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CALIFORNIA –

Organizations, business leaders take aim at changing California's property tax laws, Prop 13

California organizations and prominent businesses leaders are rallying support to repeal part of Proposition 13, a landmark vote that limited property taxes statewide.

The portion organizations have taken aim at would leave property tax protections in place for homes and residential properties, but would substantially increase taxes on commercial property, creating a so-called “split roll,” according to the Sacramento Bee.

A group that supports the initiative to change Prop 13, Schools and Communities First, has gathered 860,000 in an effort to get the measure on the November 2020 ballot.

The state’s Legislative Analyst, Mac Taylor, concluded that the changes most years would result in an additional revenue of \$7 to \$11 billion.

Proposition 13 was passed by California voters in June of 1978 and limits property tax. Prior to the passage of Prop 13, each local government throughout the state could set its property tax annually.

This meant the average rate throughout California was nearly three percent. Under the proposition, a property’s overall tax rate statewide is limited to one percent.

Taxes on property are already one of California’s largest sources of government revenue, raising \$55 billion in the 2014 to 2015 budget year, according to the Legislative Analyst’s Office.

The chart below paints a picture of what happened to tax revenue following the passage of Prop 13 as well as revenue in recent years.

One of the reform’s biggest proponents, The San Francisco Foundation, says the revenue could be used for schools, health clinics, infrastructure and other community services.

“This is a watershed moment for California,” said Fred Blackwell, CEO of The San Francisco Foundation. “Closing these tax loopholes will restore over \$11 billion every year in desperately needed resources for our schools, clinics, and other critical services. It is an investment in a brighter future—expanding access to opportunity and bringing greater racial and economic inclusion to the Bay Area and across the state.”

Groups like the California Chamber of Commerce, however, oppose the plan split roll plan. The chamber says higher commercial taxes would be passed on to consumers.

The CalChamber board added that, if changes to Prop 13 pass, they fear local governments would move toward approving commercial retail development instead of badly-needed housing developments.

California split roll proposal draws a skeptic

California’s tax structure needs tweaking, but one economist is not sure approving a split roll property tax is the answer.

A consortium of educational and housing groups says it has gathered enough signatures to place a measure on the state ballot in 2020 that would allow for greater growth in the property tax levied on commercial properties.

Milken Institute economist Kevin Klowden, at right, said a so-called “split roll” for property taxes would increase California’s already high tax revenue volatility.

Under the current system created by 1978’s Proposition 13, property assessment increases are limited to a maximum of 2% annually, unless a property is sold, at which point it is reassessed at the sale price.

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Eliminating the commercial cap would provide additional tax revenue at the local level, but also increase volatility, because it is coming at a time when commercial real estate — and retail in particular — is under increasing pressure, said Kevin Klowden, a senior economist with the Milken Institute, a Santa Monica-based think tank.

"People are talking about a retail apocalypse, people are talking about vacancies in retail properties, and there also has been pressure on commercial real estate in general," Klowden said. The concept of separating how commercial real estate is taxed has been floated before.

Proponents of the measure hope the latest version, which excludes business properties worth less than \$2 million, will be the magic elixir to provide more money for education and affordable housing.

Housing California, a nonprofit aimed at eradicating homelessness, announced last week it has collected 850,000 petition signatures to qualify its measure for the ballot in 2020. They need roughly 586,000 valid signatures to qualify.

Proponents estimate in the ballot submission that the measure would raise \$6.5 billion to \$10.5 billion in most years, depending on the strength of real estate markets.

After paying for county administrative costs and backfiling state income tax losses related to the measure, the remaining \$6 billion to \$10 billion would be allocated to schools and other local governments in a 40%-60% split, respectively.

Property tax is a local government and school district revenue source, not a state source of revenue, said Gabriel Petek, a managing director in S&P Global Ratings' U.S. Public Finance Division.

But, if there were additional revenues generated locally from the property tax base as a result of a split roll, it would provide relief to the state's general fund, Petek said.

Proposition 98 establishes a minimum guarantee for education funding and the state is obligated to support whatever portion of per pupil funding that is not generated by the local property tax base.

"In that case, the state could see its general fund budget capacity increase, possibly opening the door to new or expanded funding commitments," Petek said. "As for unintended consequences, I would just note that we've been commenting in recent years about California's housing shortage. It's conceivable that a split roll could encourage a "fiscalization" of land use policy."

Local governments may opt to zone land for commercial, rather than residential uses if they expect it would result in more/higher future property tax revenue, Petek said.

The Proposition 13 assessment caps are something that helps retain businesses in California, Klowden said.

Exempting smaller businesses with the \$2 million property value and under 50 employee threshold might appeal to some small businesses, he said. It could also have the effect of encouraging small businesses near that threshold to begin looking to relocate to other states, he said.

"The biggest cost in California for doing business is not business hostility — it's the cost for workers," Klowden said. "This is still one of the best places to start a business. It has the most entrepreneurs and the best access to startup capital through venture funds."

Klowden said he doesn't think the idea will gain traction unless the state experiences another budget crunch. Raising taxes is a hard sell when the state has an \$8 billion surplus, he said.

Should Baby Boomers get a property tax break to move? The pros and cons of Prop. 5.

Would it be a merciful end to the "moving penalty" or a giveaway to rich homeowners and real estate agents?

[Proposition 5](#), which California voters will decide on this November, allows homeowners age 55 and up to receive a major break on their property taxes when they move homes. Sponsored by the California Association of Realtors, the initiative

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attempts to address a problem familiar to many Californians of a certain age: You want to move from your empty nest, but you're scared of the new taxes you'd have to pay on a downsized property.

