



# NORWAY - March 2017

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## Property tax bills spark more outcry

*Several cultural institutions and humanitarian organizations are the latest to be hit by new property tax bills from the City of Oslo that they claim can threaten their operations. Taxpayers in other cities and towns around Norway are also receiving shocking bills, many in areas where the local economy is thriving and the local government has had a budget surplus.*

Norwegian Broadcasting (NRK) reported Monday morning that local governments around the country have, on average, enjoyed some of their best operating results in a decade. At the same time, the number of municipalities imposing property tax has doubled

NRK singled out the municipality of Krødsherad in Buskerud County, home to the popular skiing community around Norefjell. Its Labour Party-led local government has reported solid budget surpluses over the last four year and its debt is considered to be well under control. Local politicians nonetheless decided to impose property tax on homeowners and, perhaps most importantly, the owners of the often-high-priced *hytter* (holiday homes) that have sprung up all around the mountain of Norefjell in recent years. The first property tax bills started arriving in the post last week.

“It’s not our intention to plague folks with property tax,” insisted Mayor Gustav Kalager of the Labour Party. He told NRK on national radio Monday morning, though, that “there are things that need to be done, and then we need to share the costs.”

Others insist the cost-sharing has gone way too far. “I can well understand that folks are beginning to react, when they see the solid financial results that Norwegian municipalities have and when they’re also getting steadily higher property tax bills in the mail,” said Helge André Njåstad of the conservative Progress Party. It is clearly noticing a property tax revolt that’s spreading around the country, as property owners receive much larger bills for this year based on both higher property value assessments and, in some municipalities, higher tax rates.

## Local governments’ power to tax

In Norway, it’s the local governments for municipalities (*kommuner*) that can choose to impose property tax and set its tax rates. In Oslo, the property tax imposed by the new Labour Party-led government last year is backfiring badly and may even be illegal. Not only have tax bills tripled for many homeowners, cultural institutions and humanitarian organizations that are run by non-profit foundations are also receiving huge bills tied to the property they own.

Newspaper *Aftenposten* reported over the weekend that *Kunsternes Hus* (The Artists’ House) in Oslo, which is located in and charged with maintaining one of Norway’s premier examples of functional architecture from the 1900s, got a bill for NOK 200,000, which more than negates the NOK 150,000 in funding it receives from the city to support its operations. Decrying the logic of that, its leader told *Aftenposten* that it had sought an exemption but so far has been turned down.

Other local museums and cultural institutions in Oslo have been receiving surprisingly big bills, too, all based on the value of the property where they’re located: NOK 202,000 for the **Ibsen Museum** that’s based in the former fashionable home of Norway’s

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famous literary figure Henrik Ibsen, NOK 43,000 for the *Kon-Tiki Museum* on Bygdøy, NOK 500,000 for the **Teknisk Museum** at Kjelsås (which may force the museum to eliminate exhibits) and NOK 600,000 for *Sentralen*, the new cultural institution in downtown Oslo backed by DNB's charitable foundation. Only property that's owned by the state or the city itself is exempted from Oslo's new property tax law. The other museums and institutions with property owned by foundations can apply for exemptions, but uncertainty is running high over whether they'll be granted or rejected, as in the case of *Kunstnernes Hus*.

On Monday, newspaper *Dagsavisen* reported that several humanitarian organizations run by foundations are also in despair over new, large tax bills that aren't in their budgets for 2017. *Kirkens bymisjon*, a Christian aid society, and *Blå Kors*, which helps alcoholics, have been hit with property tax bills from the City of Oslo for more than NOK 1 million. "This will hurt those using and needing the services of these organizations," Inger Helene Venås, in charge of charitable groups for the employers' organization *Virke*, told *Dagsavisen*.

Venås, along with many others, claims the City of Oslo's new property tax system has been imposed too quickly over the past year with little regard for the consequences. She suggests city officials and the Labour politicians behind them simply didn't think through how hard the tax would hit: She claims they should follow the example of party fellows in Trondheim who exempted charitable, humanitarian and non-commercial operations run by foundations like museums, sports organizations, day care centers, hospitals, nursing homes and private schools. "As we see it, this has just gone too fast," Venås said. "We are therefore trying to make them (Oslo city officials) aware of this." She noted that several of the organizations hit with the big, unexpected bills have attempted "dialogue" with the city themselves "but are not getting a response. Therefore the unease and uncertainty is rising."

Oddbjørg Minos, an Oslo City Council member for the Christian Democrats party, also thinks the city's Labour government acted in haste when imposing the new property tax. "Many important organizations that provide services for children and drug abusers, for example, weren't granted exemptions," Minos told *Dagsavisen*. "Those are areas we absolutely think should be exempted from this tax."

### Property tax revenue soaring

State statistics bureau SSB (Statistics Norway) reports that local governments around Norway saw their tax revenues increase by NOK 14 billion last year. At the same time, their pension costs rose as did debt in some communities. The Progress Party nonetheless thinks property taxes have become too high, especially in municipalities like Krødsherad (Norefjell), Hattfjelldal, Etnedal, Engerdal, Vaksdal, Trøgstad and Våler in Østfold. Almost all are run by either the Labour Party or the Center Party, or both.

