are based on the value of the home when you bought it, so if you bought a long time ago you’re paying a fraction of what new owners pay.

“I think that we’ve got a crushing housing problem in California, and that you have so many seniors who have been looking to downsize into smaller places and they’re locked in because of their property tax values,” Rogers said.

At its core, Prop 19 is really a tax break swap. It’s a break for anyone over the age of 55 with already low property tax rates. It is a tax increase for children inheriting their parents’ homes; if you don’t plan to live in the home your property tax rates will go up.

“Well, Prop 19 is a billion-dollar tax increase on California families. It talks about wildfires that’s what’s in the commercials, but what’s behind that is a huge tax increase on family transfers of property,” said Susan Shelley with the Howard Jarvis Taxpayers Association. “This is thousands and thousands of dollars on a family that has just lost our parent, literally people will be opening the sympathy cards, and one of them will be a new tax bill.”

Current law keeps property tax rates low for children who inherit their parents’ homes even if the heirs don’t live there. Prop 19 would force those children to move into the home or pay higher property taxes.

“This is, it’s just a cruel thing to do to California families especially when it isn’t being fully disclosed in the commercials that that’s what this measure would do,” Shelley said.

The Legislative Analyst’s office predicts Prop 19 would bring in tens of millions of dollars in state revenue each year. Some would go to schools and local governments, the rest would go to a wildfire prevention fund. Supporters project fire districts could receive up to $99 million in the first year and up to $6 billion over 12 years.

"What this does is it creates a tax break that encourages people to move more often or raise their taxes. So they're forced to sell and both those things generate more commissions for realtors, but is it good policy for California?" Shelley said.

"I think providing some level of flexibility for folks, whether it was fire victims, whether it's seniors or whether it's folks who are disabled makes a lot of sense for California," Rogers said.

No easy answers to questions on Prop. 19

Today I'll share questions and comments from readers about my column last weekend on Proposition 19, the November ballot measure that would give older people and disabled homeowners more ways to transfer their property tax base from one primary residence to another. It also would sharply reduce the ways parents and children can transfer real estate between each other without having the properties reassessed at market value.

To recap, in California properties generally are assessed at market value when they change hands. In between transfers, the assessed value can only go up by an inflation rate capped at 2%, plus the value of new construction or major improvements. Each year, the assessed value (also called the taxable value or adjusted base year value) is multiplied by the tax rate to determine the tax bill. Assessed value is usually lower than market value, so when homes are sold after many years and reassessed, the property tax goes up, often by a lot.

Current law allows several exemptions from reassessment when properties are sold or transferred. One lets homeowners who are at least 55 or severely disabled sell their primary residence and transfer its tax base to a new primary residence of equal or lesser value in the same county, or in one of 10 counties that accept incoming transfers. The replacement home must be purchased or newly constructed within two years before or after the sale of the original home. They can use this exemption once.

Prop. 19 would let these senior or disabled homeowners transfer their tax base from a primary residence to a new one of any value in any California county, up to three times. However, if the replacement home is worth more than the original home, the difference in market values would be added to the assessed value. Prop. 19 would extend this benefit to people who lost their homes in a declared natural disaster.

One reader took exception to my statement that this older-adult/disabled "portability" provision would apply to home sales starting April 1.

"Nothing in the text of the proposition says that the sale of the home must occur after April 1, 2021," he wrote. "The language says only that the transfer of taxable value from the original home to the replacement home must occur on or after April 1, 2021. This means that someone could sell their home before April 1, 2021, and transfer it to a replacement residence, so long as the transfer occurs within the two-year window required by current law (and this proposition). The transfer, though, must occur after April 1, 2021."

I checked with many experts and got conflicting answers. David Wolfe, a consultant to the Yes on Prop. 19 campaign, agreed with the reader and said that if Prop. 19 passes, an eligible homeowner who has already sold a primary home "would need to wait until after April 1 of 2021 to buy a replacement home — so long as the replacement home is purchased within two years of the sale — and transfer the tax base under Proposition 19's new rules."

But David Yeung, deputy director of the California Board of Equalization's property tax department, said, "If Prop. 19 passes, it will become effective April 1, 2021, and the current law will sunset on the same date. The date of the first transaction will determine which version of the law will be operative for the base-year transfer. In other words, if you buy or sell before April 1, 2021, the old law is operative. If you buy or sell on or after April 1, 2021, the new law will be operative." The board issues guidance on property tax law to county assessors.

Glenna Schultz, the board's senior specialist property appraiser, said it's not clear-cut and the Legislature will need to clarify. San Francisco Assessor-Recorder Carmen Chu agreed. "The ballot measure is not explicit as to whether only the purchase transaction must be after April 1, 2021, or whether both sale and purchase transactions must be after April 1, 2021. This is the type of question that is typically addressed in the implementing legislation," she said.

Here are other questions readers had:

Q: In December 2017 I rented out my house in San Mateo County and moved into a home I'm renting in Placer County. My home on the Peninsula is assessed at $117,000; Zillow estimates the house is worth $1,850,000. If Prop. 19 passes, I would sell the Peninsula property and buy something here and transfer my property tax. Do I need to move back into the rental property to establish residency?

A: "If they want to take advantage of Proposition 19, then they would need to move back into the rental property to make it their primary residence," Wolfe said.

How long the homeowner would have to stay there before selling "is unclear, and there is very little guidance. The safest route would be to move into it completely, change all the utilities to it, claim the homeowner's exemption on it and stay for at least one federal/state tax cycle," said Brad Marsh, a tax attorney with Greenberg Traurig.

Yeung added, "If the property owner did not file for the homeowners' or disabled veterans' exemption, the county assessor will be looking for evidence such as income tax returns, voter registration, vehicle registration, and bank statements."

Q. My wife and I own a home in San Francisco and Santa Rosa. We occupy both homes, but only one can be claimed as our primary residence. When we pass away, our son will inherit both properties. Prop. 19 is clear on how the assessed value and property tax will be determined for our primary residence. Do you know the current law for how the non-primary residence is assessed upon inherited transfer? Will Prop. 19 impact the non-primary residence?

A: This question illustrates how Prop. 19 would change the rules for transfers of property — by sale, gift or inheritance — between parents and children, starting Feb. 16.

Yin Ho, a real estate attorney with Withers, explains: Under current law, a husband and wife can transfer a primary residence, of any value, to their son and it won't be reassessed. They can also transfer other property — such as second homes, commercial and rental properties — and a limited amount will be excluded from reassessment. The "other property exclusion" is limited to $1 million of adjusted base year value (not market value) per person, he said.

Under current law, the husband and wife can use the principal residence exclusion on either the San Francisco or Santa Rosa home (whichever qualifies), and the "other property" exclusion on the second home. For the other property, the husband and wife should find their adjusted base year value on their most recent tax bill. If the adjusted base year value is equal to or less than $2 million, then 100% can be excluded from reassessment. If it's more than $2 million, the amount that exceeds $2 million is reassessed to present-day value, Ho said.

Note that the $1 million per person exclusion "is a lifetime amount. Once you use it up, it's gone," said Kelly Cruz, director of strategic planning with Aspiriant. A married couple can transfer up to $2 million, but if each uses $500,000 and one passes away, the surviving spouse has only $500,000 left to transfer.

If Prop. 19 passes, starting Feb. 16 the "other property" exclusion is eliminated. The son may still inherit the second home, but it will be reassessed at market value at the time of transfer, Ho said.

In addition, the principal residence exclusion will be limited. To get any exclusion, the son must use his parents' principal residence as his main home. If the difference between this home's assessed value and market value is $1 million or less, the assessed value will carry forward. If the difference is more than $1 million, the assessed value will be increased according to a formula, but not to full market value.

If Prop. 19 passes, Cruz said families with substantial real estate should consider transferring property before Feb. 16. However, there's a trade-off. "If you were planning to leave the property to your children when you die, you would lose the step-up in basis" that property gets under current law when it is transferred at death. This step-up lets heirs avoid income tax on inherited assets if they sell them right away. Presidential candidate Joe Biden has proposed eliminating this step-up in basis, however.

Will California's property tax initiative hurt small business? What you need to know

Here's what you need to know about property tax ballot measure Proposition 15

Depending on which ad you see, a property tax initiative on the November ballot would either drive small businesses into the ground or actually cut their taxes.

Proposition 15 would roll back part of a 1978 law that sets property taxes based on purchase price. Under the new initiative, commercial property owned by businesses over a certain size would be taxed based on current assessed value.

That would effectively raise their tax bill. The nonpartisan Legislative Analyst's Office projects the change would generate billions of dollars for schools and local governments.

The supporting campaign says the measure spares small businesses from tax increases by only applying to businesses that own more than $3 million in commercial and industrial property. Supporters say many small businesses will actually see a tax cut because of an equipment tax break in the measure.

"I've run the numbers, and it will cut my taxes, just like many other small business owners," one woman identified as a small business owner says in an ad by the campaign, which is funded largely by unions.

Opponents argue that the measure will hurt small businesses that rent their spaces because higher property taxes on the buildings that house them will be passed through in their leases.

"As higher property taxes push our costs up, family businesses will go under," a man portrayed as a small business worker says in an ad from the opposition campaign, which is funded largely by real estate companies.

So who's right? The truth, independent economists say, is somewhere in the middle.

"This is going to affect small businesses," said Terri Sexton, a retired Sacramento State economist who has studied California property tax law for decades. "There's no doubt about it."

But it’s not yet clear which small businesses will see higher taxes or how much more they’ll pay, she said. It’s also unclear how much increases will be offset by a personal property tax cut in the law, which eliminates equipment taxes for small businesses with fewer than 50 employees and gives larger businesses a $500,000 exemption.

Most small business renters must pay part of their building’s property taxes through their lease agreements, said Sung Won Sohn, an economist at Loyola Marymount University in Los Angeles. That means if their building’s taxes go up, so will theirs.

The supporting campaign says Proposition 15 gives tenants time to renegotiate their leases because it delays implementation for buildings where small businesses rent more than half the space until 2025.

California’s current property tax law, Sexton says, unfairly advantages businesses that have owned their property for a long time, but she has some concerns about the way Proposition 15 is written and isn’t sure that the phase-in period will be enough for small businesses to renegotiate their leases.

“There’s no reason why a business should have an advantage based on its property taxes,” she said. “But I think a well-defined phase in period is necessary, and I’m not sure this proposal really allows for that.”

Although small businesses that rent their space may see some property tax increases passed on to them, landlords will likely still absorb at least some of the tax increase, said Alan Auerbach, Director of the Burch Center for Tax Policy at UC Berkeley.

That’s because market factors will still influence rent prices.

The supporting campaign argues landlords who pay low property taxes because they’ve owned their buildings for a long time don’t charge lower rents as a result. They still charge market-rate rent, and pocket any savings from lower tax costs.

Even if their property taxes rise, those landlords won’t be able to raise rents dramatically if they want their tenants to stay, supporters argue, which will force them to renegotiate.

The extent to which that will be true will depend on the market, economists say. Leila Bengali, an economist at UCLA, said that in some parts of California where there are many spaces available to rent, landowners may be pressured to keep prices where they are. But in areas with less competitive markets, that may not be the case, she said.

“There’s probably going to be a fair amount of variation,” Bengali said. “It’s conceivable that there could be a lot of regional differences.”

Different types of small businesses will likely be affected differently, Sexton said. A business that can easily move into a new space without major moving costs would have more leverage to renegotiate a lease, she said, but businesses with high moving costs might choose to stay in their space even if prices rise.

Sohn said he's spoken to mall owners in the Los Angeles area who are collecting only about 70 percent of rent from their tenants because of the pandemic-driven economic shutdown. If Proposition 15 passes, that will put more strain on those property owners.

"Some small business owners will be exempt, but many others will be caught in the net," Sohn said. "If you raise property taxes on top of the pandemic, that's going to really hurt."

Proponents point to a study funded by the Silicon Valley Community Foundation, a business organization not affiliated with the campaign, that analyzed past examples where properties were reassessed after a sale and found that businesses saw little to no rent increases.

Supporters of the measure argue that would be the case if Proposition 15 were to pass, even as opponents decried the study and argued the measure would force small business renters to close shop.

"I think the truth is somewhere in between," Auerbach said. "We certainly expect owners to bear some of the tax, but we can't be sure that they're going to bear the entire burden."

Proposition 15: COVID-19 heightens debate over business property tax measure

Intel has long been a bellwether, founded more than 50 years ago to produce the very product that gave Silicon Valley its name. Now, the chipmaker and dozens of the region's other old-guard companies are among the California businesses that could become a huge source of additional tax money for local government, schools and community colleges.

Proposition 15 would change the way commercial property is taxed. Instead of paying property taxes based on the value when their land was purchased, many businesses would pay rates based on a parcel's current value if voters approve the measure in November. Older landowners such as Intel, which bought much of its property back when it was a bargain, would face bigger hikes. Relative newcomers such as Apple would see smaller increases.

It's a return to the way commercial property used to be taxed, before 1978's Proposition 13 transformed the landscape and crystallized a nationwide taxpayers' revolt.

With the pandemic and growing inequality as a backdrop, arguments on both sides are fierce, and the campaign is expected to be one of this election's most expensive.

Supporters argue the new measure will help close corporate loopholes that have made California a real estate tax haven while depriving residents of more funding for essential government services. By targeting properties worth at least $3 million, they say, it will protect smaller owners of commercial property at a critical time.

"We're becoming kind of like a place where outside folks, where billionaires from all over, park their money and pay no taxes on it, or very little taxes," said David Goldberg, a vice-president at the California Teachers Association, which is backing the measure. "It's devastating us."

But opponents, which include the state's chamber of commerce, the California Retailers Association and the Howard Jarvis Taxpayers Association, counter that Prop. 15 is a potentially devastating new tax in a state that's already expensive for businesses. Plus, they worry that bigger commercial landlords could pass increased costs on to struggling small businesses through higher fees at a time when many are barely hanging on or have shut down during COVID-19.

"The impact from Prop 15 is going to be felt throughout the economy, especially by small businesses and ultimately by the consumers because these increased costs are going to land on the pocketbook of the consumer," said Matthew Mahood, CEO of the Silicon Valley Organization, the region's chamber of commerce.

Currently, commercial and industrial property owners benefit from the same Proposition 13-era rules homeowners do: Their property taxes are based on what the value was when they bought the property, not what it's worth today. Increases are limited to 2 percent a year, protecting long-term owners in particular from a meteoric real estate market. If Prop. 15 is passed, its impact will be felt more heavily by companies such as Intel, which bought much of its property between 1980 and 1994 at prices far lower than today's market rates. The company paid $12.1 million in Santa Clara County property taxes in 2020.

Apple, meanwhile, paid $66 million in property taxes this year. That's partly due to its most valuable holding, its new Spaceship headquarters, which was assessed at almost $4.2 billion after it opened in 2017. Most of the company's other 31 parcels in Santa Clara County were purchased after 2001, a real estate lifetime after Intel bought its land.

Proponents say reassessing commercial and industrial property in California could bring in as much as $11.5 billion in taxes to be split 60-40 between local governments and K-12 schools and community colleges. Prop. 15 would do that by creating a split roll, leaving intact homeowner's Proposition 13 protections while changing the rules for commercial owners.

Supporters point to a report from Blue Sky Consulting that found 92 percent of the new tax would be paid by just 10 percent of commercial property owners, thanks to several provisions they say shield small-business owners from a sudden tax increase and even offer some tax breaks on commercial equipment. "This is really going after a targeted group of folks," Goldberg said.

Prop. 15 has the support of the California Democratic Party, Gov. Gavin Newsom and vice-presidential candidate Sen. Kamala Harris, various school districts and multiple labor unions representing teachers and other municipal workers. The Yes on 15 committee has raised more than $40 million since 2018, including nearly $6.4 million from the Chan Zuckerberg Initiative, about $11.8 million from the California Teachers Association and more than $12.3 million from local and statewide chapters of the Service Employees International Union. The No on Prop. 15 campaign has raised $25 million, more than $13 million of that from the California Business Roundtable.