That dilemma is a by-product of Proposition 13, the landmark 1978 initiative that capped how much local governments can levy homeowners on escalating home values. If you bought your home in 1988, you're still paying property taxes based of the value of your home when the Soviet Union was still in existence. It's a pretty great deal. But try to move into a different—and invariably more expensive—home at today's prices, and your property taxes will jump dramatically. Those property tax bills could be tough for older homeowners on fixed incomes to afford.

"These are largely larger family homes," said Steve White, president of the Realtors association. "If these folks were able to sell, then folks in (younger) generations would be able to purchase."

The Realtors argue that Prop. 5 will induce more senior homeowners to sell their homes and buy new ones. Obviously that's good for their commissions. But beyond allowing older homeowners to perhaps move closer to their children, the Realtors argue it would bring a flood of new homes to the market perfect for younger households starting their families.

Prop. 5 is opposed by local governments and public employee unions such as teachers and firefighters, who say the initiative is a costly giveaway to wealthy homeowners and the real estate industry. There are plenty of property tax protections already in place for senior homeowners who truly want to downsize. Because of a similar proposition passed decades ago, homeowners age 55 and up can buy a new home of equal or lesser value to their current property anywhere in their own county and retain their Prop. 13 property tax savings. Prop. 5 would allow senior homeowners to buy more expensive homes anywhere in California and still get a large tax break.

"What the real estate industry is really trying to do with this measure is turn the market and drive up prices so their end profit is really to their benefit," said Dorothy Johnson, an advocate for the California State Association of Counties, which oppose the measure.

The Realtors could not have been pleased with the analysis Prop. 5 received from the Legislative Analyst's Office, which voters will see included in their sample ballots this fall. It concludes that Prop. 5 would eventually costs local governments and schools \$2 billion a year in revenue, and that the vast majority of Baby Boomers who would benefit from the initiative were likely going to move anyway. In other words, the initiative was not likely to induce a lot of people to move or result in lower home prices.

That's partly why the Realtors have pursued a somewhat odd political strategy—while pushing for Prop. 5's passage this fall, they're already planning to put a very similar initiative on the ballot in 2020. That initiative would provide the same property tax breaks for older homeowners, but would also close some Prop. 13 loopholes to lessen the cost on local governments.

California tax agency weighs change that could impact property assessments

The state's tax collection agency, the Board of Equalization, is expected to consider a proposal that county assessors say would make it harder for them to obtain information they consider critical to determining property value.

The [proposal](#) is designed to change state regulations that govern tax assessment appeals. It was drafted by the California Alliance of Taxpayer Advocates, a group that represents tax agents for manufacturers, retailers and other commercial property owners. It was added to the agenda for the board's July 24 meeting by board member Fiona Ma. The board voted to have its staff begin analyzing the proposed changes, and further discussion is expected at its next meeting, Aug. 21.

If commercial or residential taxpayers dispute an assessor's appraisal of their property — typically to argue that their property was over-assessed — they file an appeal with their county's assessment appeals board. During the proceeding, assessors often request information from the taxpayer to prove that their property is in fact worth what they say it is, such as rental income or expenses. If a taxpayer does not provide the information to the assessor — either because they do not have records, or because the details the assessor is seeking does not apply to their property — the appeal can be delayed.

Under the proposed changes, an appeal could move forward even if the taxpayer does not provide all the information the assessor is seeking.

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The Alliance of Taxpayer Advocates says the changes would provide uniformity in the way appeals are handled. Currently, some counties' assessors request more detailed information at appeals hearings, while others do so less frequently. Assessors' requests for information can be aggressive or overreaching, which is unfair to taxpayers, the group said in an Aug. 8 letter to the executive director of the Board of Equalization.

Many assessors, and the head of the California Assessors Association, oppose the change, saying it would prevent them from reviewing important data about properties that help them determine value. At the July board meeting, assessors for Santa Clara, Marin, San Francisco and other counties testified or submitted letters urging the board not to adopt the changes.

Marin County Assessor Richard Benson said in his [letter](#) that the proposal could lead to assessors having to subpoena the information they need, "resulting in unnecessary costs and inefficiencies both to assessors, courts, applicants and taxpayers."

"The prospect looms that there will be lost legitimate tax revenue due to cost avoidance outcomes," Benson wrote.

Property tax overhaul? Backers of initiative deliver signatures for California's 2020 ballot

A ballot initiative to tax California's business and industrial properties based on regular assessments of their value — a major rewrite of Proposition 13, the state's landmark constitutional amendment limiting property taxes — could be headed for the November 2020 ballot.

A large coalition of community groups spearheading the initiative, including the League of Women Voters, has announced it has gathered the required signatures. The campaign is holding rallies from Berkeley to San Diego on Tuesday as supporters deliver 850,000 signatures to county election offices for verification; it needs 585,407.

The proposed [overhaul of Proposition 13](#) — long sought by progressives — could yield \$6 – \$10 billion annually in additional tax revenue for public schools, community colleges and public services, according to the state's nonpartisan [Legislative Analyst](#). While panned by at least one county assessor as unworkable — and sure to be fought by real-estate interests and large companies if it went forward — proponents say the initiative would bring in sorely needed dollars for schools, lift some of the tax burden from homeowners and level the playing field between new and more established businesses.

"My elevator pitch is that residential property owners are paying a disproportionate share of current property taxes for local schools and community services," said Helen Hutchison, an Oakland resident and president of the California League of Women Voters.

The initiative takes aim at the commercial side of a property-tax measure that voters enshrined in the state Constitution in 1978 as part of a statewide tax revolt. Under Prop. 13, businesses get the same break as homeowners; the taxable value of their properties is reassessed only when the property changes hands or undergoes significant upgrades.

