Property Tax Limitations

Joan Youngman

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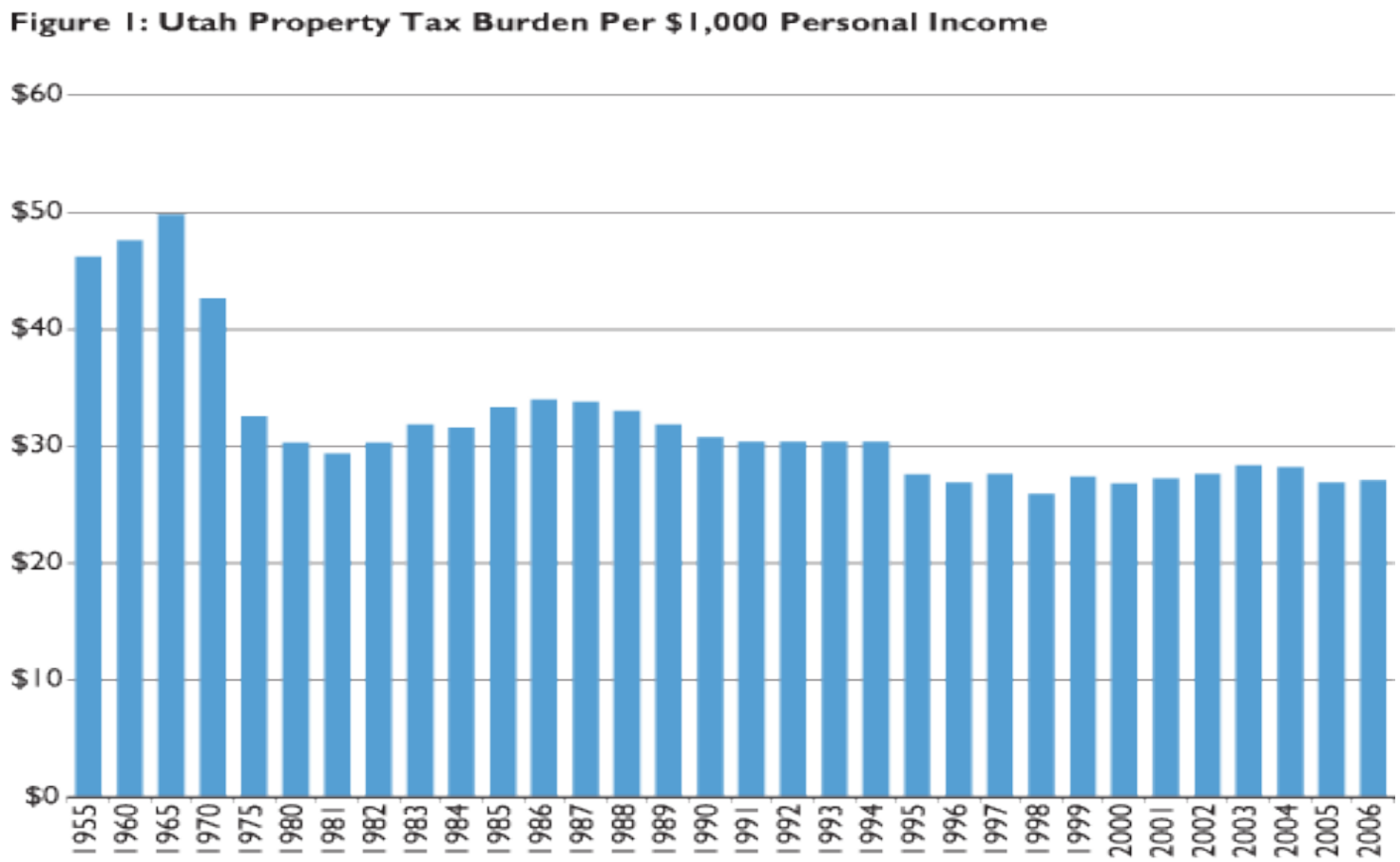
Percent Change in House Prices
Period Ended December 31, 2007