Opponents say many small businesses lease but don't own property, and some have lease agreements in which tenants pay for any increases in property taxes. Supporters counter that protections in the measure could delay any increases for some small-business tenants by several years, giving them time to renegotiate payments.

It's possible the ongoing recession could bolster the proposition's chances as voters consider the impact of a slowing economy on strained state and local budgets. If so, it would be the culmination of decades of work from activists hoping to roll back some of Prop. 13's restrictions.

"It's been a long time in the making and I think it's here and given the state of finances in California and the need for new revenues by the schools … it's probably coming at a good time," said Mark DiCamillo, director of the Berkeley IGS Poll, which in September found 49 percent of likely voters support the proposition, 34 percent oppose it and 17 percent are undecided.

"It's not a direct tax for most people," he said. "When it comes to taxes, voters have a mindset of, 'Don't tax me, tax that guy behind that tree, tax somebody else.' "

California Will Vote On Whether To Hike Property Taxes On Businesses

In a few weeks, California voters will decide whether to overhaul a state property tax system that has stood for decades.

The proposal on the Nov. 3 ballot is estimated to generate up to $12 billion in new revenue amid a fiscal crisis brought on by a global pandemic. But business groups warn it will result in the largest property tax increase in state history at a time when small businesses can ill afford it.

"Small businesses, which are already struggling to keep their doors open during the pandemic, will be left with few options if Prop. 15 is not defeated – reduce employee hours, lay off employees, or pass on higher costs to consumers," notes the group No on Prop 15.

Here's what's at stake: California's current property tax edict, Proposition 13, is one of the most restrictive measures of its kind in the country and has had the effect of creating a lopsided system in which comparable properties in the same neighborhood can pay vastly different property taxes. Enacted in 1978, Prop. 13 capped local property tax rates at 1%, and ended the practice of taxing property based on the full market value. Annual property tax increases are capped at 2%, even when property values rise more.

If someone owns a property for a long time, that owner ends up paying taxes on an assessed value that is artificially lower over time. Hence, lower taxes than the owner next door who just moved in and is paying tax rates on the market value of the property.

The proposed ballot measure in California wouldn't change any of that for homeowners in their primary residence. But it would end that practice for commercial and industrial properties valued over $3 million. This would create a "split-roll" property tax system where these high-value commercial and industrial properties would be taxed at full market value and reassessed every three years going forward. Residential properties (including apartment buildings) and agricultural land would remain under the current Prop. 13 limits.

A state legislative analysis estimated the initiative would raise $7.5 to $12 billion per year in new revenue. Local governments would receive 60% of that revenue while 40% would go directly to schools.

Proponents say the money could help stave off massive budget cuts on local services and programs — like infrastructure and education — that are vital for California's competitive future.

Carol Kocivar of the California State PTA told KCRA the new revenues would help after-school programs, libraries, parks and recreation and parks, and services for the elderly and the homeless. "It's going to be used to meet the needs of families and communities," she said, "and I think that's very important."

Supporters also note that the current system disproportionately benefits the owners of commercial properties, which tend not to change hands as frequently as residential ones. In fact, a report issued by the Lincoln Institute of Policy found that Prop. 13 has had the effect of shifting the tax burden from commercial to residential properties. According to the institute's report, the homestead percentage of total assessed value in the state increased from 32% at the time of Prop. 13's passage to nearly 40% by 2006.

Here's what that looks like on the ground: According to NBC Los Angeles, La Jolla Country Club in San Diego opened in 1927 and owes $136,899 in taxes this year on 130 acres. That's calculated on an assessed value of just $10.9 million in one of California's most exclusive neighborhoods. By comparison, reports the outlet, a three-bedroom house on a nearby quarter-acre lot sold for $10.1 million in 2017 and owes roughly the same in taxes.

But opponents warn that Prop. 15's effort to target high-value properties does not exempt small business owners from tax hikes. That's because small businesses leasing space in these higher-value commercial properties will likely have the tax increase passed on to them through the terms in their lease.

"When I signed a lease extension for my twenty-year-old restaurant four years ago, I knew what the property tax amount would be," San Francisco restaurateur Laurie Thomas said in a statement via No on Prop 15. "If Prop. 15 passes, the property tax portion of my annual lease costs could go from the $6,000 we pay now to well over $36,000 once the building is reassessed. I am very concerned that I, and many other small, neighborhood restaurants and businesses like mine, will not be able to keep our doors open and our workers employed if Prop. 15 passes."

What's more, tax assessors in charge of implementing Prop. 15 warn that it would create "administrative chaos" because it requires an estimated 12-fold increase in reassessments annually. This would dramatically impact assessors' ability to provide essential services to all taxpayers, including residential homeowners, warns a bipartisan op-ed in the San Jose Mercury News.

"The proponents project assessors would add $1.2 trillion in new assessed value virtually overnight," wrote Santa Clara County assessor Larry Stone and Bob Dutton, the San Bernardino County assessor-recorder-county clerk. "There is no light switch to make that happen. It is simply not possible."

If Prop. 15 passes, it would go into effect starting in 2022. Properties used by small businesses with 50 or fewer employees would see changes starting in 2025.

A recent poll of likely voters conducted by the Public Policy Institute of California found Prop. 15 is supported by a razor-thin majority: 51% in favor and 40% oppose. Democrats (72%) are far more likely to support than independents (46%) and Republicans (17%).

Prop. 15 Would Close a Corporate Tax Loophole. Here's How It Got There in the First Place

Voters overwhelmingly passed Prop. 13, but now, 42 years later, voters are being asked with Proposition 15 to undo a major loophole in that 1978 ballot measure which has allowed corporations to keep their property taxes artificially low for decades.

When anti-tax crusader Howard Jarvis barnstormed across California for Proposition 13 in 1978, he made it clear who the measure to slash property taxes was aimed at helping.

"The people that are being hurt are the elderly people on limited income who have spent all their life earning a home," Jarvis said in a KQED debate that year. "And the state is kicking them out in droves. And this is what this is about."

Voters overwhelmingly passed Prop. 13, but now, 42 years later, voters are being asked with Proposition 15 to undo a major loophole in that 1978 ballot measure which has allowed corporations to keep their property taxes artificially low for decades.

Jarvis was correct that with inflation pushing the value of homes in California through the roof in the 1970s, homeowners were seeing their property tax bills increase to the point where some couldn't keep up.

"People were losing their homes because of property taxes. People on fixed incomes, Social Security, who suddenly had their taxes double and triple, couldn't afford it. And it was causing a tax rebellion," recalls Randy Goodwin, who ran the "Yes on Prop. 13" campaign.

Jarvis capitalized on voter anger and anxiety with Prop. 13, whose passage ushered in the "tax revolt" that swept across the country and helped elect Ronald Reagan president of the United States.

Prop. 13 did indeed roll back residential property taxes, setting the tax bill at 1% of the 1976 assessed value and capping annual tax increases at 2%.

But the proposition did not distinguish between residential, commercial, industrial or agricultural property. So all property in California benefited from the measure.

It was a point the late San Francisco Assemblymember Leo McCarthy made during the same KQED debate with Jarvis.

"Pacific Telephone would have a $130 million cut. Standard Oil, $13 million. Southern Pacific, $12 million. They didn't ask for the cut but Mr. Jarvis was kind enough to give them to them," said McCarthy, who was Speaker of the Assembly at the time.

The question is, was the windfall to corporations — which saves them billions of dollars on property taxes — a kind of "Trojan horse" benefit deliberately snuck into the measure by pro-business groups?

Not according to Joel Fox, who was an assistant to Jarvis at the time and later became director of the Howard Jarvis Taxpayers Association.

"All property was taxed the same from 1850 onward. So in writing an amendment to the Constitution on property taxes, it was just simple to maintain what was already in the Constitution," Fox said recently.

"The question is, are we the California that passed Prop. 13? Or are we the California that wants to reevaluate that and think about investments in young people?"

— Manuel Pastor, director of the Program for Environmental and Regional Equity at University of Southern California

In fact, the business community didn't really support Prop. 13, at least not outwardly, remembers Prop. 13 campaign manager Randy Goodwin.

"Not only did they not participate in the drafting, they didn't support Proposition 13. So that tells you a lot right there. They did not support Proposition 13. They gave no money to it," Goodwin told KQED recently.

"The big corporations in California had a cozy relationship with the powers that ran the state government," Goodwin said. "And they together paid for the opposition to Proposition 13. We didn't have Chevron. We didn't have AT&T. We didn't have any of those big corporations supporting Proposition 13."

"The argument that business would have the same treatment as residential property was in the ballot arguments. So voters were aware of it, and they had an alternative," said Jarvis' former assistant Fox.

That alternative was Proposition 8, another tax cutting measure placed on the same ballot by then-Gov. Jerry Brown and the Legislature in a futile attempt to prevent Prop. 13 from passing.

Prop. 13 was simply written and did not specify how it would be applied to commercial property. In fact, the implementation of Prop. 13 was left to the Legislature.

"I wrote the implementation process after it had been passed by the voters," said former Assemblyman Willie Brown recently.

Brown chaired the that determined how and when commercial property would be reassessed with higher property taxes.

Under the current rules written back then, a reassessment is only triggered when a person or legal entity acquires more than 50% of the ownership interest. Companies have used that loophole to avoid property tax increases, by selling no more that 49% to any one person or entity.

As a result, companies like Disneyland, Intel and Chevron are currently paying taxes based on property assessments from the 1970s.

Willie Brown says now that the legislature blew it back then.

"We should have said anytime there is a change in the ownership of the property through any means, that constitutes a transfer for reassessment purposes," Brown said recently.

"The legislature can do that. And that's where it ought to be done," said Brown, who opposes Prop. 15 and has received consulting fees from the "No on 15" campaign.

Whether the legislature "blew it" when it wrote the Prop. 13 implementation rules for commercial property or did it intentionally to please business interests is hard to know. One thing's for sure: It's much easier for lobbyists to influence legislation than ballot measures.

In fact, the Legislature tried to revise the law to close the loophole and to reassess commercial property more often. In 2010, Assembly Bill 2492, authored by former Assemblyman Tom Ammiano, would have defined a "change of ownership" as happening whether or not any one legal entity or person that is a party to the transaction acquires more than 50% of the ownership interests. The bill died in committee.

Prop. 15 would require that commercial and industrial properties be reassessed on a regular basis, with property taxes based on current market value, rather than what the property cost when it was purchased. According to the nonpartisan Legislative Analyst, the measure would send $6.5 to $11.5 billion in new revenue annually to schools and local governments.

Residential and agricultural property along with commercial property worth less than $3 million would be exempted from the change.

Prop. 13 passed at a time when California was a much different place than it is today — more white, more conservative and less diverse. Manuel Pastor, director of University of Southern California's Program for Environmental and Regional Equity, says that over the years, the measure has worked to exacerbate the wealth gap.

"You've got a system right now that is inequitable in terms of where the burden of the property taxes are more on residential folks and more on the most recent buyers who tend not to be the wealthiest, tend to be more people of color," Pastor said.

He says the fate of this year's Prop. 15 could indicate how much California has changed.

"The question is, are we the California that passed Prop. 13? Or are we the California that wants to reevaluate that and think about investments in young people?" Pastor asked.

Polls show Prop. 15 is close to the 50% support threshold needed for passage, but its fate is far from secure.

Unjust Property Taxes Amid COVID-19

Cris K. O'Neall Esq. of Greenberg Traurig LLP discusses why multifamily property taxes are excessive and what taxpayers should do about it.

While COVID-19 has diminished value and property tax liability for all types of real property, it has been especially hard on multifamily housing owners.

State and local shelter-in-place orders that limited business operations have contributed to reduced rental income and vacancies for most commercial property types. In extreme cases, residents have gone out of business or into bankruptcy, eliminating revenues. Many owners have shuttered vacant commercial properties during the pandemic, which at least allowed them to curb spending on utilities and other operating costs.

Few multifamily owners have had that luxury. People still need a place to live, so they continue to occupy their apartments even though they may not be paying rent. As a result, many multifamily operations have lost revenue without reducing occupancy, exacerbating anemic rent collections by compelling landlords to pay operating expenses on fully occupied complexes.

THE PROBLEM: RESIDENTIAL EVICTION MORATORIUMS

In March, COVID-19 prompted the federal government and many states to declare emergencies; counties and cities immediately placed moratoriums on evictions of apartment dwellers for nonpayment of rent. California's experience was typical, with over 150 cities and nearly all metropolitan counties in the Bay Area and Southern California passing eviction moratoriums. Similar restrictions adopted throughout the nation prevented residential landlords from evicting residents for not paying rent.

The specter of millions of apartment dwellers forced from their homes remains very real. With over 45 million renter households in the U.S., the magnitude of potential evictions and the possibility of creating a huge homeless population overnight is staggering.

In August, Stout Risius Ross LLC estimated that 42.5 percent of renter households nationwide were unable to pay their rent and at risk of eviction due to the economic impact of COVID-19. Mississippi showed the highest percentage of renters in distress at 58.2 percent, while Vermont had the lowest at 20.0 percent. Percentages in the major states ranged from the low 30s to 50s.

MORATORIUMS EXTENDED

Many eviction moratorium ordinances either expired by June or were set to expire in early September. The Centers for Disease Control and Prevention responded by issuing an order on Sept. 2 (85 FR 55292) that, prior to Jan. 1, 2021, courts must not evict renters for failure to pay rent. Two days prior to the CDC order, the California Legislature passed an emergency statute (AB 3088) prohibiting nonpayment evictions through March 31, 2021.

California's governor asserted the state's statute takes precedence over the CDC's order. The statute preempts similar county and city ordinances, and the CDC's order states that eviction moratoriums in states that provide greater health-care protections than the CDC calls for are to be applied in lieu of the CDC's order.

The CDC's order and California's new law set renter income thresholds, but only to require greater documentation of need due to COVID-19's effect on a household. In California, the threshold is $100,000 for individuals or 130 percent of the median income in the county.

Renters below these thresholds need only submit a short hardship declaration to their landlord. The CDC's order and California's statute do not absolve residents, who must pay back-rent by Jan. 31, 2021 (CDC), or March 31, 2021 (California). In addition, California requires residents by Jan. 31, 2021, to pay 25 percent of rent owed for September 2020 through January 2021.

EVICTION MORATORIUMS AND PROPERTY TAXES

The National Apartment Association in 2019 estimated 14 cents of every dollar of rent goes to property taxes. Property owners receive 9 cents, while 27 cents pays property operating expenses and 39 cents goes to the property's mortgage.

Obviously, if there is no rent being paid but properties are still being occupied, owners must continue to pay property taxes, operating expenses, and their mortgages (mortgage relief is generally only available, under the CARES Act, to small property owners or owners with government-backed mortgages).

How will these moratoriums affect multifamily property taxes? Whether residents will resume paying rents early next year is far from certain, and back rent may never be paid. These unknowns will affect what multifamily properties' taxable values should be in 2020 and what they will be in 2021.

County assessors generally value multifamily properties using an income approach, starting with gross income netted against operating expenses. Capitalizing that income indicates a value that is the basis for determining the amount of property tax owed. The capitalization rate is based in part on the anticipated risk associated with the property's ownership, or the likelihood the property will continue to generate income.

The difficulty with using the income approach right now is that gross income declined precipitously and remains depressed many months later while operating expenses continue unabated, and there is no assurance back rents will be paid in 2021. The result in many cases is negative net income, which implies negative values and lower property taxes. In addition, capitalization rates are difficult to forecast because no one knows when COVID-19 health restrictions and related eviction moratoriums will be lifted. This uncertainty increases capitalization rates which, in turn, lower property values.

APPEAL ASSESSMENTS NOW

Given the economic challenges confronting renters, any multifamily property is highly likely to have declined in value in the short term, and potentially for the next year or longer. While assessors have promised "to take a hard look" at values in 2021 to see if they should reduce values and lower taxes, whether they will do so remains to be seen.