If the constitutional amendment is successful, however, many companies would have their properties reassessed regularly — a change that, by the state's estimates, could raise their collective tax bills by billions of dollars. The initiative carved out exceptions for small businesses, vacant property intended for agriculture or housing, and the owners of apartment complexes. It would not affect taxes on residential properties.

Larry Stone, the assessor for Santa Clara County, has been a vocal opponent of the ballot initiative, calling it poorly written and laden with unintended consequences. His complaints range from the cost of implementation to the mountain of tax appeals he expects companies to file each year, hoping to run out the clock on the counties' two-year deadline to resolve such cases.

"The intent of this measure is laudable," said Stone, who said he shares many of the proponents' complaints with Prop. 13. "But this ballot measure is poorly written, extremely convoluted and impossible — not hard, impossible — for assessors in the state of California to administer."

Hutchison countered that the initiative leaves room for the Legislature to make adjustments, such as when the new system would roll out, early 2021, a date originally written when the campaign was vying for the 2018 ballot. Like many critics, she points to Proposition 13 as a turning point in funding for public education and other public goods and services.

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“The 40-year starvation diet is showing,” she said.

FLORIDA

Florida Property tax exemptions: Too much of a good thing or necessary to ensure responsive local government?

Florida in many ways has been a trendsetter in shielding homeowners from being taxed out of their primary residences through its “Save Our Homes” homestead exemptions, which cap assessments even when nearby land values are dramatically increasing.

In fact, Florida is one of only seven states that have limits on property tax rates, total property tax collection and increases on a home’s assessed value, according to the Washington, D.C.-based, nonpartisan Center on Budget and Policy Priorities (CBPP).

Three of 13 proposed constitutional amendments on the Nov. 6 ballot seek to extend or further enhance these protections: Amendment 1, which would provide a homestead exemption on the portion of home values between \$100,000 and \$125,000. Amendment 2, which would make permanent the state’s 10 percent cap on non-homestead parcel assessment increases. Amendment 5, which would require a two-thirds vote of the Legislature to raise state taxes or fees. All appear to enjoy widespread support with little organized resistance, especially Amendment 2, which does not create a new tax benefit for homeowners, but seeks to make the homestead exemption permanent instead of a discretionary prerogative of the legislature.

A **May 15 analysis** of Amendment 2 by Florida TaxWatch, a nonpartisan, nonprofit taxpayer research institute, warns if Amendment 2 fails, losing the non-homestead exemption would cost Florida homeowners \$700 million in increased taxes.

“Loss of the non-homestead cap could have some serious impacts on Florida, decreasing disposable income, increasing rents and business costs, and exacerbating and perpetuating the existing inequities of Florida’s property tax system,” TaxWatch warns in its report.

When Florida voters approved Constitutional Amendment 1 in 2008, they authorized sweeping changes in how residential properties are taxed.

Amendment 1 created an additional \$25,000 homestead exemption for primary residences and a \$25,000 exemption for tangible personal property. Later, Save Our Homes (SOH) initiatives allowed these benefits to be “portable,” transferrable from one primary residence to another homestead in Florida.

These three are permanent. But a fourth provision, a 10-year, 10-percent cap on the growth of non-homestead assessed value, expires Jan. 1, 2019.

In 2017, Florida lawmakers placed Amendment 2, which seeks to make the 10-percent cap on all non-homestead property permanent, on the Nov. 6, 2018, ballot.

“Allowing the cap to expire will result in a property tax hike that will unfairly and severely impact renters and seniors on fixed incomes, businesses, owners of undeveloped land, and part-time residents,” Florida TaxWatch President and CEO Dominic M. Calabro wrote in the report.

But some wonder if such hard-cap statutory limits on property taxes are too much of a good thing and, in the long term, are counter-productive.

“Property tax limits, along with other revenue-restricting measures, prevent investment in those things that attract families and businesses, like well-paved roads, beautiful parks and beaches and high-quality schools,” writes Joseph Pennisi, executive director of the Florida Policy Institute (FPI), in a widely-published July op-ed.

The FPI published a July report suggesting state legislators take a second look at the ramifications of incorporating property tax exemption into law – something often done for popular political expediency rather than as a strategy in balancing the valid

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need to protect homeowners from the ravages of fluctuations in land values and the need to build economically viable communities.

“This puts pressure on funding for local services, like water and sewage, while making the tax system more reliant on sales taxes and fees, which disproportionately affect low-income residents and communities of color,” Pennisi writes. “And that’s an ongoing issue in Florida.”

The FPI notes that the Institute on Taxation and Economic Policy (ITEP) ranks Florida 49th in the nation in terms of tax fairness, with non-elderly families whose incomes are under \$17,000 paying almost 13 percent of their income on state and local taxes.

Those with incomes in the top 1 percent, roughly \$500,000 or more, pay about 2 percent of their income to taxes, the ITEP maintains.

According to a July CBPP study, since Howard Jarvis led the 1970s “sagebrush rebellion” against property taxes in California with Proposition 13, 46 states and the District of Columbia have adopted assessment limits, rate limits and levy limits for homeowners.

According to the CBPP, property tax collections nationwide declined from 50 percent to 39 percent of local governments’ total tax collections between 1977 and 2015.

At the same time, the CBPP maintains, state and federal funding has also declined as a share of local revenue. The state share fell from 8.4 percent to 3.8 percent, and the federal share fell from 30.7 percent to 28.4 percent during that period, the non-profit think-tank maintains.

“State property tax caps constrain funding for critical local services like schools and roads. That alone should be reason enough for states to repeal or relax these limits,” CBPP State Fiscal Research Senior Director Michael Leachman writes.

An April 2018 study by Washington-based Tax Foundation’s Jared Walczak called property tax limitations “a sensible constraint on the growth of government, or as a fail-safe to avoid pricing people out of their own homes,” but questioned the long-term value of taking discretion away from local governments in encoding such measures into law.