NRK reported that they defend their property taxes as necessary to shore up local finances. The Center Party mayor of Hattfjelldal claims its strong bottom line was only due to extraordinary gains including compensation after a finance scandal several years ago. The Labour Party mayor of Etnedal claimed it lost state funding when an asylum center was shut down and that the municipality needs more money to integrate refugees. The Center Party mayor of Engerdal claims the property tax revenues are needed to pay for infrastructure improvements. None of the local governments has any plan to eliminate or reduce property tax, according to NRK.

The Progress Party, meanwhile, is proposing a repeal of the state law that allows local governments to impose property tax, not least since Norwegians' property values are already included in the annual tax they also must pay on net worth. "We view this as an unworthy form of double taxation that also fails to take into account taxpayers' income and debt (and ability to pay the tax)," claims the party, which currently shares government power with the Conservatives. That's likely to be fought by Labour and Center party politicians in Parliament, who want local communities to have more control over their local finances and who are teaming up to seize state government power from the Conservatives and the Progress parties in national elections in September.

### Court to rule on Oslo's property tax

Oslo's city government leaders from the Labour Party will now need to defend their new controversial property tax in court. They were sued over the questionable legality of the new tax, and officials of the Oslo City Court decided Monday that the case deserves to go to trial.

The court's decision is a preliminary victory for Norway's national organization representing homeowners (Huseiernes Landsforbund). It claims the tax is illegal because it's only assessed on those with property valued at more than NOK 4 million

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(USD 470,000). Labour Party officials didn't hide the fact that they only wanted to tax those with the most expensive homes, while opponents argue that tax burdens are supposed to be spread among the population in general.

"With its overall deductible of NOK 4 million (off the assessed market value of the property), the tax hits only a certain and specific group of homeowners," Bettina Banoun, a tax expert and lawyer who's representing the homeowners' organization, told Norwegian Broadcasting (NRK). "This should be a tax on everyone, but with such a high deductible, it only affects a specific portion of the city's population, and in an unfair manner."

Banoun and the homeowners' organization thus call the tax "discriminatory," and hope the court will agree. "We believe the property tax that's been approved in Oslo is illegal, and that's what we intend to prove in court," Banoun said.

If the deductible amount is reduced, far more homeowners will be affected by Oslo's property tax. "If it's proven that the (current) rules are discriminatory, it will be up to the city government to decide whether to impose a property tax with a lower deductible that will hit more homeowners," Banoun told NRK. "But that will be a political question." Even though that would spread the tax burden more evenly, it may be politically unpopular to assess a general property tax, even for Labour, which always wants those with the most resources to pay the most tax.

The new property tax, which the Labour Party campaigned for as a means of raising additional city funds for elder care and day care for children, began being assessed just six months after Labour won city government power in Oslo along with the Greens Party and the Socialist Left. Labour's top city politician, Raymond Johansen, promised it would only amount to "a few hundred kroner" a year because of its "low" tax rate of .2 percent of the tax authorities' determination of the market value of homes, minus NOK 4 million.

This year, though, the Labour-led city government has raised the tax rate by 50 percent, to .3 percent, while the assessed market values of property have been raised by as much as 14 percent or more. That has left nearly all homeowners subjected to the tax with bills that have doubled or even tripled this year.

Some also complain that property tax in Norway, which is the subject of taxpayer revolts in several towns and cities around the country, amounts to double taxation. That's because Norway's state income tax system includes a so-called "fortune tax" (formueskatt) that year after year assesses tax on individual net worth. Property values contribute to that net worth, along with the values of cars, boats, other possessions and bank balances after subtracting debt. Homeowners end up paying fortune tax on the value of their home plus property tax on the value of the same asset.

Robert Steen of Labour Party, who serves as finance director for the city government, insists the new property tax is legal, as does Irene Tanke, the project leader who's been responsible for imposing it. "If there's to be another decision on this, then it must be up to the courts to make it," Tanke told NRK.

The city has received around 6,700 formal complaints about the tax but has only managed to respond to less than 50 of them. "We know that there are many opinions on this, so we have spent a lot of time making sure we are handling the complaints correctly and providing a good legal evaluation of the complaints," she said. "That's why we haven't handled as many as we would like." She said each individual homeowner filing a complaint has a right to a response, even as the lawsuit looms over the tax itself.

City officials, meanwhile, expect to raise NOK 1.3 billion in property tax revenue this year, three times the amount budgeted. That's led to Steen being called "Uncle Scrooge" although he fends off complaints by insisting that Labour is only doing what it promised. "We said we would build day care centers for 3,000 more children and improve elder care so that more elderly can remain at home longer," Steen told NRK last month. The property tax revenues, he claimed, allow Labour to now deliver on those promises. Many elderly on fixed incomes themselves will be indirectly paying dearly for any improved care they receive, however, since they often live in paid-off homes that have skyrocketed in value, leaving them subject to hefty new property tax bills.

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