In view of this, multifamily property owners and managers would do well to appeal their property tax bills this year or during the next available appeal season. This will help ensure tax assessments for this year and future years account for the damage COVID-19 eviction moratoriums have inflicted on multifamily property values.

Prop. 13 revise: Prop. 15 would be biggest change to California property taxes in 4 decades

Norges Bank, Norway's sovereign wealth fund, caught a break when it bought a minority ownership stake in two San Francisco buildings four years ago.

Norges paid $453 million for 44% ownership of 100 First St. and 303 Second St. It was an example of soaring San Francisco real estate values: Six years earlier, the office buildings had sold for a combined $429 million, but now Norges valued them at $1.15 billion.

But unlike typical sales, the properties' tax bill did not rise in a similar way, because of the rules set by California's Proposition 13. Under the initiative that voters approved in 1978, property taxes can rise no more than 2% each year unless more than half of ownership is sold or new construction occurs.

Those protections would be removed for commercial properties if voters pass Proposition 15 on the November ballot. The initiative would reassess commercial and industrial properties in California at least every three years instead of whenever they are sold. It would be the most sweeping change to the state's property tax code in over four decades.

The measure could more than double the annual tax bill for the two Norges buildings, to a combined $12.4 million, based on the 2016 deal. Norges did not respond to a request for comment.

Statewide, the measure would increase property taxes by an estimated $8 billion to $12.5 billion annually, according to the nonpartisan state Legislative Analyst's Office. Under Prop. 15, 60% of the new revenue would go to cities and counties, and the rest to school districts.

Owners with less than $3 million in total property would be exempt from the initiative — an attempt by its supporters to shield smaller owners from higher taxes. The ballot measure would not affect residential properties or agricultural land. It would begin to take effect in 2022 and be phased in over the next three years.

In San Francisco, a number of large office buildings leased by companies including Twitter, Uber and Facebook could see major tax increases, following previous ownership sales of less than 50% that, like the Norges deal, were not subject to tax increases. Buildings that have not been sold in decades could also see substantial tax increases to match the current market.

“Massive corporations — many of which are foreign and out-of-state — are robbing our communities of resources for teachers, personal protective equipment for nurses and equipment for firefighters on the front lines,” said Tyler Law, an adviser for the Prop. 15 campaign. “By avoiding their fair share, they have forced Californians to shoulder more of the burden. Prop. 15 closes property tax loopholes exploited by the richest corporations so that we can invest here in California while also giving small businesses a tax break.”

In the Bay Area, Prop. 15 would bring in an additional $733 million annually for San Francisco’s schools and government, $652 million for Alameda County and $770 million for San Mateo County, according to an analysis in February by the University of Southern California’s Dornsife Program for Environmental and Regional Equity.

Opponents, largely funded by business organizations, say the measure would result in property owners passing along the costs of higher tax bills to California’s small businesses — and ultimately, consumers — at a time when many are reeling from the pandemic-induced recession.

“Prop. 15 is the largest property tax increase in the history of California at precisely the worst time,” said Michael Bustamante, a spokesman for the No on 15 campaign. “There is literally not a sector of California’s economy that will not be impacted by this, and all consumers are going to pay for it.”

Some No on 15 ads say the measure’s proponents have said that “homeowners are next” to lose Prop. 13 protections. However, there is nothing in Prop. 15 that affects homeowners’ property tax rates.

Prop. 15 supporters say the money the initiative would raise is desperately needed because the pandemic forced California’s schools and local governments to slash their budgets. The California Teachers Association’s political action committee has contributed nearly $12 million for the measure, and the initiative is backed by other large public-employee unions. Supporters have raised a total of $42 million.

Chan Zuckerberg Initiative, the philanthropic organization backed by Facebook CEO Mark Zuckerberg and his wife, San Francisco doctor Priscilla Chan, donated $7.1 million to the Yes on 15 campaign, calling the measure a way to meet local “urgent needs” such as funding public hospitals and schools.

Gov. Gavin Newsom endorsed the initiative, saying it is a “fair, phased-in and long-overdue reform” that will support public safety programs and schools. Other backers include San Francisco Mayor London Breed, Oakland Mayor Libby Schaaf, and Democratic presidential nominee Joe Biden and his running mate, California Sen. Kamala Harris.

Prop. 15’s opponents say the pandemic is a terrible time to increase property taxes, even those paid mainly by larger businesses. California has the second-highest number of businesses per capita that have closed since the coronavirus began to spread, totaling roughly 39,000, according to Yelp data through August.

John Kilroy, CEO of Kilroy Realty Corp, which sold the 44% share of the two San Francisco office buildings to Norges in 2016, said Prop. 15 could push businesses out of California.

“It would punish everybody that owns real estate and every tenant that has to occupy real estate. It would be one of the most insidious taxes, particularly at a time of great economic uncertainty and recession,” Kilroy said at an industry conference last month.

Opponents, who have raised nearly $30 million, said the property tax increases would probably be passed along to tenants because of how leases are typically written. Tenants, particularly retailers, often sign triple net leases, where they must pay all real estate taxes, building insurance and maintenance.

Prop. 15 would hit San Francisco restaurants hard, said Laurie Thomas, executive director of the Golden Gate Restaurant Association, the city's major industry group. She said higher taxes could translate to higher rents, would be another blow after a six-month city ban on indoor dining.

Restaurants would be unable to raise prices enough to pay for higher rents, she said. Many have already laid off staff during the pandemic and exhausted federal coronavirus aid. Thomas said she has laid off 65 people and has lost money on outdoor dining at her two restaurants, Terzo and Rose's Cafe.

California's tax system needs to be overhauled. Making changes to Proposition 13 won't do it

Proposition 15 is arguably the most significant state measure on the Nov. 3 ballot.

And that's saying a lot because Californians will be voting on several very significant measures.

With Proposition 15, voters are being asked to partially repeal a historic 1978 property tax cut that triggered a nationwide anti-tax revolt.

That revered initiative, Proposition 13, has always been considered untouchable — the third rail of California politics. But labor unions, led by one representing schoolteachers, are trying to roll back part of it. Their effort is supported by tax-seeking big city mayors, including Eric Garcetti of Los Angeles.

Proposition 13 passed in a landslide because homeowners were angry that their property taxes were constantly soaring as home values skyrocketed. Some retired seniors were being taxed out of their homes.

Howard Jarvis, an apartment owners' lobbyist, skillfully capitalized on the anger, promoting the initiative that dramatically lowered taxes on all real estate — residential, commercial and industrial. The political establishment hated the measure. The people loved it.

Proposition 13 capped tax rates at 1% of assessed value and limited annual assessment increases to 2%. Moreover, property could be reassessed only at market value when it was sold.

But many business property owners, especially large corporations, gamed the system so their holdings rarely changed hands completely — only by bits and pieces at a time. That way they almost never got reassessed at market value.

Property tax revenue substantially fell off for local governments and schools. They turned to state government for bailouts and got them. But the price was loss of some local control to Sacramento.

Proposition 15's backers didn't dare mess with residential property owners. That would be political suicide. So, Proposition 15 exempts residential real estate.

Agriculture land is exempt, too, although not necessarily property improvements — such as orchards, vineyards, barns and irrigation systems. The California Farm Bureau Federation is opposed.

Proposition 15's target is commercial and industrial property. It would be reassessed every three years at current market value.

Property would be exempt if its owner's total commercial real estate holdings in California were worth less than $3 million. Note: This isn't the same as exempting one piece of property if its value is less than $3 million. The owner's entire commercial real estate holdings couldn't exceed $3 million.

Businesses with 50 or fewer full-time employees no longer would have to pay personal property taxes on equipment. For larger businesses, the first $500,000 worth of equipment would be exempt.

The net annual tax boost when the initiative would be fully implemented in 2025 would range from $6.5 billion to $11.5 billion, the state Legislative Analyst's Office estimates.

The increased tax revenue would be split this way: 60% to local governments — cities, counties and special districts — and 40% to K-12 schools and community colleges.

In Sacramento speak, Proposition 15 is a "split-roll" measure because it would create separate tax rolls for residential and commercial-industrial properties. That has long been a dream of Democratic politicians.

It's "long-overdue reform," Gov. Gavin Newsom said in endorsing the measure last month. "It's consistent with California's progressive fiscal values…. It will fund essential services such as public schools and public safety."

It's a big-bucks brawl between two powerful traditional rivals: labor — mainly the California Teachers Assn. and Service Employees International Union — and business. They could wind up spending close to $100 million between them,

Polls show a close vote.

A recent statewide survey by the UC Berkeley Institute of Governmental Studies found likely voters favored the proposition by 49% to 34%, with 17% undecided.

"The chances for passage are fairly decent," said the pollster, Mark DiCamillo.

Another poll of likely voters by the Public Policy Institute of California showed Proposition 15 ahead by 51% to 40%, with 9% undecided. Democrats were in strong support, Republicans in heavy opposition and independents equally divided.

"We're dealing with a very complicated issue," PPIC President Mark Baldassare said. "People wonder about the unintended consequences. They worry about the risks. That's why we have only a slim majority….

"In every poll ever done, most voters continue to believe that Prop. 13 is a good thing."

Larry Grisolano, the Proposition 15 campaign strategist, says two major news events may help the measure.

One is the New York Times investigative report that President Trump has been a longtime, serious tax evader — maybe a cheat.

"That reminds people we've got a system where most taxpayers are doing their part, but corporations are avoiding taxes," Grisolano says. "That's part of the appeal of the split roll."

The second Proposition 15 helper is the calamitous wildfire season, the strategist says. Voters are reminded that local fire departments need to be better prepared for emergencies, and this requires lots more money.

But Rob Lapsley, president of the California Business Roundtable, argues that with the COVID-19 pandemic and subsequent deep recession, "now is absolutely the worst time to enact the largest property tax increase in California history."

“Small businesses are struggling to survive, trying to get reestablished,” Lapsley says. “If this thing passes, many people will not even try to reopen. Just forget it.”

Anyway, he adds, “the last thing California needs is another tax increase.”

Agreed.

What California really needs is a complete overhaul of its ludicrously outdated tax system. Proposition 15 doesn’t do it.

After he was elected, Newsom ambitiously talked about perhaps reaching a “grand bargain” on tax reform. But he did nothing. Next year, he should surprise us and try.

Message From the President-Elect *Five Reasons to Vote No on Proposition 15*

Proposition 15 is a ballot initiative on California’s November 2020 ballot. This initiative will create a “split roll” property tax system for the state. Currently, Proposition 13, which passed in 1978, all properties in the state are taxed at a rate that is based 1% of their purchase price. Additionally, property taxes are increased by 2% per year. This has created a system of stability and certainty for all property owners across the state. Now, proponents of Proposition 15 want to split off the commercial property tax protections from Proposition 13 and reassess commercial properties every three years at current market values. They say this could create $7 to $12 billion in annual property tax revenues for cities and schools. What they don’t mention is that everyone in the state will be paying those taxes and our cities and schools will not see all of that revenue. I oppose Proposition 15 for the following reasons.

Increases Property Taxes on Owners AND Tenants Still Reeling From the Recession and COVID-19 – Initiative proponents talk about how this will affect only the largest corporate commercial property owners in the state. That is wrong. This will hit mom and pop business owners disproportionately. This proposition requires reassessment for all commercial properties with only a small exemption for owners who own property valued at less than $3 million. That sounds like it should be the majority of small businesses right? Wrong. Small businesses overwhelmingly rent their properties and these new taxes will get passed on to the tenants through increased expenses at a time where the state and federal government is trying to provide small businesses with rent relief to keep their doors open. That means restaurants and other small retailers already burdened with recovering from the impacts of COVID-19 will now face a new tax from the state. This will mean more and more businesses will fail and we’ll see a rise in unemployment, bankruptcies and foreclosures of homes as people cannot pay their mortgages.

Targets Minority and Urban Property Owners and Tenants – This initiative, if passed, will disproportionately target minority owned businesses and urban business areas. It will impact minority business owners who will see their property taxes increase. If they cannot afford those increases they will have to close down and that could further depress urban property values as blight and vacant storefronts line the streets. Additionally, increases in rents will be passed on in the form of increased costs at the cash register. Higher costs will hurt low income and minority communities the most. That’s why the NAACP, Latinos Vote and all ethnic Chambers of Commerce have all come out against it.

Misleading Title and Messaging – The Proposition is called “The California Schools and Local Communities Funding Act of 2020”. It never mentions that this is a major property tax increase. Proponents point to the funding for cities and schools. What they don’t mention is the order that the money gets spent. Any increased revenues will be used for 1) Offsetting income tax revenues that decrease due to changes in the deductions, 2) The costs of implementing the new assessment rules. Those have been estimated to be approximately $1 billion the first year for county assessors to hire, train and implement the new rules and is expected to cost around $500 million annually after that. 3) 60% of remaining revenues will go to local governments and special districts. 4) Finally, 40% of whatever is left will go to schools with an 11% allotment to city colleges and 89% to public schools, charter schools and county education offices. There is still no guarantee as to where the money will go. It will more than likely go towards pension obligations and very little will ever reach a classroom or a pothole.

Less Residential Development – Proponents claim that the new tax only affects commercial properties. This is misleading. Residential properties will be directly impacted. A city deciding whether to allow land to be developed for commercial or residential use will lean towards commercial use which will provide larger property tax revenues. This will harm the residents of California as we're already in a housing crisis and we need all of the new housing development we can get.

Residential Protections Are Next – Last, but not least, Proponents have already said this is just the beginning of their efforts towards overturning Proposition 13. If Proposition 15 passes they will be back for the rest of Prop 13 protections. We could return to the days of 50% to 100% increases in our property taxes on an annual basis.

This is not a partisan issue. Leaders from both sides of the political spectrum are lining up against this. Now is not the time to saddle the residents and small businesses of California with a new tax. Please join me in voting no on Proposition 15 on November 3rd. Save California residents and businesses from a new tax at a time where they need all the help they can get.

Brian Johnson is President-Elect of the Santa Barbara Association of Realtors, and the Managing Director of Radius Commercial Real Estate.

Santa Clara County boasted $552 billion in property; then COVID hit

Just call it the $552-billion county. At least, that's what it was before the coronavirus pandemic struck.

A new report released by the Santa Clara County Assessor's Office this week provides an in-depth look at Silicon Valley at the apex of a historic, 10-year boom, just before COVID-19 upended everything. As of Jan. 1, 2020, the assessed value of all property in the county totaled a staggering $551.5 billion — up nearly 7% from the year before.

But even in January, there were signs things were slowing down after a decade of gains. And with the pandemic wreaking havoc on the economy, next year's assessment likely won't look so rosy.

"We have peaked," said Santa Clara County Assessor Larry Stone. "I was projecting a normal recession a year ago — a soft landing. And now it's a crash landing. The normal recession has been exacerbated by the COVID crisis."

To understand that, look no further than the cover art adorning Stone's report. It's a shot of the Silicon Valley skyline — dotted with construction cranes — in a rear view mirror, juxtaposed with a road sign reading "Caution uncertainty ahead."

Santa Clara County is far-and-away the richest county in the Bay Area when it comes to the assessed value of its real property, defined as buildings and land, and business personal property, which is factory equipment and other business assets. Alameda County was second with $331.6 billion in assessed value, followed by San Francisco with $298 billion.

Much of the growth in real estate value in Santa Clara County was fueled by new construction and purchases in Sunnyvale, Mountain View and Santa Clara — including offices for Google and Nvidia, and a major expansion by the Westfield Valley Fair mall at the Santa Clara-San Jose border.

Growth in offices and apartment buildings outpaced other sectors — ballooning by 14% and 10% respectively. Yet single-family homes continued to make up the lion's share — 54% — of Santa Clara County's real estate wealth.

Only two events trigger major increases in property value in California: new construction or a sale. Under Proposition 13 — the controversial 1978 state law that artificially depresses property values — a property's assessed value, and property taxes owed, increases no more than 2% per year unless the property changes hands or undergoes construction.

Even so, real estate values have skyrocketed in Santa Clara County over the past decade. The 2011 assessment roll tallied $299 billion in real estate — and the number has risen steadily since.