“It is undeniably true that, when voters are asked whether they wish to override the limitations they adopted and approve a property tax increase, they frequently do so,” Walczak writes. “This might be regarded as a great irony, or perhaps as a negation of the very concept of property tax limits. Yet, even when voters routinely approve overrides of property tax limitations, they may prefer a system which vests authority for such decisions in the people.”

The Tax Foundation study found local governments that are required to seek local approval to override statutory property tax limitations are “more constrained in their fiscal aims if they operate under the need to secure voter approval. Even a system under which most requests are granted may be more austere than one under which no such approval is required.”

Walczak writes that local governments have, in general, chosen to ride valuation increases that pump revenues into their budgets rather than independently install brakes on tax hikes to protect residents from being priced out of their own homes.

“if policymakers wish to reform existing limitation regimes, or to seek alternatives, they must first recognize the circumstances under which they have been adopted and to acknowledge that, irrespective of whether the limitations are desirable as a matter of public policy, their appeal is eminently understandable,” he writes. “Should elected officials prove responsive to voter preferences, property tax limitations might be avoided altogether.”

NEW JERSEY

Jersey City’s Property Tax Rate Finalized at 1.48%

It’s been quite a rollercoaster for homeowners in Chilltown over the last year, and how thrilling you feel the ride has been likely depends on what neighborhood you live in. But some good news came courtesy of Hudson County’s tax board last week, as Jersey City’s property tax rate came in lower than expected.

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The final rate of 1.48% has been officially certified by the board, a tad below the 1.62% estimate that had been given to residents. Mayor Steve Fulop [hailed](#) the news on Twitter, writing that “this is the 5th year we have kept the municipal tax rate stable” and adding he was “proud of that.”

The 1.48% is per every \$100 of assessed value on a property, which is where the issue lies for some homeowners. The city recently completed their first revaluation since 1988 and assessed values in some Downtown neighborhoods jumped around 67%, hitting 1-4 family homes especially hard. However, a look at the numbers demonstrates that property values have held [steady](#) despite property tax increases, and some outer neighborhoods in Jersey City have benefited from the new assessments.

Jersey City’s 1.48% property tax rate remains a bargain, at least in the Garden State. The average effective property tax rate in New Jersey is 2.40%, which is significantly higher than the national average of 1.19%.

NEW YORK

New York can do far more to lower property tax burden

There are a couple of sure-fire ways to lower the crushing property-tax burden in New York. Schools and localities can drastically cut spending, an unlikely and, in some cases, unhealthy scenario.

Or the state could pick up the full tab for big-ticketed items, such as education and Medicaid spending, shifting the part of those bills now picked up by property taxes on the local level.

The state isn’t in a position to do this fully but, over time, it’s imperative to work in this direction.

A recent report by the Empire Center, an Albany-based, fiscally conservative think tank, projects if the state paid for the counties’ share of Medicaid costs, it would provide \$8 billion in relief to county governments. That’s an average 27 percent reduction in county taxes, the USA Today Network’s Albany bureau reports.

While this report is new, the issue is not. For decades, counties have tried to get the state to takeover these costs and, in fairness to the state, progress has been made -- but not enough of it. Counties once paid about 25 percent of Medicaid costs while the state paid 25 percent and the federal government paid the other half. That percentage has essentially been cut in half for the counties. But New York is still one of but a few states that forces its counties to share any of the costs the program, which accounts for about 37 percent of the property taxes in the Dutchess County budget.

The Medicaid program does tremendously important things. It, in part, provides health care to the poor and elderly and enables those with disabilities to get help in institutional settings or group homes. But no one of sound mind would assert the state’s system is run efficiently. Various reports have cited the program’s bloated bureaucracy and outright abuses to the system, including nursing homes and health officials collecting money, even though they were no longer caring for those patients who were supposed to be benefiting. What’s more, people often hide or reduce their assets to qualify for Medicaid-paid care intended for the needy, a difficult problem for the state to address.

Over the years, advocates for change have suggested everything from placing a spending cap on the program to putting a limit on medical malpractice damages. Surely, the state should put a deep emphasis on preventive care that ultimately helps keep health costs down.

There is simply no denying the facts that the state spends about twice as much per person on this service as any other state and continues to bill the counties for parts of those program.

The state should address its responsibility to hold down costs and, as much as possible, lift this financial burden from the counties.

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NORTH CAROLINA

Should churches and nonprofits pay for city services? Some officials say yes

Hendersonville City Councilman Jeff Miller is ready for the political blowback from what he's about to ask: that large churches and nonprofits help pay for the services they receive from the city.

Hendersonville's position as the county's geographic and population center — not to mention its streets, fire and police protection — makes it a desirable place for churches and nonprofits to call home. But as the amount of taxable land shrinks and the burden to pay for growing city services falls on residents and business owners, city leaders are looking for ways that churches and nonprofits can help carry the load.

"The city is basically handcuffed," Miller said. "It's a real hardship, certainly for the city of Hendersonville."

Through a public records request to the Henderson County tax office, the Times-News obtained a full report of all tax-exempt properties within the city limits — from churches and nonprofits to government property and more. The report shows that, when combined, 639 pieces of land within the city limits add up to \$404.5 million worth of property that cannot be taxed.

If that land could be taxed, it could provide nearly \$2 million in revenue for the city, based on the current rate of 49 cent per \$100 of valuation. That's about one-quarter of what the city expects to bring in with property tax revenue this year (\$8.5 million) from taxable properties.

During Hendersonville City Council's budget workshop in May, officials discussed the growing amount of property that cannot be taxed in the city after learning that they would have to raise taxes by 2 cents this year to pay for three school resource officers.