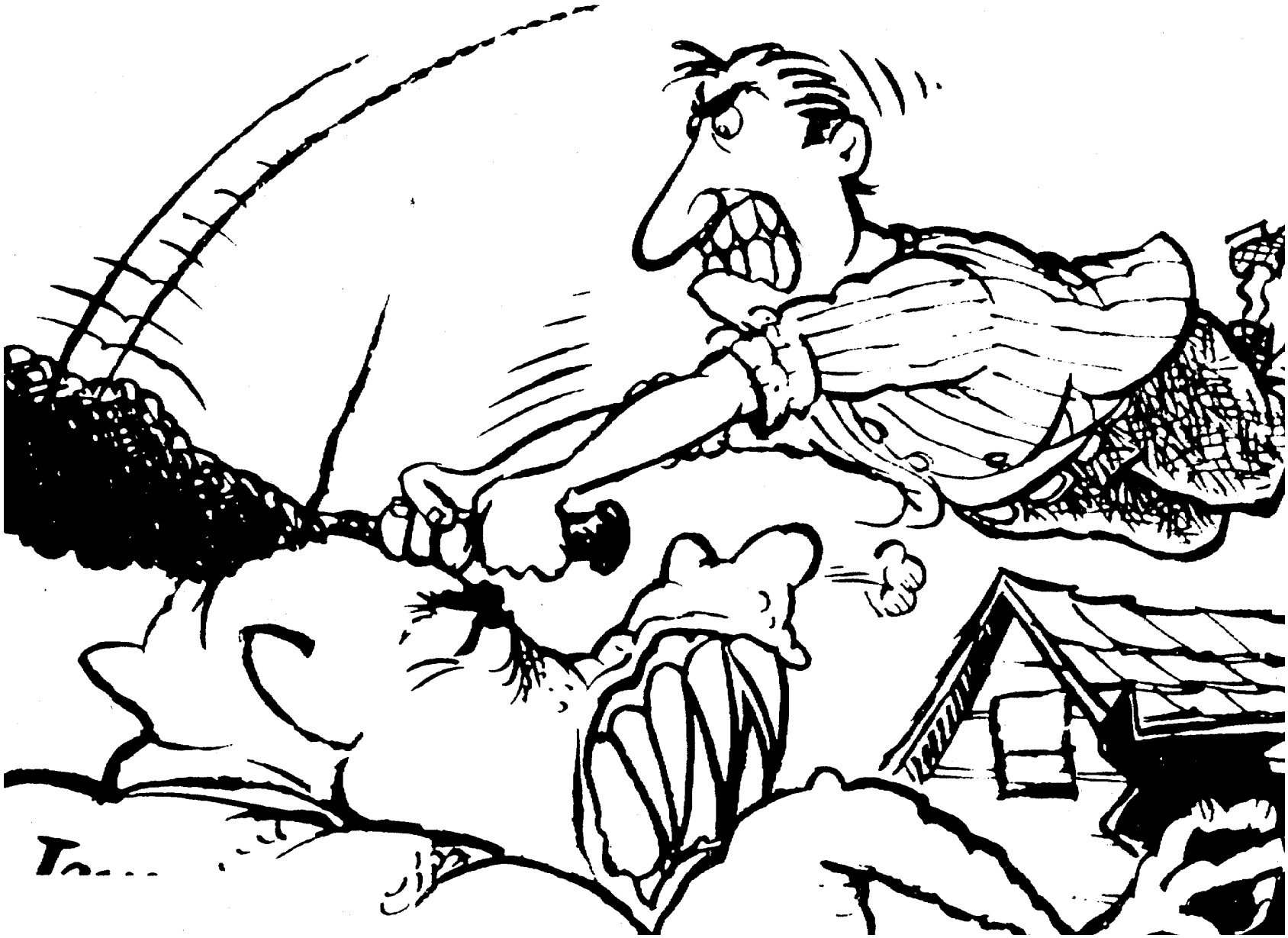
Rank	State	1-Yr	5-Yr.	Since 1980
1	Utah	9.27	54.26	293.60
2	Wyoming	8.27	64.47	189.56
3	North Dakota	7.87	41.11	161.03
4	Montana	6.90	62.34	294.61
United States Average		0.84	41.37	290.20
48	Michigan	-4.27	5.66	204.87
49	Florida	-4.69	77.90	363.56
50	Nevada	-5.86	75.63	287.15
51	California	-6.65	69.09	501.56

Source: U.S. Office of Federal Housing Enterprise Oversight,
http://www.ofheo.gov/media/pdf/4q07hpi.pdf



From Utah Foundation, "Utah's Property Tax Burden,"
http://utahfoundation.org/briefs/2008_01_prop_tax.html (2008).

Slash Property Taxes



Identifying the Problem

- Rising home values and rising taxes
- Falling home values and stable or rising taxes
- Uneven increases across property classes
- Anticipated increases after court mandates
- Rising taxes due to spending increases
- Unpredictability of individual assessments
- Dissatisfaction with tax rates, even if stable

Benefits of the Property Tax

- Support for independent local government
- Stable source of revenue
- Visibility, transparency, and accountability
- Less regressive than a general sales tax
- Objective means for allocating burden
  - A hybrid tax
  - Challenge for alternatives
  - Need to “feel fair”

Proposition 13 and "Save Our Homes"

- Base year value and limited increases
- Loss of property tax benefits
- Insurance against volatility, at a price
  - Horizontal and vertical equity
  - Local autonomy
  - Questions of portability