"It's sensational," Stone said. "It's been a great ride."

That growth has largely been driven by the tech industry. Google was the largest property taxpayer in the county during the last fiscal year, ponying up more than $97 million. Apple was next, at $66 million, followed by Pacific Gas & Electric with a $62-million bill.

This news organization's "Who Owns Silicon Valley?" project took a comprehensive took at Santa Clara County's biggest property owners — a complicated metric to track because so many buy through various LLCs. As of 2018, Stanford was the top owner, with $19.75 billion in property, followed by Apple and then Google.

Even before the COVID crisis hit, the assessor's office saw signs the real estate market was softening. In the last fiscal year, 10,306 single-family homes and condos saw their market value drop below their Prop. 13-adjusted purchase price — making them eligible for a reassessment under Prop. 8. That's a six-fold increase from the prior year.

Next year, Stone expects to see even more properties decline in value. Commercial properties likely will be hit especially hard, as COVID has shuttered stores, restaurants and other businesses — some permanently. And office buildings are sitting empty as many people continue to work from home.

That loss of revenue brings down a property's value, Stone said.

Last month, the average asking price to lease office space in Santa Clara County was $5.02 per square foot per month, according to data from Colliers International. That's down from $5.18 in January.

"We're starting to see lease rates come down a little bit, but not as much as you'd expect in a recession," said Mike Pham, a senior research analyst with Colliers. "I think it's mostly just the uncertainty that's causing people to be a little bit scared. And when people get scared, leasing activity tends to slow down."

On the residential side, property values so far have remained mostly unscathed. Sales dipped dramatically in April and May as Santa Clara County scrambled to figure out how realtors could safely show properties during the pandemic. But demand picked back up once showings resumed, said Doug Goss, president-elect of the Santa Clara County Association of Realtors.

That demand has kept prices high. Last month, the median sale price for a single-family home in the county increased by nearly 14% over September of last year, according to Goss. But the condominium market appears to have softened — the average price for a condo or townhome was down 4.5% over last year.

"From everything I'm hearing," Goss said, "we anticipate the real estate market to continue to be strong here in the Silicon Valley area."

COLORADO

Gallagher Amendment would cost Colorado businesses at least $250 million next year, business groups say in report

Business groups in Colorado released a report that says the state's Gallagher Amendment would mean a significant tax increase next year, unless voters decide to repeal the amendment this election.

The report, published by NFIB-Colorado, the Boulder Chamber, the Colorado Springs Chamber & EDC and Colorado Concern, found that Colorado businesses could see between $254.1 million to $270.2 million in tax increases, depending on proposed floating mill levies being considered by voters.

"At the end of three years, the likely tax increase on stores, restaurants, manufacturing firms and other businesses will be $811.3 million," the report said.

Voters are considering Amendment B, which would repeal the Gallagher Amendment that was added to the state constitution in 1982 and was designed to keep property taxes low. The Gallagher Amendment requires residential property tax and non-residential property tax to be made up of a 45 percent/55 percent ratio, respectively, and requires the General Assembly to adjust residential property assessment rates.

If passed, the measure also would trigger companion legislation that would freeze the property tax assessment rates at their current levels – 7.15% for residential properties, and 29% for non-residential properties.

The residential property tax assessment rate is expected to reset to 5.88% in 2021.

"This change also means that retail stores, restaurants, office space, industrial buildings, farms, ranches and other forms of commercial property in a community could soon be taxed at a rate five times higher than residential property in the same community," the report says. "This is because a 5.88% RAR under the Gallagher formula will force local governments and other tax districts to demand 4.93 times more tax from a business owner than a residential owner on the same amount of property value."

Leaders of the groups that authored the report, and back Amendment B, warn that no action on the Gallagher Amendment will hamper the state's economic recovery from the COVID-19 pandemic.

"The Gallagher tax increase may be hidden across hundreds of cities, counties, school districts and other local tax authorities, but the impacts are painfully real," Colorado Springs Chamber & EDC Vice President of Government Affairs Rachel Beck said in a statement. "If we do nothing, the Gallagher tax's punishing impact on job creation and business investment will only prolong Colorado's recovery from the COVID-19 recession."

Colorado Concern President and CEO Mike Kopp said, "At a time when we need business owners to reopen, to invest and to bring people back to work, hitting those same business owners with hundreds of millions of dollars of higher property taxes will hurt everybody. Because of Gallagher, we already have higher effective property tax rates for businesses in Denver than they have in New York City or San Francisco or Seattle, and we can't afford to give entrepreneurs and job creators another reason to call it quits or leave our state."

Michael Fields, executive director of the conservative advocacy group Colorado Rising State Action, which opposes Amendment B, said repealing the Gallagher Amendment would result in a $500 million residential property tax increase.

"We are ranked 17th best in the country for total tax burden on businesses," Fields said in response to the report. "We should strive to be #1, but we need to be honest about where things sit now. In these tough economic times, we have to think about what it means for seniors or low income Coloradans to have higher property taxes. In order to be good for business, you also have to be good people and families looking for an affordable place to live."

Fields also noted that most of the state doesn't have automatic mill levy increases.

"Amendment B would keep the commercial assessment rate at 29%," he said. "I think in order to help businesses, any serious reform measure should lower that rate, not keep it the same."

Amendment B helps schools; no tax hike

A reality I quickly learned after being elected to the Pueblo District 60 Board of Education is that one of our district's greatest financial challenges is overcoming the increasingly unfair consequences of Colorado's Gallagher Amendment.

Fortunately, we have the opportunity to remove this recurring problem by passing Amendment B, which repeals the Gallagher Amendment without raising property taxes.

Inserted into the state constitution in 1982, the Gallagher Amendment mandated that of all the property taxes collected in Colorado, 45 percent must come from residential properties and 55 percent must come from non-residential properties.

Statewide, when home values increase, the residential property tax rate must decrease to make the formula work. This has created what can only be described as a lopsided system for many Colorado communities, ours included. The massive spike in population and property values in the Denver metro area has fueled a cycle of perpetual budget shortfalls for Pueblo District 60 schools.

Property taxes are the budgets for our schools, and in many nearby neighborhoods, the budgets for fire departments, public safety, libraries, and hospitals. The Gallagher Amendment has created a situation where our school district, and so many others, are continuously forced into difficult budget decisions because of home prices in neighborhoods elsewhere in the state.

Each year, District 60, and districts across the state struggle to stave off staff cuts, maintain aging infrastructure, and provide high quality education. These funding and budget difficulties have been made more obvious as our state works to overcome the financial shortfalls caused by the COVID-19 pandemic. Districts, ours included, are being forced to deplete reserves just to keep treading water.

We have an opportunity to move on from the Gallagher Amendment's broken formula. Amendment B repeals Gallagher and freezes property tax rates. Homeowners will keep a tax rate that is the third lowest in the nation. Our local businesses, which are currently burdened with a property tax rate four times that of homeowners, will avoid seeing that unfair gap expand even more next year.

Our schools continue to navigate an unprecedented challenge of providing students with an enriching school year while protecting them and their families. Schools, teachers, parents, and students are adapting to new technologies and changing circumstances to keep our community safe while still educating for purpose and impact.

whether completely online, in-person, or a hybrid, school looks very different than it did even a year ago. The efforts of our students, parents, and dedicated educators and administrators deserve our community's support.

This is why Amendment B received a super majority of bi-partisan support in the state legislature, and why the Board of Education for Pueblo District 60 has passed a resolution in support of Amendment B. We urge our friends and neighbors to vote Yes on Amendment B this fall.

Tommy Farrell is a member of the Pueblo Distric

FLORIDA

Proposed property-tax breaks in Amendments 5 and 6 are compassionate, inexpensive

Generally speaking, we're not fans of the dozens of property-tax exemptions, assessment caps and other rules that have ended up in the Florida Constitution. These tax breaks tend to favor some groups, such as seniors or military veterans, over others, such as business owners and low-income families. They have also introduced an element of outright fiction into the process of appraising property at its fair value for tax purposes. As a whole, they've put a significant dent in funding for local-government priorities like police and fire services, schools, water-supply protection and other services. And they've created a situation where one property owner can end up with a tax bill twice the size of her neighbor's, even if their homes are identical.

With that said, however, some amendments have been more problematic than others. Relatively speaking, the two property-tax amendments on the Nov. 3 general-election ballot are benign and, it can be argued, compassionate. Voting no would not fix Florida's snarled-up property tax system, but saying yes could save some stressed Floridians money, with relatively little impact on local governments' bottom lines.

If approved, Amendment 5 would extend from two years to three years the time in which homeowners may transfer their Save Our Homes benefits from a prior house to a new homestead. Those benefits range from $25,000 to $50,000 in homestead property tax exemptions.

Let's be clear: We opposed Save Our Homes in 1994, and we were right. It's done more to unbalance local tax bills than any other amendment. It puts an artificial cap on the appraised value of a homesteaded property, regardless of how hot the local market is. And it allows a homeowner who sells one home and buys another to transfer that value differentiation to the new property.

But giving them an extra year to make that transition probably won't have much impact on local tax revenues – about $1.8 million statewide in fiscal year 2021-22, eventually growing to $10.2 million annually. Supporters of the amendment make a compelling argument that many Floridians need a little more time to make a major transition like selling and buying a home, particularly if the new home is custom-built. Three years is not unreasonable.

We recommend voting "yes" on Amendment 5.

Our sister paper Florida Today called this one a no-brainer. We argue that voting against it would be a no-hearter.

Florida currently grants a generous property-tax break to veterans who have permanent combat-related disabilities and are 65 or over, tied to the level of disability, as determined by the U.S. Department of Veteran's affairs. This amendment simply says that when those veterans die, the discount would transfer to their surviving spouse. It would also carry over if a home is sold and another purchased.

Do we really need to explain why this amendment is compassionate and necessary? It's a way to honor the grief and loss of the families of honorably discharged service members who have sacrificed their health in the service of this nation. And its cost is minimal, no more than $4 million a year statewide.

Amendment 6 is as easy a "yes" as we've seen.

Florida Amendment 5 explained: Property tax benefit extension

Florida's Amendment Five gives Florida homeowners more leeway in maintaining tax property tax benefits.

Homeowners receive a $25,000-$50,000 exemption on their primary home (depending on its value), plus a cap on how much it can be taxes known as the 'save our homes' cap.

In the early 90s, real estate values shot up and people had trouble paying the ensuing tax bills. In 1992, voters passed the 'Save our Homes Amendment,' and in 1995 it kicked in. It limits the assessed value, or the amount you can be taxed on your primary home to no more than three percent a year.

By 2008, a lot people wanted to move but couldn't for fear of losing that cap, and it was impeding the real estate market. Florida responded by making the Save Our Homes cap portable, meaning homeowners can transfer up to a half-million dollars in accrued tax benefits from one primary home to another when they move.

But they only have up to two years to carry that benefit from one home to the other. And for people who sell late in a calendar year, it can be just a little more than a year.

That doesn't give people who are building homes, or renting until they find and buy a new home as much time as they would like.

Amendment Five extends the grace period for transferring the 'Save Our Homes' cap from two years to three years.

Hillsborough property appraiser: The Times Editorial Board recommendation

The Hillsborough County Property Appraiser is responsible for assessing all property in the county for tax purposes. The appraiser determines the market value for hundreds of thousands of individual parcels, administers homestead and other property tax exemptions and maintains current ownership maps of all real estate in the county. The office has 125 employees and an annual budget of $14 million. The appraiser is elected to a four-year term and paid $178,927 per year.

The incumbent, Democrat Bob “Coach” Henriquez, brings a wealth of professional and personal experience to a job that hinges on fairness and accuracy. He is truly dedicated to public service and deserves another term.

Henriquez, 56, is a fifth-generation Tampa resident first elected as appraiser in 2012. A former county planner, he served four terms in the Florida House, representing West Tampa, beginning in 1998. His grasp of local growth issues, state law and the appraisal process give him a keen understanding of how to value the area market. Henriquez is a Certified Florida Appraiser and an officer of the state appraisers' association. He is up to speed on the latest professional standards and the practices of colleagues throughout the state.

Henriquez has brought new technology into use, sharpening the appraisal process. His office was prepared when the pandemic hit, shifting employees to work remotely, an exercise that has succeeded. Henriquez also put together a work group to examine the pandemic’s impact on property, and he is working with experts to assess the financial implications across various market sectors. In a field that is part-science and part-art, Henriquez has worked to create a fair, consistent system that aptly reflects the market.

His opponent, Republican D.C. Goutoufas, also has deep roots in the community. A fourth-generation Tampa resident, Goutoufas, 52, is a businessman and former bank manager who ran unsuccessfully for Tampa City Council in the 1990s. He has served on local boards addressing housing and neighborhood issues. Goutoufas overcame a hearing disability as a child and was later involved in bringing closed-captioning to local public access television channels. He said some valuations in Hillsborough are artificially low and inconsistent, which he vows to address with an open-door policy and a strong management team.

Some business interests have criticized Henriquez for the hard line he has taken in challenging tax breaks for tenants at Tampa’s port and airport. Henriquez is right, though, that the exemptions must be applied narrowly to the law, so why not let the courts decide? Henriquez has shown throughout his long history in public service a genuine interest in listening and uncommon fairness. His work with at-risk children and as a high school football coach also reflects a commitment to making his community better. For Hillsborough County Property Appraiser, the Tampa Bay Times Editorial Board recommends Bob Henriquez.

IDAHO

Majority of Idahoans to get some property tax relief this year

The governor's initiative provides Idaho property taxpayers in participating cities or counties a 10- to 20-percent one-time reduction in their property taxes.

Gov. Brad Little announced Monday that 40 Idaho cities and counties are participating in a plan to use coronavirus relief funds to pay for local public safety salaries. The savings would then be passed on to property taxpayers in one-time tax break.

Last week was the deadline for cities and counties to formally opt in to the Public Safety Initiative.

"Our focus is to support our communities and our police, fire, and EMS personnel and ensure there are no reductions in public safety during these unprecedented challenges," Little said. "I appreciate the cities and counties working with us to ensure the resulting budget savings are given back to the people of Idaho in the form of property tax relief rather than backfilling local government budgets."

The program stems from funds the state received from the federal CARES Act. The governor has the discretion to determine expenditures that are necessary due to the public health emergency.

First responders have the resources necessary to fight COVID-19, and this avoids layoffs and furloughs while passing savings on to taxpayers.

The city of Boise has opted into this program. That means homeowners in Boise will get a one-time reduction in their property tax statement come November. Based on the median home price in Boise, homeowners could see a savings of around $200.

ILLINOIS

Lightfoot defends annual increase in property taxes tied to inflation rate

The mayor's "pandemic budget" has a $94 million property tax increase in 2021, with an annual adjustment tied to the consumer price increase kicking in after that.

Mayor Lori Lightfoot said Wednesday she's locking in property tax increases tied to the rate of inflation because her predecessors were so afraid to touch the third rail of Chicago politics, they put it off for decades, forcing massive increases that choked home and business owners.

The inflationary trigger, beginning in 2022, will follow a $94 million property tax increase next year that's expected to cost the owner of a home valued at $250,000 an extra $56.

It was among the unpleasant surprises Wednesday as Lightfoot's $12.8 billion "pandemic budget" for 2021 landed like a thud in a nearly empty City Council chambers.

Chicago aldermen weren't in their seats to show their discontent at the otherwise-virtual meeting. Who knows how they would have reacted to a budget that rivals former Mayor Rahm Emanuel's 2015 plan to raise property taxes by $588 million for police and fire pensions and school construction?

Without naming former Mayor Richard M. Daley, Lightfoot pointed to the "lack of political will" that created "a moment of incredible crisis." Emanuel tried to solve it by doubling Chicago's property tax levy.

Nearly every other taxing body — including the Chicago Public Schools, the Chicago Park District, City Colleges and Cook County, already have a similar automatic escalator. City sticker fees and water and sewer rates also are tied to inflation.