The main example brought up was Hendersonville First Baptist's recent purchase of the former post office property on Fifth Avenue. The U.S. Postal Service rented the Fifth Avenue property from a private landowner. Now the property, valued at \$1.5 million, is off the tax books as the church plans to turn it into a parking lot.

Council also referenced recent expansions with Carolina Village and the Boys and Girls Club of Henderson County, along with the expanding footprint of Pardee UNC Health Care. Another recent example includes Blue Ridge Health's purchase in June of the office building off King Street that formerly housed Coldwell Banker and Wingate University, also valued at \$1.5 million.

Miller, owner of Miller's Laundry and Cleaners, said that puts the burden of paying for the cost of providing services on the backs of the people who live or own businesses in the city.

"I don't think that the residents and business owners should bear the full burden for paving 70 miles of road, maintaining and providing police and fire, services that we do on a day-to-day basis for these huge entities," he said.

Council is looking into the amount of tax-exempt property within the city and entertaining the idea of a voluntary fee for nonprofits and churches to help cover the services they receive from the city.

"Everybody wants to be inside the city, obviously, because it's centrally located and there's city services, but we don't pay too much attention to how much we lose every year as things turn over," Councilman Steve Caraker said. "The Fifth Avenue post office brought this to the forefront."

The 41-page report contains a number of exemption types for 639 items listed. The Times-News organized the information into the following categories:

Government

The largest piece of the pie is government itself. Property owned primarily by Henderson County, city government and the school systems makes up \$222.3 million of tax-exempt land.

The various properties Pardee Hospital uses are listed under Henderson County government. The parcels around the main Pardee campus add up to more than \$52.9 million in value, with the hospital itself being the largest tax-exempt tract listed in the report at \$48 million.

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The new Health Sciences Center — which houses Pardee, Wingate University and Blue Ridge Community College — is another \$26 million worth of tax-exempt land.

Churches

The second-largest line item is religious organizations. More than 75 properties total approximately \$72.6 million of tax-exempt property. State statutes allow the building, land and additional adjacent land “reasonably necessary for the convenient use of any such building” to be exempt from taxation if used for religious purposes or religious education.

Nonprofits, charitable organizations

Encompassing a wide range of cultural and charitable organizations, these agencies make up roughly \$37.7 million worth of tax-exempt land.

Homeowners associations

State statutes allow HOAs to exempt some pieces of land, so long as it is for the use, benefit and enjoyment of all members of the association. When all those chunks are put together, it adds up to approximately \$10.6 million in tax-exempt property.

Elderly, disabled and veterans

Seniors over the age of 65 and those with permanent disabilities can file for tax credits. Disabled veterans can also apply for tax exemptions. It adds up to about \$10.9 million in exemptions.

Other

Lodges (VFW, Kedron Masonic, American Legion and Elks) make up \$5.2 million. Scientific, literary or cultural uses make up \$1.6 million. Historic and land-deferred properties add up to \$2.4 million.

Carolina Village

In its own separate category, titled “medical care community,” sits Carolina Village. A total of \$40.7 million of Carolina Village property is tax exempt, making it the single largest non-government owned property in the report.

At the same time, the nonprofit continuing care retirement community makes up 5 percent of the calls the Hendersonville Fire Department responds to every year, according to Fire Chief Joseph Vindigni.

In 2017, the fire department responded to Carolina Village 229 times. It responded 238 times in 2016; 186 in 2015; and 160 in 2014. The majority of the calls are for medical issues, Vindigni said, but firefighters have also responded to fire alarm activation, cooking-related fires and suspected gas leaks.

Vindigni expects the number of calls only to increase once Carolina Village completes its addition of 54 cottage-style and 36 apartment independent living units on its campus next year. Carolina Village currently houses more than 500 residents.

Carolina Village Executive Director Kevin Parries called the city its biggest partner. Parries said he meets with Vindigni on a regular basis, and Carolina Village tries to bring calls down to a minimum.

“We have our own triage team that assess if someone needs to be called,” Parries said. “We do try to take them to the emergency room or urgent care center or their doctor if it’s available by our own personal vehicles to keep those calls down. Unfortunately, we are a health care agency, and we do have to provide those types of services. There are medical issues such as stroke, heart attack or potential injuries from a fall.”

He added: “We are very appreciative of what the city does for us. We do partner with them and try to make their lives better throughout the year by giving back to the community as much as we can.”

Strain on services

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As the city continues to grow, so has the level of services it must provide. In the past 10 years, the city's police budget has grown from \$3.7 million to \$5.5 million, and fire from \$1.6 million to \$2.9 million.

Taxes were raised by 2 cents this year for the three school resource officers, and by 1 cent the year before to hire two animal control officers after the Sheriff's Office stopped providing its services to municipalities.

Construction of a new police headquarters and public restrooms for Main Street are well on their way. A third fire station for the south side of the city is on the horizon, along with a slate of streetscape and other infrastructure improvement projects throughout the city.

To provide a stable revenue source, the city essentially has two options: raise taxes or add land into its boundaries. But the city is limited in how it can expand its borders after the General Assembly brought an end to forced annexation several years ago.

The city cannot add land unless landowners voluntarily request to be annexed. In most instances, that only occurs when a landowner or developer requests connection to city sewer.

"It's just going to continue, and it's just going to keep piling on the backs of city residents and the business owners within the city," Miller said. "There's got to be some kind of happy medium here where reason prevails."

"I don't think the churches themselves should be taxed, but when they add activity buildings and parking lots all over the place, I do think it's something we ought to be able to tax," City Councilman Ron Stephens said. "I think that they, like any organization, need to take their part of running the city and paying for police protection, fire protection and so forth."