"To do nothing and then suddenly have this mountain of property tax debt, which has been the history over the last couple of decades, doesn't help taxpayers. It doesn't help homeowners. Everybody likes predictability. … This does that in a responsible way," Lightfoot told the Sun-Times editorial board.

"Every single year, the City Council is gonna have to vote on a budget that includes the CPI. So, there's no avoiding a vote. They're gonna be on the record. It's gonna be transparent. And the voters will take their measure of all of us."

The mayor's budget has $185 million in tax increases. Among them:

• The $94 million property tax increase, which will cost the owner of a home valued at $250,000 an extra $56-a-year.

• A 60% increase in Chicago's nickel-a-gallon tax on gasoline — to eight cents-a-gallon.

• And an increase of 1.75 percentage points — to 9% — in the personal property lease tax applied to "non-possessory computer lease of cloud software and cloud infrastructure."

The budget pain doesn't end there.

To chip away at a $1.2 billion budget shortfall, 65% of it triggered by the pandemic, Lightfoot wants to eliminate 1,921 vacancies, 618 of them in the Chicago Police Department.

Together with 350 layoffs — delayed until March 1 to give Congress time to ride to the rescue — and five unpaid furlough days for non-union employees, including the mayor, the personnel cuts are expected to save $106 million. Non-personnel cuts are expected to save $114 million.

Even if the stalemate in Washington is somehow resolved, Lightfoot said she doesn't expect the feds to dump an "unfettered bucket of money" on the city. There will be strings attached, as there was in Round One.

"Obviously, if we have the ability to blunt the effect of layoffs in this catastrophic economy where so many people are already unemployed, we would certainly consider that as a top priority along with reducing the size of any borrowing," the mayor said.

The delayed effective date will give Chicago Federation of Labor President Bob Reiter more time to fine-tune what he called "cost savings and efficiencies" that "would at least equal the budgetary impact of workforce cuts, obviating the need for furloughs, layoffs, or vacancy reductions."

Last year, Lightfoot avoided a property tax increase widely seen as the third rail of Chicago politics, balancing her first budget with one-time revenues.

This year's version is no different — even with increased taxes on property, gas and computer leases.

To eliminate a combined $2 billion shortfall for this year and next, the mayor plans to refinance $1.7 billion in general obligation and sales tax securitization bonds. By taking advantage of lower interest rates, the mayor hopes to save $448 million this year and $501 million next year.

But it will also saddle another generation of Chicago taxpayers with debt at a time when the city's existing level of debt is already a major concern to Wall Street rating agencies.

A $304 million tax increment financing surplus will create a $76 million windfall for the city. The budget also includes: $114 million in "non-personnel" savings; $68 million in "enhanced fine enforcement initiatives" and 750 additional parking meters; $59 million by "sweeping aging accounts"; a $30 million raid on the city's $900 million in reserves and $54 million in savings by transferring the cost of pensions and crossing guards from the city to Chicago Public Schools.

It once again includes $91.3 million for police overtime — even though CPD is once again expected to end the year with more than $140 million in OT spending.

Lightfoot has warned Chicago aldermen to prepare for their toughest budget vote "probably ever" given the size of the shortfall and their shared desire to invest in people and neighborhoods in spite of it.

But the investments she's making are certain to fall short of their demands.

The mayor's budget includes $5.25 million in violence prevention funds in addition to last year's modest $9 million investment; a continued $9.3 million investment in mental health services; the same $10 million to reduce homelessness and $250,000 for "West Side Initiatives."

Michael Jacobson, president and CEO of the Illinois Hotel & Lodging Association, said a property tax increase that falls most heavily on hotels will make their financial outlook "more daunting" at a time when McCormick Place and many hotels "remain shuttered" and, as he put it, "Our revenue is non-existent."

Over the years, the City Council's final budget vote has been a test of the mayor's political muscle. Emanuel and Daley often won unanimous approval.

Lightfoot has a strained relationship with the Council stemming, in part, from her decision to issue an executive order hours after taking office stripping them of their unbridled control over licensing and permitting in their wards.

The mayor has said she doesn't care about the margin of victory for her initiatives, so long as she rounds up the 26 votes needed for passage.

The budget she unveiled Wednesday includes so much across-the-board pain, even that minimum standard may be difficult to achieve.

""This budget is tough. It is painful. I've lost sleep thinking about the hard choices we have to make. ... I don't relish raising any taxes. I certainly don't relish layoffs or furloughs. But we have this really historic challenge," the mayor said.

"But for COVID this year and next, we would be talking about potential budget surpluses. But COVID had another plan for us. So we have to play with the cards we've been dealt. And it's a really hard hand."

Reaction to the mayor's budget address was predictably tepid.

Lincoln Park Ald. Michele Smith (43rd) said she was “very uncomfortable with a lot of things” in the mayor’s budget.

“Everyone knows these are unprecedented times. [But] I made a pledge to my constituents not to vote for property tax increases. I made good on that last year. We really have to keep our city’s tax base within the city’s limits,” Smith said.

“I have a lot of skepticism about how this budget manages to close a $1.2 billion hole. Layoffs were to be expected. Vacancies [being eliminated] were to be expected. All this refinancing, I’m not sure about. The last time the city was in this kind of a jam, we sold the parking meters. I don’t see that kind of recklessness happening here. But, I’m very, very skeptical.”

Ald. Anthony Napolitano (41st) said a property tax increase tied to an automatic escalator would have been a “hard sell” all by itself. But coupled with the mayor’s plan to eliminate 618 police vacancies, Napolitano called it a “punch in the belly” for his far Northwest Side ward, home to scores of Chicago Police officers.

“We’re talking $56 for a home that’s worth $250,000. I would love to have $250,000 homes in our neighborhood. But ours are more in the $400,000, $500,000 and $600,000-range. And if it’s a yearly increase that matches inflation, that changes things a lot, ” Napolitano said.

“I have to sell that to my constituents when we find out that we have no police service up in our part of the city. And now we’re getting rid of 618 vacancies and the rate of police attrition is probably the highest it’s been in 20 years. That just means I’m gonna be giving away more police officers to other parts of the city. It’s a really hard sell.”

Budget Committee Chairman Pat Dowell (3rd) will preside over two weeks of virtual budget hearings, beginning Monday, leading up to a final Council vote on the Tuesday before Thanksgiving. She’s looking at the bright side.

“The property tax increase is certainly a lot smaller than what we passed a few years back under Rahm Emanuel,” Dowell said.

“It seems to me that a CPI increase annually makes more sense than sticking it to the taxpayers in a huge lump sum.”

Dowell is bothered most by the 350 layoffs, and still hopes ongoing negotiations between top mayoral aides and organized labor will produce alternatives.

Ald. Anthony Beale (9th), one of the mayor’s most outspoken City Council critics, accused Lightfoot of “mortgaging the city’s future” by refinancing debt and making Chicago less safe by cutting police vacancies and shortchanging violence prevention.

“Now is not the time to cut back on police when we’re already taking police out of the districts. Our communities will, once again, be left hanging,” Beale said.

Emma Tai, executive director of United Working Families, argued it is “immoral” for the mayor to “lay off any city workers before eliminating all 847 vacancies” at CPD.

It is equally immoral to “raise property and gas taxes on poor people” while continuing to dole out TIF subsidies to luxury office developments, she said.

"City Council has the power to make this right: to defund the police, to protect essential public sector workers, to expand services like mental health, rental relief, and violence prevention, and to tax wealthy corporations," Tai wrote in an email to her supporters.

Chicago property owners brace for hefty tax hikes

Financially battered from years of being slapped with higher real estate taxes and municipal fees, Chicago property owners are shuddering about what tax increases are on the horizon for 2021.

Mayor Lori Lightfoot's dark vision of the city's 2021 budget deficit skyrocketing to $1.2 billion is frightening to the average homeowner who likely will have to dig deeper in 2021 to pay ever-increasing real estate tax bills.

Earlier in 2020 the COVID-19 virus spiked the budget shortfall to nearly $800 million, and the mayor said the deficit would be filled using relief funds, federal dollars, debt refinancing, and borrowing.

This bad news comes after homeowners scratched to pay the final installment of the largest property tax hike in Chicago's history – $589 million phased in over the past four years to pay for pensions for the city's police officers and firefighters.

Analysts say Mayor Lightfoot now is considering a plan to save $200 million in 2021 by reducing the city's work force of 31,000 full-time and 1,800 part-time employees through furloughs and layoffs.

Since many city workers are members of municipal unions, the mayor is asking Chicago labor unions to suggest alternatives and measures to help protect workers. Other cost cutting could come from tapping surplus Tax Increment Financing (TIF) funds.

Chicago property owners will receive the first installment of the 2020 real estate tax bill due on March 1, 2021. Typically, the amount of the first installment is 55 percent of the last year's total bill.

Hefty 2020 property tax bill increases could come due in August 2021, when the second installment of the bill arrives.

Along with paying for the skyrocketing city budget, much of the predicted property tax increase also could depend on the work of Cook County Assessor Fritz Kaegi who said he has dramatically revamped the assessment process, especially how commercial properties are valued.

Kaegi said he started from the ground up, reworking the assessment formula and drawing on Multiple Listing Service information about sales prices. For 2020, the assessor is re-assessing the south and western suburbs.

Crystal ball gazing into the outlook for the expected 2020 property tax hike, payable in 2021, is cloudy, tax experts say.

"The property tax bill is determined by four factors – the assessment, the equalization factor or multiplier, the tax rate, and the exemptions," said Michael Griffin, a Chicago real estate tax appeal attorney.

Homeowners also should review their exemptions because they can reduce their tax bill if they have the proper exemptions applied to their tax bill, Griffin noted. The three main exemptions are the Homeowner Exemption, Senior Exemption, and Senior Freeze.

The Homeowner Exemption recently was increased to $10,000 from $7,000, and the Senior Exemption was hiked to $8,000 from $5,000. Those amounts are deducted from equalized assessed value of a home to which tax rates are applied to determine individual tax bills.

Also, more seniors can qualify for the Senior Freeze because the Illinois Legislature increased the maximum annual income to receive the freeze to less than $65,000 from less than $55,000.

“Every homeowner should review their last tax bill to see if they received the proper exemptions and contact the assessor if the exemptions are wrong,” Griffin advised.

Predicting a hefty property tax increase next year really centers on two wild cards – the tax rate and the state equalization factor, which can’t be challenged by taxpayers.

The equalization factor, or “multiplier,” is established each year for Cook County to bring property tax assessments in line with other parts of Illinois. The value is determined by the Illinois Department of Revenue.

However, the main engine that drives up property tax bills is the amount of money spent by local government.

Property owners who think they are over-assessed should file an appeal. The Cook County Assessor and Board of Review have expanded the online filing process so a homeowner can file their appeal without having to visit either office. Contact the assessor’s office to find comparable properties or start the appeal process.

If the deadline for filing an appeal for your township has already passed at the assessor’s office, you still can file an appeal with the Cook County Board of Review and the Illinois Property Tax Appeals Board.

North Side property owners still haunted by Berrios’ ghost

A new study by an international nonprofit organization has found that residential assessments by former Cook County Assessor Joseph Berrios were often inaccurate. They tended to overvalue lower-priced properties and undervalue more expensive ones, particularly in Chicago's central business district and on the Northwest Side.

Will thousands of North Side and Northwest Side property owners continue to be haunted in 2020 and 2021 by the ghost of former Cook County Assessor Joseph Berrios?

As a parting shot after he lost his re-election campaign for Cook County Assessor to reformer Fritz Kaegi, Berrios raised the estimated fair market value of some properties from 30 percent to more than 140 percent in some neighborhoods.

In 2018, the entire City of Chicago was reassessed. The sharply higher valuations sparked mind-bending real estate tax hikes when bills arrived in 2019, and those increases carried into 2020.

A new assessment study commissioned by Kaegi from an international nonprofit organization and released last week found that Berrios valued commercial properties far too low, unfairly shifting more property tax burden onto owners of less expensive properties.

The International Association of Assessing Officers studied commercial property assessments throughout Cook County after Berrios completed his 2018 round of assessments, which affected tax bills mailed in 2019.

Earlier studies also concluded that Berrios' residential assessments were often inaccurate and tended to overvalue lower-priced properties and undervalue more expensive ones.

Since taking office, Assessor Kaegi said he has dramatically revamped the assessment process, especially how commercial properties are valued. He started from the ground up, reworking the assessment formula and drawing on Multiple Listing Service information about sales prices.

For the new study, the international assessors group looked at 1,643 business property sales throughout Cook County in 2018 and compared the sales prices with the assessed values.

It found that in the county as a whole, properties were assessed at a median of 61 percent of their actual sales price, far from the group's acceptable range of 90-110 percent. The comparison was even worse in Chicago, where the median valuation of commercial properties was found to be just 52 percent of sales prices.

The study also found that overall assessments were regressive. That means less expensive properties were overvalued and more expensive ones were undervalued, meaning less wealthy property owners carried more of the tax burden. The problem was worst in Chicago's central business district and on the Near South Side and the Northwest Side, according to the group's analysis.

Assessment disproportion evident north and northwest

An informal 2019 survey by The Home Front revealed the following wide lack of uniformity in 2018 assessments for small apartments on Chicago's North and Northwest Sides...

After a mildly successful appeal at the Board of Review, the assessed value was lowered 28 percent to $141,919 from $197,361.

However, based on the final 65 percent assessment increase, the 2018 tax bill jumped a hefty 27.5 percent to $28,033 from $21,991 in 2017.

A Logan Square greystone three-flat owner was shocked when former Assessor Berrios raised his property's fair market value 61 percent to $683,000 from $424,010. The assessed value jumped to $68,300 from $42,401.

The greystone owner raised the question of "uniformity" because the assessor set the market value of several nearby properties much lower. After appeal to the Board of Review, no reduction was granted. As a result, the 2018 tax bill jumped a whopping 52.5 percent to $12,812 from $8,401 in 2017.

Former Assessor Berrios said the 2018 estimated market value on a red brick six-flat in the Old Irving Park neighborhood skyrocketed an incredible 112 percent to $949,190 from $448,350. As a result, the assessed value of the building jumped to $94,919 from $44,835.

After a successful appeal to the Board of Review, the assessed value was lowered 25.8 percent to $70,420 from $94,919.

However, the 2018 tax bill still jumped a hefty 43.3 percent to $13,888 from $9,688 in 2017.

"There's nothing uniform when it comes to real estate tax assessments in Chicago," said a North Side property owner.

LOUISIANNA

Orleans Parish Assessor offers lifeline to struggling businesses

Called a once in a lifetime opportunity, Orleans Parish Assessor Errol Williams is cutting property tax assessments for hotels, retailers, restaurants, and on commercial properties.

According to the Times-Picayune/New Orleans Advocate some of the biggest recipients of the Assessor's largest tax cut could be the Marriott Hotel on Canal Street, the Sheraton Hotel just across the street, the Hilton Riverside and Harrah's Casino and Hotel.

The paper reports these properties could see a $1.5 to $2.5 million drop in the tax responsibilities.

The City Council still has to approve the move. But the cut in valuations ranges anywhere from 57% for hotels down to 5% for supermarkets, pharmacies and warehouse.

In all, close to 10,000 properties are seeing a $300 million drop in valuations.

This represents a 25% cut.

At the same time residential property valuations are going up by 8%. That translate into a rise of $193 million.

For the City, Commercial property owners will pay $42 million less over all while residential property owners will shoulder $30 million more in property taxes.

Assessor William made the decision on the tax break due to the unprecedented drop in tourism and business faced by the hospitality industry.

"Until tourism comes back to New Orleans, these hotels are going to struggle and the restaurants, some of them are not coming back at all," Williams explains. "Rather than sit back and do nothing, we decided to study it and see what we could do, so they could sustain the period of being in the red."

Property taxes make up 45% of the City's budget, including police, fire, schools, and the Audubon Nature Institute and parks and recreation.

Amendment 2 On The 2020 Louisiana Ballot: What To Know About Taxing Oil And Gas Wells

Here's the language you'll see on the ballot:

"Do you support an amendment to permit the presence or production of oil or gas to be included in the methodology used to determine the fair market value of an oil or gas well for the purpose of property assessment?"

How would it work?

The goal of this amendment is to help local tax assessors more accurately determine the value of oil and gas wells for the purposes of property tax assessment.

Right now, the state constitution does not allow local tax assessors to consider the value of the oil and gas that comes from a given oil and gas well when determining its market value for the purposes of property taxes.

Tax assessors have been forced to assess value based on other criteria, like how much it would cost to build a replacement well. That means wells with identical equipment receive identical tax assessments, even if one of them is producing and the other is not.

Amendment 2 would allow parish tax assessors to consider how productive a well is when determining its value. If it passes, the Louisiana Tax Commission would then start the process of creating rules for how local tax assessors should factor a well's productiveness into its tax assessment.

This could mean that, eventually, companies that own less productive wells would pay lower local taxes on those wells, but higher local taxes on more productive wells.

Who's for it and who's against it?

The amendment is supported by the Louisiana Assessors' Association, which represents parish tax assessors. It's also supported by the Louisiana Mid-continent Oil and Gas Association (LMOGA) and the Louisiana Oil and Gas Association (LOGA), which represent the oil and gas industry.

This amendment came to the ballot via HB 360, legislation sponsored by Republican State Rep. Mike Huval. It passed with unanimous, bipartisan approval in both the House (98-0) and Senate (33-0).

No one spoke against HB 360 while the bill made its way through various House and Senate committees.

NEW JERSEY

Toms River's Tax Revaluation Begins, But Its Cost Has Plummeted

Toms River's first full tax revaluation since Superstorm Sandy struck in 2012 is officially underway, and the township will pay far less for the state-mandated effort than originally estimated, officials said.

Professional Property Appraisers will perform the town-wide revaluation for $2,348,650, far less than the nearly $4 million that officials initially estimated it would cost. Starting this month, representatives from the company have begun conducting inspections on the exteriors of homes in order to ascertain their value. The value assigned by the assessor is then used to calculate property taxes for municipal, school, county and library taxes, among others.

Last week, the township council voted unanimously to cancel $1.5 million of a $4 million emergency bond issuance measure that had previously been adopted to pay for the revaluation, which the town was able to stave off twice in the years following the storm. There has been some pushback from residents who feel the real estate market has become unstable due to the coronavirus pandemic and should be put off, but the state is sticking by its order.

"A revaluation order is not a 'take-it-or-leave-it bureaucratic recommendation, but effectively a state edict of constitutional dimension," the township said in a statement. "Defiance is both illegal and unconstitutional. The township has no discretion once a county and state property tax revaluation is ordered."

Toms River's ratable base is estimated to be valued at 79 percent of its worth, triggering a state policy that requires a revaluation when the assessed values slip below 85 percent of market value. This does not mean taxes will increase by 21 percent – it simply means rates will be based on a property's market value. The municipal budget, not assessments, determine how much tax money is to be raised each year. Generally, governmental officials hold that a revaluation will result in about one-third of residents receiving a tax increase, one-third receiving a decrease and one-third maintaining the same approximate tax burden.

Eventually, according to documentation from the township, inspectors will seek to inspect the interior of homes. Representatives from Professional Property Appraisers will try to reach each property three times. After the last try, they will leave a card which will allow for a resident to make an appointment. If a resident refuses to allow assessors inside, the home's worth will be estimated.

Impacts of COVID-19 on New Jersey Property Taxes

New Jersey real property owners recently received their final 2020 property tax bills, making many property owners wonder about the economic impacts of COVID-19 upon the New Jersey real estate market. The pandemic will likely cause many property owners to seek or consider property tax relief due to a decline in their property values. In New Jersey, retail, hospitality and office properties have likely suffered the most to date, while values of residential properties have seen mixed consequences as the single-family home market is strong, but multi-family home pricing has had varied impacts in different parts of the state.

These changes in the market are likely to continue or become more significant for the foreseeable future, therefore providing a warning that property owners may be paying more than their fair share in property taxes. Where an assessment does not reflect a property's true market value, the taxpayer should consider filing an appeal to reduce the assessment and to provide some and consequently cause property owners to overpay, in some cases by thousands of dollars. In order to remedy this overpayment, you can appeal your tax assessment. Before doing so, we recommend that you ask, and have answered, the following questions:

1. Can I appeal in 2020? It's unfortunately too late to appeal in 2020 even if your property value has declined, so you need to focus on 2021. For most properties in New Jersey, the annual filing deadline for tax appeals is April 1st, even though the deadline was extended to July 1 in 2020 due to the pandemic. Equally important is the fact that the "assessment date", or date of valuation, for tax appeals is October 1 of the preceding year. That means that, for a 2021 tax appeal, the assessment date — October 1, 2020 — has just occurred, and evidence of sales or leases of other properties that have taken place around October 1, 2020 could provide a taxpayer with evidence in support of an appeal next year. Appeals for 2021 can be filed starting January 2, 2021 but you can start getting ready now.

2. What is the Property's Current Assessment and "Equalized Value"? Prior to starting the tax appeal process, you first need to know your property's current assessment. New Jersey municipalities use an "equalization ratio" to translate property tax assessment to market value, thereby avoiding the need to reassess properties every year. The ratio is different in every town and changes every year. Ratios are available on the NJ Division of Taxation's website. For a ratio at or near 100%, the assessment is intended to represent the current market value. But some municipal agencies have base assessments that have not been revalued in many years, so the equalization ratio is low. As an example, the City of Elizabeth has a 2020 ratio of 10.68%. As a result, a property assessed at $500,000 in Elizabeth in 2020 is intended to indicate a market value of about $4,700,000. This means that even small changes in the assessment will indicate significant impacts on value. If the equalization ratio is less than 100%, statewide legislation may provide the town with a shield in the amount of 15% of the equalization ratio, which acts as a cushion so that the assessment does not have to be perfect.

3. Is the Property Currently Under-Assessed? Contrarily, situations do arise where a property's value may have risen since it was last assessed. In such cases, filing a tax appeal could potentially increase your property tax assessment. It's crucial to be aware of market behaviors to ensure that you don't wind up with a higher tax bill. Furthermore, in certain municipalities, appeals have been and are being filed by the town to increase assessments. For example, in the City of Jersey City in 2020, dozens of appeals were filed by the City to raise commercial property tax assessments. For properties which have suffered in 2020, the pendency of an appeal by the City could complicate matters, as the valuation for a 2020 appeal is October 1, 2019, before the impacts of the pandemic were felt in much of the real estate market, and some property owners may be at risk of having their assessments raised, thereby increasing the tax burden!

4. How will the Property be Valued? Sales of similar properties are generally the best indicators of a property's value for residential properties and land. Income-producing commercial properties such as retail, warehouse, or office properties are typically valued by using a formula to "capitalize" the income stream in order to determine value. Significantly, any owner or taxpayer for an income-producing property needs to determine if "Chapter 91" requests were properly made by the local tax assessor and, if so, whether timely responses were submitted. Failure to timely respond to proper Chapter 91 requests will give the town a right to dismiss any appeal filed in the following year. Special purpose properties, like certain types of industrial facilities, may be valued using a "reproduction cost" approach, since there may not be adequate evidence of the sale or lease of similar properties.

5. Should I Look for Assistance? Property tax appeals can often be complicated and time-consuming. Commercial tax appeals in New Jersey can take a few years to resolve. In order to be successful, it's important that to comply with state-sanctioned deadlines and procedures, only some of which have been mentioned above. In cases where thousands of dollars (or more) may be on the line, it is prudent to seek outside help. An experienced property tax appeal attorney can provide assistance by ensuring your tax appeal is filed appropriately and supported by competent evidence.

Why These Millionaires Are Staying Put Despite a New Tax on Them

The reason has little to do with money. Family and community ties keep them from leaving their state.

New Jersey recently decided to impose a so-called millionaires tax — effectively increasing state taxes 20 percent on people earning more than $1 million.

Critics had an immediate, and unsurprising, reaction, arguing that such taxes will push the wealthy to move to lower- or no-tax states. But is that true?

While some wealthy people will move, proponents of these taxes argue, few will make good on the threat to move to Florida (with no state income tax) or, in New Jersey's case, to Pennsylvania (where the state tax rate is one-third its neighbor's rate). They argue that high earners and entrepreneurs have family and community ties that keep them from moving away.

"For a small-business owner or an employee earning $1 million or above, that person is probably pretty well entrenched in New Jersey," said David B. Root, Jr., founder and chief executive of DBR & Company, a wealth management firm in Pittsburgh. "States like Florida, Texas and Tennessee have no state taxes, but they have higher taxes elsewhere — in consumption taxes."

Those who do leave generally work in financial services. One often-noted example is David Tepper, the billionaire founder of the hedge fund Appaloosa Management, who moved to Florida from New Jersey in 2016, when New Jersey was last debating an increase in taxes on earnings over $1 million. The state lost millions in tax revenue after Mr. Tepper's move. But a postscript came out in the debate over the millionaires tax this year: Mr. Tepper has moved back to New Jersey.

Given the financial impact of the pandemic on state revenues and little or no prospect of increased federal aid, higher state taxes could be on the horizon beyond New Jersey. Massachusetts has floated the idea of a millionaires tax in the past. Gov Andrew M. Cuomo shot it down for New York State, but the combined state and city tax for residents of New York City, where most of the state's millionaires and billionaires live, is already higher — at 12.6 percent — than the 10.75 percent on high earners in New Jersey.

If nothing else, rising inequality, along with government budget shortfalls, has put the issue on the table this year.

"In this polarized world, the tax discussion becomes part of the polarization," said Mark Bell, head of family office services and private capital for the wealth management firm Balentine in Atlanta. "What does it mean, practically? There are a few thousand people who have that level of income to be caught in that."

Unlike a sales tax or a limit on a state's estate tax, a state income tax rises is pegged to a taxpayer's ability to pay. Joe Kluemper, a senior tax adviser at Geller Advisors, which works with wealthy families, noted that wealthy people spent far less of their income on items that would incur a sales tax than middle-class and poor people.

"Someone who is spending 95 percent of their paycheck, that sales tax hurts them harder than someone who is spending 2 percent of their income each year," he said.

Ken Schapiro, president of Condor Capital Wealth Management and a member of Tiger 21, an investment group whose members need to be worth tens of millions of dollars, said it would take more than higher taxes for him to leave New Jersey.

“It wouldn’t be higher taxes,” he said. “I have too many business ties. I own a tennis club here. I have friends and family here. Look, if they double the taxes I might do it.”

Still, Mr. Schapiro, an avid skier, said that he planned to work more from the home he has in Colorado, where the tax rate is half New Jersey’s, and that the increase might accelerate the decisions of some clients who prefer one of the states without an income tax, like Florida or Texas.

“The difference between 10.75 percent and 8.75 percent won’t necessarily pay for a second home, but the whole number will for sure,” he said, citing the new and old rates for millionaires in New Jersey. “But in general, I usually tell people to make decisions based on goals and objectives and worry about the taxes secondary.”

Leslie Quick III, one of the founders of the discount brokerage Quick & Reilly, which Fleet Financial bought in 1997 for $1.6 billion, has lived in New Jersey since 1980. He has children and grandchildren in the state and said he would be hard pressed to get his wife to move to Florida for six months and a day to avoid the tax increase.

But Mr. Quick said he was bothered by how the state would spend the additional tax revenue. He said giving $500 rebates to families earning less than $150,000 was shortsighted when New Jersey had so many infrastructure needs and had to borrow $4.5 billion because of budget shortfalls related to the coronavirus.

“I’m happy to pay the tax if I see other things being done to solve the problems,” Mr. Quick said. “It bugs me that they’re going to lay this tax on.”

Still, proponents of higher taxes on the wealthy argue that this is a good time to act.

“States have these enormous budget shortfalls, and they can’t borrow like the federal government can,” said Seth Hanlon, senior fellow at the Center for American Progress and a former special assistant on economic policy to President Barack Obama. “States need to raise revenue. But high-income people are less likely to change their consumption patterns because of tax increases.”

Regina M. Egea, president of the Garden State Initiative, a nonpartisan think tank focused on the state’s economy, said that while that might be true, higher taxes were keeping other high-earning people from moving to states like New Jersey. She also argued that the increase would push older taxpayers to move.

There’s concern on the national level, too, about targeted taxes on the very wealthy. Senators Elizabeth Warren and Bernie Sanders both proposed a wealth tax when they were seeking the Democratic nomination for president.

Willie Mandrell, a real estate investor in Boston, said he would not object to the higher tax on the income of millionaires that had been proposed in Massachusetts. But he would feel different about a tax on his wealth.

"Part of me building wealth and buying assets and eliminating liabilities is to set myself up for retirement or a better future," Mr. Mandrell said. "Now if you're going to say the government is going to create a disincentive to do so, that's a different thing."

A wealth tax is possible only with a Democratic sweep of the White House, the Senate and the House in November. And even then it would be far from a done deal, given both its complexity and questions about its constitutionality.

A more likely outcome is removing the $10,000 limit on the deduction for state and local taxes against whatever federal tax is owed — a particular benefit for residents of states, like New Jersey, with high property taxes. This deduction was limited in President Trump's 2017 tax law. While the cap expires in 2025, a Democratic victory in November could speed the return of the full deduction.

Then New Jersey's millionaires would see their tax bill lowered, with the same amount going to the state but less to the federal government.

"It obviously softens the blow," Mr. Quick said. "But it kicks the can down the road. We have a spending problem, and we can't afford to keep spending what we're spending."

NEW YORK

Our endangered ecosystem: Mayor de Blasio is clueless about what it takes to keep the city thriving

Is this the dumbest metaphor of Bill de Blasio's mayoralty?

"Midtown's important, but it's not the center of the universe," the mayor glibly replied Friday when asked if he's concerned that office workers aren't returning, claiming that the parts of New York that matter more are the boroughs where most people live.

The city isn't a universe, each planet growing more distant from the rest as it expands. It is an interconnected ecosystem, where we depend inextricably on each other. That point was hammered home starkly back in March when COVID struck, as wealthier New Yorkers who could work from home relied upon often poorly paid essential workers for medicine, food and more.

But the dynamic works both ways. Years of income tax data recently released by city budget wonks demonstrate just how much the common coffers rely upon upper-middle-class and wealthy residents.

In 2018, 42.5% of city income tax revenue came from the top 1%, the sliver of the city's 3.8 million taxpayers who earn $900,000 or more. And 70% of income taxes came from the 17.5% of taxpayers earning above $100,000 a year. The bottom 50% paid just 1.7% of the city's income taxes.

Yes, it's true income taxes make up about a fifth of city tax collections, while property tax receipts, which disproportionately burden poorer New Yorkers and should be radically overhauled, account for about half. (Though remember, a huge chunk of that property tax total is payments from now-at-risk commercial property tax payments.)

We ought not coddle the comfortable, and may need some smart tax hikes should the city's fiscal crisis endure. But every time a hedge funder like Paul Singer pulls up his roots, the city loses some of the wherewithal to underwrite the common good.

De Blasio's casual indifference to that fact is governance malpractice of the highest order.

NYC Residents Pay $5,633 in Annual Property Taxes

City Ranks Sixth Highest in the Nation

According to the latest data from the U.S. Census Bureau, the median annual property tax paid by homeowners was $2,578 in 2019, or 1.03 percent of home value - not a huge percentage on average, but many households pay far more than this based on local tax rates and home values in a given market. Further, beginning in 2018, the Trump administration's SALT tax cap kicked in, limiting the amount of state and local taxes homeowners could deduct from their federal income taxes. Consequently, living in a high-tax state has become increasingly more expensive.

Data from the US Census Bureau shows that in aggregate, property taxes are state and local governments' biggest source of tax revenue. Nationally, state and local property taxes totaled $617 billion in 2019, or 39 percent of total state and local government tax revenue. Property tax revenue amounted to $159 billion more than income taxes, which represent the next largest state and local government tax revenue source.