Caraker added: "I don't know that it's a huge problem, but it's something we need to look at going forward because the city is pretty much built out. We don't have any open land for development."

Voluntary fee

During a May budget meeting, Councilman Jerry Smith pitched the idea of a volunteer program where nonprofits and churches could help pay for the services they receive from the city.

The idea was endorsed by the other council members, but the council has not discussed the matter further since then.

"We're just wondering if there's a way that we can work together, not put an undue burden on the small nonprofits," Miller said. "I really don't want to put an undue burden on the larger nonprofits, but hoping that reason would prevail and folks would be willing to step up and pay a percentage of what the property tax would be if it were in play."

The other option, Miller said, is to get a law passed through the General Assembly for a mandatory fee on larger tax-exempt agencies.

Caraker said it doesn't hurt to ask for nonprofits and churches to chip in. The worst thing that could happen is they say no.

"We're not talking about a full tax load here, we're just taking about a little help," he said.

Parries said he's heard about the discussion, but no one from the city has reached out to Carolina Village to talk about a voluntary fee.

"Carolina Village is always willing to sit down and talk about how we can make Henderson County better," he said. "We've been here for 45 years, so we're definitely invested in the community and be happy to sit down and talk about it."

Jay Kirby, president and CEO of Pardee UNC Health Care, voiced similar support for collaborating with the city.

"At Pardee UNC Health Care, we are grateful for the services our city provides, including fire protection, police services and street maintenance, to name just a few," he said. "We are always open to discussion on how we can collaborate with city officials to make our community healthier and safer."

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NORTH CAROLINA

Tornado Victims Must Pay Full Property Tax

GREENSBORO, NC: Clinton Gravely stands inside the office building he designed and points to all the details and decorations, the unique features and extras additions. Gravely must tell stories about the building because most of it is no longer there, destroyed by the tornado earlier this year, "We spent a lot of time and years and money building this building," said Gravely.

In just minutes his dream and vision was reduced to almost nothing, "To see it go away just like that was something," said Gravely. On this day Gravely walked inside a building without a roof and all its walls. The elevator is there but the glass is gone, blown out by the tornado.

Only a few hundred yards away is the property that belongs to Jerry Poole. The general contractor has owned the land and the building that use to sit there since 1983, "It was amazing to see the destruction of that event," said Poole.

His office that was recently turned into a storage facility was also destroyed by the tornado. The roof was caved in and three of the walls were the walls caved in.

These stories are not unique as dozens of people are dealing with the aftermath of the tornado that ripped through the Greensboro area back in April 2018.

As the rebuilding or re-evaluating continues for so many they just recently received some unfortunate news, "They want us to pay for a building that is no longer here," said Poole.

The state just recently sent out property tax bills for 2018 and that includes tornado victims, "The way the law is written is based on the condition of the home as on January 1st," said Guilford County Assistant Tax Assessor Alan Myrick.

North Carolina is not unique in this law but some states do allow a property, home or business destroyed by a natural disaster, "We are still paying for three-quarters of a year and that's not fair," said Poole.

News 2 reached out Greensboro State Representative Pricey Harrison and asked about the law, "I was not aware that was a law," said Rep. Harrison.

After doing some research Rep. Harrison is frustrated by the law, "It seems that if one's property value is decimated by a natural disaster or fire, something beyond property owners control it doesn't seem right that they should have to pay full property tax," said Rep. Harrison.

Property owners would get relief on the 2019 property tax bill but only if they have not rebuilt before January 1st, 2109. As for the law, Rep. Harrison says if she is re-elected it will be a priority of hers to look into the law next year.

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PENNSYLVANIA

The Legislature must act on property tax appeals fairness

Enough is enough. It's time to change the laws regarding huge tax increases on unsuspecting new homebuyers. While many agree this unfair backdoor tax increase is legal, some changes are needed now regarding disclosure and appeal criteria.

If you buy a home in Allegheny County, it's a roll of the dice on who gets reassessed on appeal after you move in. This is known locally as the newcomer's tax. While many school districts and municipalities publish tax abatements, there is no mention of potential tax increases to new homebuyers after the millage has been calculated. Since there is no legal duty to disclose the post-sale appeals policies, it becomes a well-kept secret until after the real-estate closing. In many cases, annual taxes are increased 30 to 40 percent.

For many years, certain taxing bodies have routinely appealed new home sales because it's low-hanging fruit. It's an easy way to add revenue without a public vote to increase taxes by raising the millage.

It's also important to note that the newcomer's tax will not go away until reassessment. There are no plans to reassess in the county. State law has permitted Butler County to go almost 50 years without a reassessment. In the short term, there needs to be a legal remedy to prevent nondisclosure of the appeals policies in each taxing jurisdiction. There is no rhyme or reason to the present methodologies used to appeal properties. Two homebuyers on the same street are treated differently under the present situation. One is appealed and one is not. Why?

Pennsylvania's full-time General Assembly should require taxing bodies to disclose the different, unknown appeals processes. There are two things that must be done:

There are two things that must be done:

- Publish the criteria for filing an appeal in advance. Is it based on a minimum sale price or a variance between the county assessment and sales price? The public has a right to know this when negotiating with a seller.
- Disclose to the public that an appeals policy is in place during the base year. If a taxing body is publishing tax breaks ... it must also publish possible tax increases without a millage increase.

It would be much easier if the taxing bodies pass resolutions now that they intend to appeal underassessments with the criteria for filing an appeal.

In the short term, proper disclosure of the newcomer's tax appeals policy is a step in the right direction.

TEXAS

Include business in the property tax debate

Representing more than 1,200 local businesses and 165,000 employees, the Plano Chamber of Commerce is the voice of the local business community. As such, we evaluate issues such as public school finance and property taxes that impact our residents and business climate alike.

Property tax reform has been the topic of much debate and proposed legislation. We believe the answer is not as simple as a one-size-fits-all cap on tax rate increases or revenue, mandatory rollback elections, or a sole focus on homeowner property tax to exclusion of all other tax policy.

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We recognize that the current property tax assessment system deserves attention. Skyrocketing home values and appraisals are outpacing city tax rate cuts and increasing public school recapture rates are limiting school districts' ability to lower their tax rates, all while residents and businesses are facing larger tax bills each year.

Responsible property tax reform means reforming the state's current public school finance approach, preserving local control, evaluating the current appraisal system, and expanding homestead and other exemptions without limiting economic growth.

The Texas Legislature needs to assume the leadership role in school finance and consider the option of increasing the state's own commitment to public school funding in order to ease the dependence on local property tax revenue. Over the past decade, the state has decreased support of public school funding from 48.5 percent to 38 percent by relying on increasing property values to bridge the overall budget gap.

Local taxpayers already have a mechanism to express their opinions on local tax rates: through local elections and the leadership elected. But mandatory rollback elections are a very expensive mechanism to control property tax increases, and last session's proposed revenue cap on municipalities through Senate Bill 2 would have saved the average Plano resident only about \$3 a month. That is not true property tax reform.

Local tax rates should remain the responsibility of local elected officials, those closest to the actual tax payer. Local entities should also have the ability to temporarily reduce tax rates without having to go back to the voters to re-approve previous rates.

The current market-based appraisal system serves as a better mechanism to ensure taxpayers are paying an amount based on economic value and allows a reasonable opportunity to protest valuations. Let's also continue to seek and promote ways to expand and encourage homestead and other exemptions to create advantages for individual home ownership, such as those that benefit seniors, the disabled and veterans.

We must do all of this while ensuring we maintain the right balance between residential and commercial tax burdens. Businesses currently pay 52% of the local property taxes collected in Plano. Increasing the tax burden on businesses could hinder job creation and economic growth.

With that in mind, the voice of business is essential to this conversation. Along with our engaged citizens, we can work together towards meaningful property tax reform.

WISCONSIN

Shifting the tax burden: If plaintiffs win lawsuits over property tax assessments, taxpayers could see \$561K on their tab

Taxpayers could be on the hook for \$561,183 if plaintiffs in 11 civil lawsuits challenging property tax assessments filed last month against the city of Eau Claire are successful.

If the city would have to refund that amount, it would cost the owner of a \$150,000 home an additional \$18.69, said Jay Winzenz, Eau Claire's finance director, noting that would be a one-time cost.

However, if a judge determines the assessments for each of the properties should be what the plaintiffs are arguing, that determination would cost the same taxpayer an additional \$7.29 per year — forever, Winzenz said.

Those numbers don't include legal fees, which oftentimes prompt municipalities to settle claims such as these because the cost to defend them is so high, Winzenz said.

Property owners have a right to challenge the assessments, city officials said, but they take issue with certain large commercial retail property owners trying to reduce their tax bills using loopholes and ultimately shifting the burden to other taxpayers.

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“These (types of cases) are not unique to Eau Claire,” City Attorney Stephen Nick said. “This is a concerted effort across the state.”

In Eau Claire, city officials feel it’s important to defend the cases, something the city is largely able to do with its in-house legal counsel, Winzenz said.

“I think there is a strong feeling that if we roll over on these, there will be more of these cases,” Winzenz said.

Over the years, a handful of retailers have taken legal action to challenge their property tax assessments in the city of Eau Claire. However, the most suits filed at one time occurred in July.

Six of those were filed by KT Real Estate Holdings of La Crosse, concerning Kwik Trip locations at 1506 Black Ave., 2135 Brackett Ave., 2327 N. Clairemont Ave., 2715 Golf Road, 1130 W. MacArthur Ave., and 2232 Otter Road; two by Menard, Inc., concerning its locations at 3210 N. Clairemont Ave. and 3619 S. Hastings Way; and one each by Chippewa Valley Partners, regarding Walmart, 3915 Gateway Drive; Eau Claire East Motel, concerning Country Inn & Suites, 3614 Gateway Drive; and one by 4750, a New York-based limited liability company, regarding 1201 S. Hastings Way, the location of the former Mega East grocery store.

The city assessed those properties at \$56.8 million, according to court records. However, the plaintiffs argue actual assessments should total \$24.1 million less, or \$32.7 million.

Each filed a claim for excessive assessment with the city, asking for tax refunds ranging for \$9,607 (Kwik Trip on Otter Road) to \$141,704 (the former Mega East). But the city failed to act on the claims, essentially denying them — opening the door for legal action.

The city has successfully defended or settled similar suits in the past, Nick and Winzenz said. In addition to the 2018 cases, two — both filed in 2017 — remain open.

If a refund is ordered to any of the cases, the payment will come from the city’s general fund as payable by all city taxpayers, Nick said.

The city then would have to petition the state Department of Revenue for a chargeback, Winzenz said. If approved, the other taxing jurisdictions, like Eau Claire County and the Eau Claire school district, would have to pay their share of a refund to the city.

While the latest suits were filed in July, Nick fully expects the plaintiffs will attempt to use a loophole.

In Wisconsin, “a growing number of commercial and manufacturing properties are using property tax avoidance strategies known as the ‘dark store’ and Walgreens loopholes to push their fair share of property taxes onto homeowners and small businesses,” said Curt Witynski, deputy director of the League of Wisconsin Municipalities, in an article published on the League’s website.

In the former, “tax attorneys for big box stores like Target, Walmart, Meijer, Menards and Lowes, use the dark store loophole to argue that the value of a new store in a busy commercial district should be based on the value of former retail properties in unpopular areas that are now closed and vacant,” Witynski wrote.