Naturally, property tax rates vary widely by location - rendering some parts of the U.S. far more expensive to live in than others. While property taxes are levied in different ways based on local and state laws, a helpful way to compare tax burdens across locations is to calculate an effective property tax rate by dividing the total property taxes paid by the aggregate value of homes in a given area.

At the state level, Americans living in New Jersey and Illinois tend to pay the most in property taxes relative to home values. These states have the highest effective property tax rates, at 2.42 and 2.16 percent respectively. On the other hand, people living in Hawaii and Alabama have much lower property tax bills, with effective property tax rates of 0.40 and 0.28 percent. While the total amount of property tax paid is a function of both tax rates and home values, residents in states with high effective property tax rates also tend to pay the most in absolute terms. For example, the typical New Jersey homeowner paid an astonishing $8,432 in property taxes last year - the highest bill in the country.

To determine the cities with the highest and lowest property taxes, researchers at Oakland, California-based financial tech startup Roofstock analyzed the latest housing data from the U.S. Census Bureau. Cities were ranked according to their effective property tax rate, measured as aggregate real estate taxes paid divided by the aggregate value of homes. Researchers also calculated median property taxes paid, median home value, and median household income for owner-occupied homes.

To improve relevance, only cities with at least 100,000 people were included in the analysis. Additionally, cities were grouped into cohorts based on population size. In the report, small cities have 100,000–149,999 residents, midsize cities have 150,000–349,999 residents, and large cities have at least 350,000 residents.

The analysis found that New York City has an effective property tax rate of 0.61%, which is lower than the national median of 1.03%. Here is a summary of the data for New York, NY:

- Effective property tax rate: 0.61%
- Median property taxes paid: $5,633
- Median home value: $680,800
- Median household income (owner-occupied homes): $106,902

For comparison, here are the statistics for the entire United States:

- Effective property tax rate: 1.03%
- Median property taxes paid: $2,578
- Median home value: $240,500
- Median household income (owner-occupied homes): $81,988

New York property investment, sales plummet during pandemic

New York City and New York state have suffered a combined loss of more than three-quarters of a billion dollars in property tax revenue over the past year, according to a report from a real estate trade organization.

The report from the Real Estate Board of New York paints just how devastating the COVID-19 crisis has been to the city and state since the pandemic began in March. The board's report indicates that compared to March-September 2019, investment and residential property sales dropped by 48 percent.

Comparing the year-to-date totals from this year to last, the decline in sales has led to a $755 million decline in tax revenue generated for both the city and state. The slumping property sales are especially critical considering that property taxes make up the majority of the city's tax revenue. At 53 percent, the property tax share is about two-and-a-half times the percentage generated by the city's personal income tax.

In the 2020 fiscal year, property taxes contributed nearly $32 billion toward the city's overall budget, which was more than $92 billion.

"This historic decline in market activity due to the COVID-19 pandemic isn't just affecting the real estate industry – it's hurting millions of New Yorkers who rely on the publicly funded government services that have been devastated by a loss of $755 million in tax revenue," REBNY President James Whelan said in a statement.

Even the good news has more than a tinge of bad news to go with it. The total sales volume for September was $3.48 billion, up 9 percent from August's $3.18 billion. However, compared to September 2019, when $6.57 billion in sales were reported, it represents a 47 percent decline.

Both the city and state are facing massive deficits due to the COVID-19 crisis, and earlier this week New York City Mayor Bill de Blasio spoke in support of a tax increase that could potentially stymie a real estate recovery in the city.

For nearly 40 years, the state has offered a rebate of the stock transfer tax, and the mayor said Wednesday he'd support ending that practice.

"If ever there was a time in history to right that wrong and make sure that was true progressive taxation, it's now," de Blasio said. "So, I think we need to increase taxes on the wealthy across the board. This is something I'm going to fight for in Albany, for sure. It is time for higher taxes on millionaires and billionaires."

New York Gov. Andrew Cuomo has resisted talks of raising taxes, especially on high income earners. However, he's softened that stance a bit as the likelihood of Congress offering states and localities funding to shore up budgets is less certain. Cuomo said that if Washington doesn't bail out state and local governments, then taxes should be raised across the country and not just in New York.

NYC's Revenue Loss Less Than Feared as Property Taxes Gain

New York City's tax revenue from March through August fell by $1.2 billion, or 3.5%, from a year earlier, a smaller decline than expected, as property tax growth helped offset a sharp decline in sales-tax receipts because of the coronavirus pandemic.

Property taxes, the city's largest single revenue source, rose 3.9% to $16.3 billion, according to a weekly economic and fiscal outlook from city Comptroller Scott Stringer. Sales taxes plummeted 23.2%, or $918 million, after the coronavirus shuttered thousands of shops, restaurants and dimmed the lights on Broadway. Personal income tax, the city's second biggest revenue generator, fell by almost $500 million, or 7.2%.

"Given the lagged nature of changes in assessments, the impact of the pandemic on property taxes will likely only occur in future years," the report said. "Overall, however, the loss in revenue has been more contained than initially expected."

Property taxes have traditionally been a stable and predictable source of revenue for local governments, tempering the volatility of sales and income taxes that are more sensitive to the economy. During the Great Recession, which was precipitated by the housing market crash, U.S. property tax collections declined in only one year, 2011, and by just 1.4%, or $6.8 billion, according to Census Bureau data. New York City property tax collections didn't fall during the Great Recession, according to city's financial reports.

New York City, the epicenter of the pandemic's first wave, had its credit rating lowered one level by Moody's Investors Service on Oct. 1. The downgrade reflected the severity of the pandemic's impact on the economy of the most-populous U.S. city and the expectation it will take longer to recover than most other major cities, the rating company said. Still, tax collections exceeded estimates by both the city's Office of Management and Budget and the comptroller's office by about $1 billion, for the fiscal year ending June 30, the comptroller said.

Although millions of Americans are unemployed and homeowners and small business can't pay their mortgages, Fitch Ratings doesn't expect property collections this fiscal year to be "meaningfully affected," by mortgage forbearance programs and delinquencies, the rating company said Sept. 29. Servicers for mortgages pooled into bonds must advance property taxes to local governments when borrowers don't pay, Fitch said. The share of residential mortgages in forbearance was 6.32% as of Oct. 12, according to the Mortgage Bankers Association.

"It's in their interest to keep paying because they have a lien on the property," said Amy Laskey, a Fitch analyst. "If the property has any value it will eventually get sold and someone will eventually pay the taxes. It just may be delayed."

Without more federal aid, mortgage delinquencies may increase, placing greater pressure on mortgage servicers, Fitch said. Delinquencies on property-tax bills for the first two months of New York City's fiscal year, totaled $646 million, a $122 million increase, from the same period last year.

Real estate transaction taxes and hotel occupancy taxes had the largest percentage declines, 41.5% and 52.9%, respectively. Unsold listings of Manhattan homes have surged to more than 9,300, a level not seen since the global financial crisis. Travel restrictions have crushed New York's tourism industry.

One bright spot: Wall Street. The Standard & Poor's 500 Index is up almost 9% this year and investment-bank revenue jumped 32%, hitting an eight-year high in the first half of 2020, as companies raced to raise cash in the bond market and trading soared, according to research firm Coalition.

"The strong performance of the stock markets and Wall Street firms has so far defied most expectations at the onset of the pandemic and the experience of prior recessions," the comptroller's report said.

New York's Commercial Rents Are 'Too Damn High'

They're making it harder for the city to recover. Here's how to lower them.
What's getting in the way of a recovery for New York City's small businesses? Continued weak demand is surely the main factor. But the fact that commercial rents remain artificially inflated compounds the problem. More businesses could survive, more commercial spaces repurposed for other uses and more new businesses started if commercial rents actually reflected market conditions.

The city and state need to act, imposing a broad set of remedies to lower commercial rents. If they don't, the city faces the prospect of a lingeringly weak economy hamstrung by rents that are, as the saying goes, too damn high.

Commercial rents are a key variable in any city economy. If rents are too high, small businesses can't make enough profit to survive, and repurposing (turning retail space into office space, say, or office space into storage space) is too risky for the landlord. This leads to so-called high-rent blight. But if rents are too low, landlords don't have the incentive to rent or develop properties.

Ideally, rents should go up and down in tandem with supply and demand. But that isn't happening in New York City. Commercial rents are "sticky": They stay high even when demand is low.

There appear to be several reasons for this phenomenon. First, because commercial leases are typically long, some landlords, especially those with other income streams, wager that it's better to wait for demand to return than to commit to a cheap long-term lease. If a landlord has an offer today for $10,000 per month but thinks a $20,000-per-month tenant may appear in a year or three, he may decide to wait.

Sometimes landlords, who are also getting squeezed by the pandemic, would be willing to rent for less money but are blocked by their mortgages and lenders from doing so. This is another reason commercial rents are so sticky. Mortgages for commercial properties in New York City typically set a minimum rent, which makes price cutting a form of default. The problem is compounded when mortgages have been securitized and the terms can be modified only by investor consensus.

A related reason for artificially high rents has to do with how property values are determined. To accept $10,000 a month in rent from a property that once earned $20,000 a month could entail recognizing a multimillion-dollar decrease in the official property value — a situation many properties owners are eager to avoid, even if it means passing up revenue in the short term.

Finally, there is the matter of tax deductions. While a property owner cannot legally deduct losses based on hoped-for rental income, losing money while one waits for a renter can be used to offset certain other forms of income. And it's possible that Donald Trump is not the only player in New York real estate who has creative accountants.

To be sure, many landlords in New York City have been adjusting rents for existing tenants, on an informal basis. Landlords do fear vacancies, and many are suffering themselves. But they are given too many reasons — and sometimes obligations — to keep rents high. As a result, storefronts stay empty and the whole city suffers.

How can the city and state help unlock these assets? First, the state should pass a law voiding minimum-rent terms in existing and future commercial mortgages so that landlords do not risk defaulting if they lower rents. (Yes, such a law would be constitutional.)

Second, the city should use property taxes to create a disincentive to leave storefronts empty, as State Senator Brad Hoylman of Manhattan and others have proposed. A storefront unoccupied for, say, more than 90 days could see a property tax increase high enough to cover the revenue lost by the city from not renting the property. That would help get the market moving.

Third, the city should modify zoning rules that interfere with repurposing spaces. Finally, the state should create a specialized task force to audit questionable deductions in the commercial real estate market.

This plan would help push commercial rents down to market rates. And unlike classic rent control, which puts a limit on price raises, the idea is not to impede the market but to make it work. The city and state would be undoing the restraints that are preventing rents from obeying the law of supply and demand.

As the cliché goes, every crisis presents an opportunity. New York City has been hit hard by the pandemic, and economically its small businesses have been hit the hardest. Yet New York, when it needs to be, can be creative: Its recent rapid transformation into a city of great outdoor dining is just one example. Bringing about a reduction in commercial rents could help power the kind of rebirth that has been this resilient city's proudest tradition.

2021: The year of the commercial property tax challenges?

There is slightly less than three months to go before everyone can bid an aggressive goodbye to 2020. However, the New Year's champagne that will flow with the arrival of 2021 will quickly give way to a hangover of another kind: commercial property tax considerations during the coming year.

In a recent interview on Westfair Business Buzz, the weekly podcast produced by Westfair Communications – the Business Journal's parent company – David Wilkes, partner in the Tarrytown office of the law firm Herman Katz Cangemi Wilkes & Clyne LLP, warned that the residue from this year's pandemic will stain next year's commercial property tax concerns.

"2021 is really a pivotal year when it comes to a response to the coronavirus pandemic, as it relates to the real estate market," said Wilkes, who is also president and New York state representative of National Association of Property Tax Attorneys. "We've certainly received calls from many owners over the last four or five months saying their business – maybe it's a hotel or a restaurant or office space – are feeling the bight of the economy right now. They're feeling the pain of tenants who can't pay their rents. And they're saying, 'How do we lower our taxes?'"

Wilkes pointed out that depending on jurisdiction, "real estate taxes are assessed as of a certain valuation date every year." In New York, he added, the most recent valuation date came before the pandemic. Needless to say, this is not a best-case scenario for many property owners.

“We have a lot of owners who were surprised to see their assessments went up,” Wilkes continued. “They’re saying, ‘How could that be?’”

Wilkes observed the valuation date for the 2021 property taxes has yet to be set, but already many property owners are readying themselves to challenge the tax rates based on the pandemic’s financial trauma.

“2021 is going to be a much more significant year for property owners because it’s the first opportunity to really get their taxes lowered based on the effects of the of the coronavirus pandemic,” he added.

Wilkes forecast that any future legal challenges on commercial property tax assessments will wind up in a court system that is not celebrated for its speedy resolution of cases.

“There are a lot of jams and this has been the case since long before coronavirus,” he said, referring to both this particular court and the court system as a whole. “The property tax cases are historically and notoriously backlogged – we’re often dealing with several years at one time. It may be four or five years backed up with appeals, so it’s a tremendous concern because now, more than ever, some sort of quick relief is needed.

The nature of the property tax cases is also contributing to the logjam, he acknowledged, as questions regarding property valuation in relation to the law are complex.

“And it’s not a failure of the judges or their clerks,” he opined. “It’s really just the system as a whole is not really set up to accommodate these cases in a way that’ really fast and efficient.”

Commercial property taxes are a major revenue source for localities, and Wilkes was sympathetic to their needs for these funds in providing municipal services. But lowering commercial property taxes would be the proverbial salt in already-deep wounds brought about the pandemic.

“Whatever the tax rates are, municipal officials still have to raise the same amount of money,” he said, worrying that inflating tax rates will worsen the situation for property owners. “I would not want to be in their position.”

As for the property owners represented by his firm, Wilkes is asking his clients to gather their financial records in order to “produce a statement of income and expense to show leasing activity or lack of activity.” Being prepared ahead of the tax filings is particularly important, he stressed.

“When the deadline comes up, we really need to spring into action,” he said.

NORTH CAROLINA

North Carolina among top business tax climates in U.S.

North Carolina has one of the best business tax climates in the country, according to the Tax Foundation’s 2021 State Business Tax Climate Index.

The state ranked 10th out of 50 states for its overall business tax climate for 2021. It is an improvement from its ranking of 15th last year.

The index compares states on more than 120 variables in the five major areas of taxation: corporate, individual income, sales, unemployment insurance and property taxes.

"States with more competitive tax systems score well in the Index because they are best suited to generate economic growth," Tax Foundation researchers wrote.

North Carolina received an overall score of 5.51 out of 10 for its business climate. Contributing to that score was its corporate tax, where the state received 6.09 points and ranked fourth in the U.S. below only South Dakota, Wyoming and Missouri. North Carolina's top corporate tax rate is 2.5%. The state ranked third for its corporate tax in last year's index.

The Tax Foundation also ranked North Carolina one of the best states for its unemployment tax rate. With a score of 5.5, the state ranked 10th out of 50 states – the same spot as last year. The state's base unemployment tax rate is 1.9%.

North Carolina ranked 16th for its individual tax rate of 5.25%, with a score of 5.71 out of 10. The state and average local sales tax rates combined is 6.98%, which placed North Carolina 22nd out of 50 states. The state's lowest ranking was 26th for its property tax. State and local property tax collections per capita in North Carolina are $974.

Despite its high ranking, Tax Foundation analysts criticized North Carolina for its use of tax incentives to attract businesses to the state.

The Tax Foundation cited North Carolina's 2004 deal with Dell Computers for $240 million in tax credits and grants in exchange for a new assembly plant in Winton-Salem. The plant closed within four years without fulfilling its job creation and economic contribution targets.

North Carolina ended its grant incentive agreement with Deutsche Bank in July because the financial institution failed to uphold its end of its 12-year incentive deal. In 2015, the bank promised to hire 250 local employees for its Cary facility in exchange for $3.4 million in grants. The company failed to reach its employment goal.

In the state's most-recent deal, announced Oct. 22, North Carolina plans to trade $15.5 million in tax incentives for a Pratt & Whitney aerospace facility in Asheville.