“While courts in Wisconsin have not yet endorsed the dark store theory, that has not stopped tax attorneys for big box stores from using the argument before assessors in Wisconsin.”

He went on to explain the Walgreens loophole.

“Assessors are required to assess property for property tax purposes at its fair market value,” Witynski said. “The best evidence of fair market value is usually a recent arms-length sale price of that property.”

“The Wisconsin Supreme Court created an odd exception to this rule for certain leased commercial and manufacturing properties in a 2008 decision involving a Walgreens store. This exception requires assessors to value property that is tied up in a long-term lease to a single-business at half of the recent sale price of that property.”

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The League of Municipalities argues that a legislative fix is needed. Two bills to reverse the loopholes were introduced in 2017, but neither was successful.

State Rep. Dana Wachs, D-Eau Claire, was a co-author of the bills; state Reps. Kathy Bernier, R-Lake Hallie, Romaine Quinn, R-Barron, and Shannon Zimmerman, R-River Falls, introduced both; and state Sen. Kathleen Vinehout, D-Alma, co-sponsored both and former state Sen. Sheila Harsdorf co-sponsored the dark store-related legislation, according to the bill histories.

"These absolutely need to be fixed," said Wachs, who isn't seeking re-election this fall. "Everyone needs to pay their fair share, big box stores included."

State law limits the total amount of property taxes local units of government, like the city can collect.

"When one kind of properties, like big box stores, pays less, other kinds, like residential and mom and pop businesses pay more," according to a video on the League's website.

"Why should I pay more so Walmart can pay less?" Winzenz said.

'Dark store' dispute could cost millions

Beloit and municipalities across Wisconsin are losing an ongoing fight with big box stores over property assessments, with large stores arguing for and winning lower tax rates by having active store properties valued the same as vacant stores.

City and county leaders say the so-called "dark store loophole" will place a larger tax burden on residents, and the Rock County Board of Supervisors recently approved placing an advisory referendum on the Nov. 6 ballot asking whether state lawmakers should pass legislation to prevent commercial retailers from significantly reducing assessed values and related property taxes. A similar advisory referendum was also approved by the Walworth County Board.

The reoccurring issue was prompted following a 2008 Wisconsin Supreme Court decision to allow a Madison Walgreens change that green-lit retailers to reduce their property tax burden based on assessments of vacant properties.

The issue has caused multiple groups representing cities, towns and villages across the state to urge Wisconsin lawmakers to act - so far to no avail - with the most recent effort to rein in the issue failing earlier this year. A Democratic amendment was rejected as the State Senate adopted tax code changes. A bipartisan push to close the loophole was introduced in June of 2017 but the influential, Madison-based Wisconsin Manufacturers and Commerce association didn't support the legislation, and a vote was never taken.

Senator Janis Ringhand, D-Evansville, a sponsor of the failed bill, said she's been assigned to a work study group that will go over the legislation and the "ramifications of the change."

The first work study meeting was held Tuesday in Madison.

"I am glad counties are putting this issue to a referendum, even though it will be advisory, to raise awareness of the results," Ringhand said.

Representative Mark Spreitzer, D-Beloit, said the time to study the issue was over.

"My concern is that we don't need to study this issue further, we need to do something about it," Spreitzer said. "We already have the legislation, but we need leaders with the willpower to bring it to a vote, or we need more legislators willing to force a vote."

Representative Amy Loudonbeck, R-Clinton, said she thought the issue "needs to be addressed," but said there were "a lot of complications" surrounding the closure of the perceived loophole "because of the uniformity clause in the Wisconsin Constitution."

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Loudenbeck said she was confident the study committee would "be able to find some creative and constitutional solutions."

"If the Legislative Council Study Committee is able to craft a policy solution that would be able to stand up to constitutional challenges and was acceptable to all stakeholders, I would certainly support it...It is too soon to say what, if any, recommendations will be coming out of the committee, but I am hopeful we will have some quality proposals to consider in the next legislative session," Loudonbeck said.

A study commissioned by the League of Wisconsin Municipalities estimated some local governments may need to raise taxes from 4 to 17 percent to absorb future property tax losses from big box retailers. The report showed of the 11 municipalities studied, valued losses could range from 4 to 14 percent - resulting in a \$187 million shift to other taxpayers.

In Beloit, multiple businesses have disputed their property tax assessments, including the Staples Distribution Center, Menards and Woodmans.

In July of 2017, the city approved refunding Staples \$345,000 on taxes paid by the company in 2016. On June 27, Staples Contract & Commercial LLC filed a lawsuit against the city in an attempt to recover property taxes paid by Staples from the January 2018 assessment period, claiming the assessment was "in excess of fair market values," according to the lawsuit. According to Staples, the assessment of \$14 million was nearly \$4 million over market value, lawsuit documents show.

The city also reached a settlement with Menards in August of 2017 to lower its property assessment to \$8.7 million in 2017 and \$8.5 million in 2016 from \$9.5 million respectively. The company was refunded \$21,269 as part of the settlement and the retailer paid \$256,784 in 2016 property taxes compared to \$246,059 last year, according to the Rock County Tax Database.

In July of 2017 and July of 2018, Woodman's Food Market Inc. also filed lawsuits against the city seeking property taxes paid relating to its 2017 and 2018 assessments. In total for both lawsuits, Woodmans is seeking over \$7 million, court records show.

According to Finance Director Eric Miller, any property valuation reduction would impact the city's overall budget, not just the city's revenues. Area school districts and the county could also have to adjust the overall tax rates for large stores fighting property assessments.

"This does shift the burden to all other taxpayers in the community," Miller said.

Miller stressed the city would support of any state law changes to "close the dark store loophole in order to protect all taxpayers."

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