"State lawmakers are mindful of their states' business tax climates, but they are sometimes tempted to lure business with lucrative tax incentives and subsidies instead of broad-based tax reform," the Tax Foundation wrote. "A far more effective approach is the systematic improvement of the state's business tax climate for the long term to improve the state's competitiveness."

Wyoming was the highest-ranked state in the country, and New Jersey was the lowest.

OHIO

2020 Tentative Values are now available from Auditor's Office

County Auditor Linda Fraley announced that 2020 Tentative Values are now available. Please see the following release from Auditor Fraley:

"As County Auditor, I am required by Ohio law to reappraise real property every six years and 2020 is the year we are mandated to value your property. The primary purpose of a reappraisal is to set the value of each property so that everyone is only paying their fair share of real estate taxes. Clermont County's last complete reappraisal was in 2014 with a statistical sales based update performed in 2017.

"It is important to note that the process for this year's property reappraisal began over three years ago and has been our most comprehensive review to date. To establish the 2020 appraised values, we utilized advanced technology to perform extensive reviews of property, conducted comprehensive sales analysis of comparable properties, collected information from on-site visits to your property, and updated current building costs.

"The reappraisal of real property for tax purposes is an important and sensitive issue, especially in today's environment. I want to assure you that every effort has been made to place a fair and equitable value on your property.

"I think it is important to provide as much information as possible to our Clermont County property owners. We encourage you to review all of the 2020 Reappraisal information, through property search, interactive maps and comparison tools and the 2020 Reappraisal Frequently Asked Questions that are provided in our newly redesigned website.

"Many of your questions may be answered in the details provided, but remember you always have the opportunity to review and question your value and are welcome to contact us with those questions, concerns or objections.

"If you have questions or would like to provide additional information concerning your valuation, please contact us at our 2020 Reappraisal HOTLINE 513-732-7700 or email us at reappraisal@clermontcountyohio.gov . Appointments to review property valuations will be conducted by phone or Zoom and will conclude by Oct. 23.

"Our goal is to provide all Clermont County residents with courteous, accurate and efficient services and to administer property tax laws in a fair and impartial manner. I, along with my staff, am proud to serve the residents of our county and look forward to addressing any questions you may have regarding your property value."

OKLAHOMA

Private company exempt from property taxes on gaming machines it leases to tribe

The U.S. Supreme Court on Monday let stand an earlier state court decision that determined gaming equipment owned by a private company but leased to tribal casinos was exempt from local personal property taxes.

The U.S. Supreme Court, in declining to review the case, let stand a December 2019 ruling by the Oklahoma Supreme Court that was favorable to the private company.

In that decision, the Oklahoma Supreme Court ruled that federal tribal gaming law preempts state law regarding taxing property related to tribal gaming, even if it isn't owned by the tribe.

The case involved Tennessee-based Video Gaming Technologies, which has been fighting assessments in at least seven Oklahoma counties on gaming machines it rents to tribal casinos.

Officials for one of those counties that lost at the state level, Rogers County, appealed the ruling to the Supreme Court.

The appeal stems from VGT Inc. protests of its 2011, 2012 and 2013 Rogers County personal property tax assessments of $10,087, $8,613 and $10,352 respectively on its gaming machines leased to the Cherokee Nation, according to court records.

The state Supreme Court agreed with VGT's claims that the Indian Gaming Regulatory Act preempted Oklahoma's laws when it came to taxing the gaming equipment.

"The gaming equipment in this location cannot be used for anything but gaming," the Oklahoma Supreme Court decision said. "The ad valorem tax would not apply to this gaming equipment in the absence of (the Indian Gaming Regulatory Act), because the gaming equipment is only located in Rogers County due to its use in Indian gaming activities."

Rogers County Assessor Scott Marsh said that while the annual tax loss may be minimal, it would "open up the door" for other companies that have been watching the case.

"It's not a major decision in terms of revenue. It's just a fairness issue," Marsh said.

He said property owners who pay property taxes will shoulder a greater burden of tax levies as a result of the ruling. Schools, libraries and local governments are among property tax recipients.

Attorneys for Tulsa County Assessor John Wright filed a friend of the court brief in support of Rogers County officials' stand in the case.

Letting the state court ruling stand would have "widespread impact" on counties that have tribal casinos within them, his court brief maintains.

The case drew some support from at least one member of the Supreme Court.

In a dissent to the denial of certiorari, Associate Justice Clarence Thomas quoted from Chief Justice John Roberts' dissenting opinion in another case involving tribal jurisdiction that was decided this summer by the court.

That Supreme Court case, now known by its shorthand "McGirt decision" moniker, found that the traditional boundaries of the Muscogee (Creek) Nation were still in effect as they were never disestablished by Congress.

"That decision," Thomas wrote, quoting Roberts' opinion in the McGirt case, "profoundly destabilized the governance of eastern Oklahoma" and "create(d) significant uncertainty" about basic government functions like "taxation."

"The least we could do now is mitigate some of that uncertainty," Thomas continued.

A spokesperson for Video Gaming Technologies could not be reached for comment.

The company is a unit of Aristocrat Leisure Ltd., an Australian gaming machine manufacturer that acquired VGT in 2014, according the company website.

OREGON

In wake of wildfires, concerns arise that tax relief for Santiam Canyon property owners will be too little and too late

State law allows property owners to seek a cut in their tax bill if their property has been badly damaged or destroyed by fires, tornadoes, lighting or an “act of God.” Marion County commissioners say it needs a legislative fix that might come too late.

On top of badly damaged or destroyed homes and businesses from last month’s wildfires, property owners in the Santiam Canyon will soon face tax bills for property that has drastically changed in value.

Marion County Assessor Tom Rohlfing said that his office is preparing to send out tax statements to property owners on Oct. 19 for payments that are due Nov. 15.

While property owners can apply to have their property taxes reduced, Marion County Commissioners are concerned that the relief won’t be enough.

“Just think about it, you just lost your house,” Marion County Commissioner Kevin Cameron said at a press conference last week. “You’re going to open this green envelope that says, ‘hey, by the way, you have $3,000 in property taxes.’”

State law allows property owners to seek a cut in their tax bill if their property has been badly damaged or destroyed by fires, tornadoes, lighting or an “act of God.”

Rohlfing said his office would consider a property owner’s request for relief, evaluate the property’s taxable value and then adjust their tax bill to account for the damage. Property owners have until June 30 of next year to seek relief from this year’s tax bill.

But some property owners might not catch a break.

Tax bills are based on the taxable value of a property’s land and structures as set by the county assessor’s office at the beginning of the year. To qualify for a reduction, property owners must show that the fire caused the real market value (the price it would likely get on the open market) of their property to drop below its taxable value.

Rohlfing said some properties that have a taxable value that is much lower than its real market value, which could mean relatively little or no tax relief.

For instance, a single-family home in Detroit on a quarter acre, with a finished attic and garden shed had a taxable value of $120,870 for last year’s taxes. The property’s total tax of $1,829 for both the land and the structures helped pay for local school bonds, the library, the fire district, as well as the city and county governments.

However, the property had a market value of $217,79, so the fire would have to reduce the overall taxable value by more than $97,000 for the property owner to see any tax relief.

“It is totally different on every property,” said Rohlfing.

Properties are evaluated for both the values of the land as well as any structures built on them. Rohlfing said that there are some properties that have most of their value in the land, so even if a property owner saw their barn or house burned they, could get little to no tax relief.

He didn’t know how many properties could be eligible for relief but said that this year’s tax statements will include information about how to apply for the exemption.

Property owners who qualify for relief would have their tax bills reduced retroactively, said Rohlfing, and could get a refund. He didn’t provide a timeline for how quickly damaged properties will be evaluated but will respond as efficiently as possible.

“This is our first natural disaster of this scale,” he said in an email.

During a press conference last week, Marion County commissioners expressed concern that even with reduced property taxes, owners who’ve seen their homes and businesses destroyed will have a hard time paying their bills.

“A lot of people who ran from the fire don’t have that money,” said Marion County Commissioner Colm Willis.

Property owners who pay their bills late will be charged 1.3% monthly and 16% annually. But commissioners said the only way to allow a delay without a penalty would be to change state law. While they expect Gov. Kate Brown to call a special session to address the fire’s devastation, they said it won’t happen until after the first property tax payment is due.

Cameron added that legislation is to give property owners some leeway on paying their taxes.

“But what we want to have done and what's going to come out of there, obviously, it could be two different things,” he said.

The devastation left by the fires means that cities, schools and other local governments could have less money as they write budgets next year. Local governments apply a set tax rate to the value of real estate in their area. The fires likely mean less value to tax, meaning a drop in revenue that pays for everything from teachers to fire hoses.

Until property values are adjusted, those governments won’t know what cuts in their revenue will be.

Detroit saw some of the worst damage from the fire with portions of the town reduced to ash. According to data from the assessor’s office, there are nearly 700 property tax accounts for Detroit that include land, homes, structures and business equipment.

Mark Gharst, policy advisor with the League of Oregon Cities, said the fires won't shouldn't significantly affect city budgets this fiscal year, which ends next June. But the following budget cycle will be a problem and they will need financial help from the state or federal government, he said.

He said that hopefully the Legislature will provide some assistance. He said there could be money from the Federal Emergency Management Agency. But he added, "FEMA money is slow money."

PENNSYLVANIA

How a land value tax could make Philadelphia a more equitable city

Originally projected to see budgetary gains this year, in the months since COVID-19 began ravaging the northeast — and the rest of the world — Philadelphia's financial foundations have all but crumbled.

Most major sources of tax revenue, like wages, sales, and amusements are down by as much as 99.8% compared to last year. Not to mention the approved FY21 budget relies on major public sector layoffs and hikes in parking and business taxes to try and close the resulting gap. But even in the midst of this economic meltdown, or perhaps because of it, Philadelphia has the opportunity to make real gains for social and economic justice. How? By simply rethinking its approach to one tax that has proven stable in 2020's pandemic economy: The real estate tax.

Everyone is familiar with real estate or property taxes. Based on the assessed value of an owner's buildings and land, real estate taxes have remained in the black since the pandemic began, increasing more than 5% over last July's total. This is good news, and to those familiar with tax policy, hardly surprising – real estate is a fairly stable, reliable tax base, even when the world is in profound turmoil.

So why would Philadelphia touch its real estate tax now?

Because through a simple mathematical rejiggering of the tax code, Philadelphia could alleviate tax burdens on its most at-risk populations without reducing the overall revenue stream one dime — effectively creating a free stimulus for homeowners and businesses struggling to make ends meet. Philadelphia can create an environment of shared and increased prosperity.

This "rejiggering" involves flipping the proportion of an owner's tax bill that comes from the value of their buildings, currently 76% — versus the land itself — right now, just 24% of the bill, to one that favors taxing land value.

What difference would this make? Well, as it turns out, a world of difference.

If Philadelphia shifted to just a 50-50 ratio of tax on buildings to tax on land, homeowners would see a savings of over $60M each year, and with land value tax or LVT, that total jumps to about $123M — that's over 10% less than residential property owners pay now, and in a city where the median household income is less than $48,000 a year, this will have real impact.

Businesses would save, too — just shy of 20% under a full LVT scheme. Of course, to maintain overall revenues, someone has to make up those savings, and here that "someone" is exactly who you'd hope: Land speculators and those who've traditionally benefited from tax abatements at others' expense.

Moving to LVT would be a big step for Philadelphia, and even considering the move prompts a multitude of questions. Pittsburgh and Allentown both have some of the answers, stemming from their own promising experiences in its implementation. The Center for Property Tax Reform has just released a fully interactive map interface — the Tax Shift Explorer — that allows users to explore what a Land Value Tax would mean for the Philadelphia as a whole, as well as each City Council District, and even individual properties, all using real, current tax data as the baseline.

In the time of coronavirus, Philadelphia must meet the competing needs of residents and businesses for public services, as well as for financial relief from taxation. A Land Value Tax can help reconcile these needs and increase economic equity at the same time.

TENNESSEE

Equalization of tax assessments should be equitable for all

Recently, a local law firm undertook efforts to have the County Board of Equalization grant a 12% tax reduction to 275 of their commercial clients. Nothing in the law gives the board power to carry out the actions they undertook.

On September 1, 2018, I officially became the Assessor of Property for close to 390,000 property owners. At that time, I set out to restructure and reorganize operations within the Assessor's office to ensure that all property owners were treated fairly and equally.

The prior structure resulted in the average homeowner carrying the majority of the weight of county and municipal revenue generated from property tax assessments.

Recently, a local law firm undertook efforts to have the County Board of Equalization to grant a 12% tax reduction to 275 of their commercial clients.

The local Board of Equalization, acting under the direction of a state administrative agency, granted this request without regard to how "unequal " this action would be to those Shelby County property owners who cannot afford to hire a large law firm to represent them before the Board of Equalization.

An unequal and unfair deal

The 12% reduction is in addition to the reduction these property owners received after a fair and open hearing. Immediately upon receiving the news that this action was taken, without any of my designated Deputy Assessors present as required by law, I requested that the board recall the action and set each case for a hearing to determine if such action is fair and equitable. The board declined my request.

Accordingly, I instructed the lawyers representing my office to seek review of the board's actions in Shelby County Chancery Court.

Regardless of how the Chancery Court rules on the legality of the actions taken by the County Board of Equalization, this case raises the question that I raised during my election.

That question is centered on the fairness of a taxing system that rewards some for their ability to hire a representative to go before the various boards for tax abatements and reductions, while essentially punishing others for their inability to do so.

The math is simple

Shelby County Government depends upon property tax assessments for over 60% of its revenue base and operations budget. This money goes towards the provision of valuable and badly needed governmental services such as public education, law enforcement, public works, libraries, and parks.

The budgetary needs are declining. Therefore when the Board of Equalization grants an across the board 12% reduction to a large group of commercial property owners, the balance and burden is primarily carried by the residential property owners. In essence the homeowners of Shelby County carry the weight.

This office has developed a relationship with developers/commercial property owners to meet their needs. I have met with developers regularly so that the Assessor's Office can be there in the process from conceptualization to opening.

The Assessor's Office has consistently made it clear that I would make every effort to balance the process and ensure it is equitable to all of Shelby County. My lawsuit against the local Board of Equalization is in every way my attempt to balance the process.

There is nothing in the law that gives the Board of Equalization the power to carry out the actions they undertook. There is a 34 year old administrative decision that was relied upon as precedent.

It is my intention to convey to the board and the public in general that there must be fairness at every step in the assessment process including appeals before the Board of Equalization. That is what I promised and that is exactly what I intend to continue promoting.

TEXAS

Which Texas Mega-City Has Adopted the Highest Property Tax Rate?

Answer: El Paso. By far.

Newly published documents reveal that Sun City imposes a much higher property tax rate than its peers. For fiscal year 2021, the El Paso City Council set its total tax rate at 90.7301 cents per $100 of taxable value. The next highest tax rate was set by Dallas at 77.65 cents per $100 of value. Interestingly, the city of Austin adopted the lowest tax rate of Texas' large cities, at 53.35 cents per $100 of value, which assumes voters will approve an 8.75 cent tax rate increase in November.

Source: City of San Antonio Adopted Budget for Fiscal Year 2021

Of course, tax rates are only tell part of the story. Other variables, like valuations, are equally important in determining someone's tax burden. But tax rates are unique in that a local governing body has discretion over them, and officials should ideally lower them every year. But here too, El Paso stands out.

Over the last few years, the city of El Paso's property tax rate has increased significantly. Per the city's website, its adopted tax rate has grown accordingly:

- FY 2018: 80.3433 cents per $100 of taxable value;
- FY 2019: 84.3332 cents per $100 of taxable value;
- FY 2020: 90.7301 cents per $100 of taxable value;
- FY 2021: 90.7301 cents per $100 of taxable value;

That level of growth is significant, to say the least. Considering how quickly El Paso's tax rate has grown and how poorly it compares to other mega-cities, it might be time for local officials to aggressively attack the status quo and start doing things differently.