Colorado – Gallagher Amendment

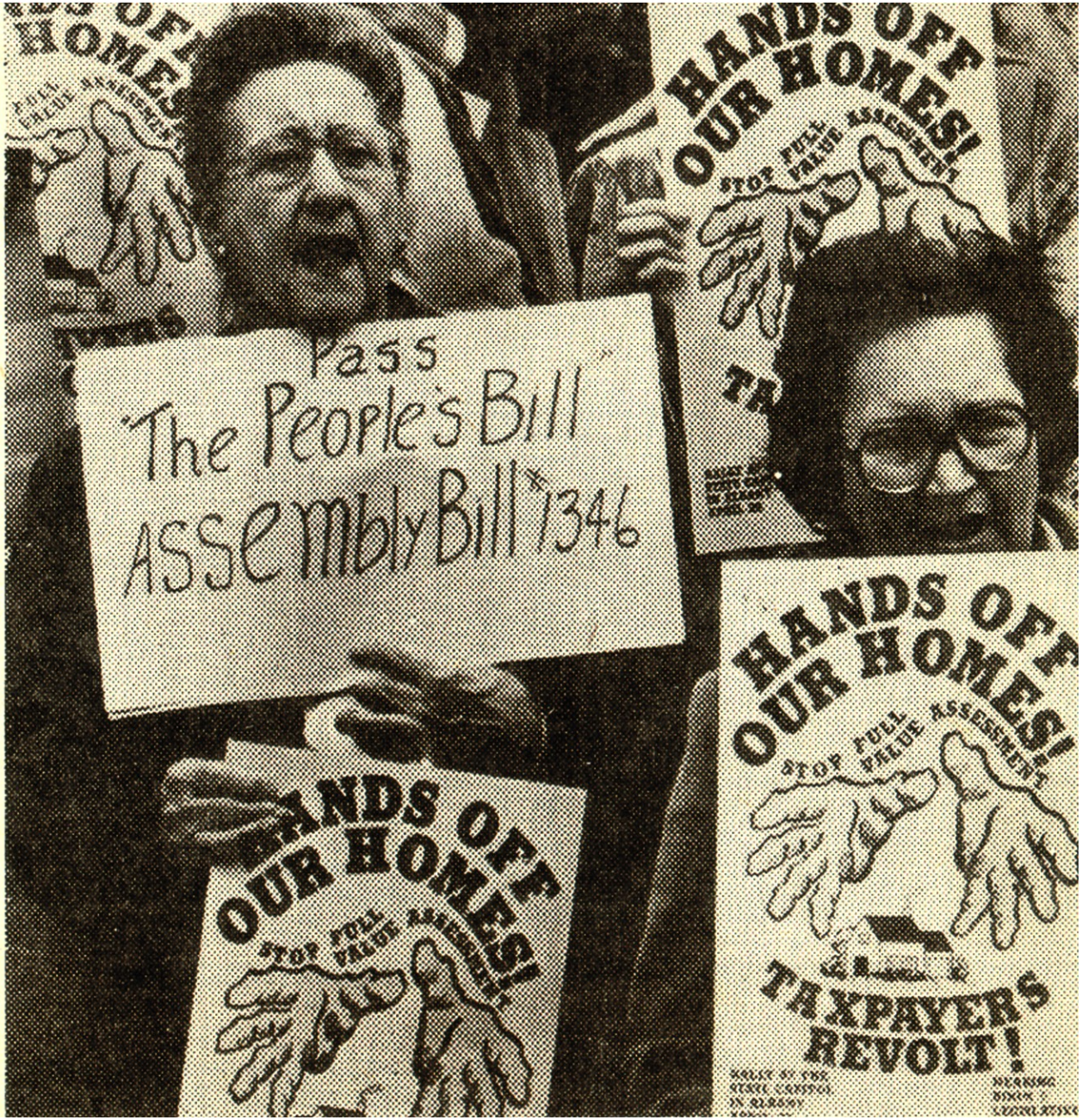
- Limits residential portion of statewide property tax base
- Commercial ratio fixed at 29 percent
- Residential ratio reduced from 30 percent in 1982 to 7.96 percent today
- Impact on counties depends on their property types and values
- Changes in one county can affect the tax base in others

Colorado's Residential Assessment Rate

Year	Residential Rate
Prior to 1983	30%
1983-1986	21%
1987	18%
1988	16%
1989-1990	15%
1991-1992	14.34%
1993-1994	12.86%
1995-1996	10.36%
1997-2000	9.74%
2001-2002	9.15%
2003-2007	7.96%

New York City – Modified Class Shares

- Residential increases limited to 6 percent annually and 20 percent over 5 years
- Response to *Hellerstein* (1975)
- Residential ratio for 1- to 3-family houses is 6 percent; for rental property, 45 percent
- Loss of transparency
- Winners and losers in residential class


Pass
The People's Bill
Assembly Bill 1346
HANDS OFF
OUR HOMES!
STOP FULL
PRICE ASSESSMENT
HANDS OFF
OUR HOMES!
STOP FULL
PRICE ASSESSMENT
HANDS OFF
OUR HOMES!
STOP FULL
PRICE ASSESSMENT
TAXPAYER'S
REVOLT!

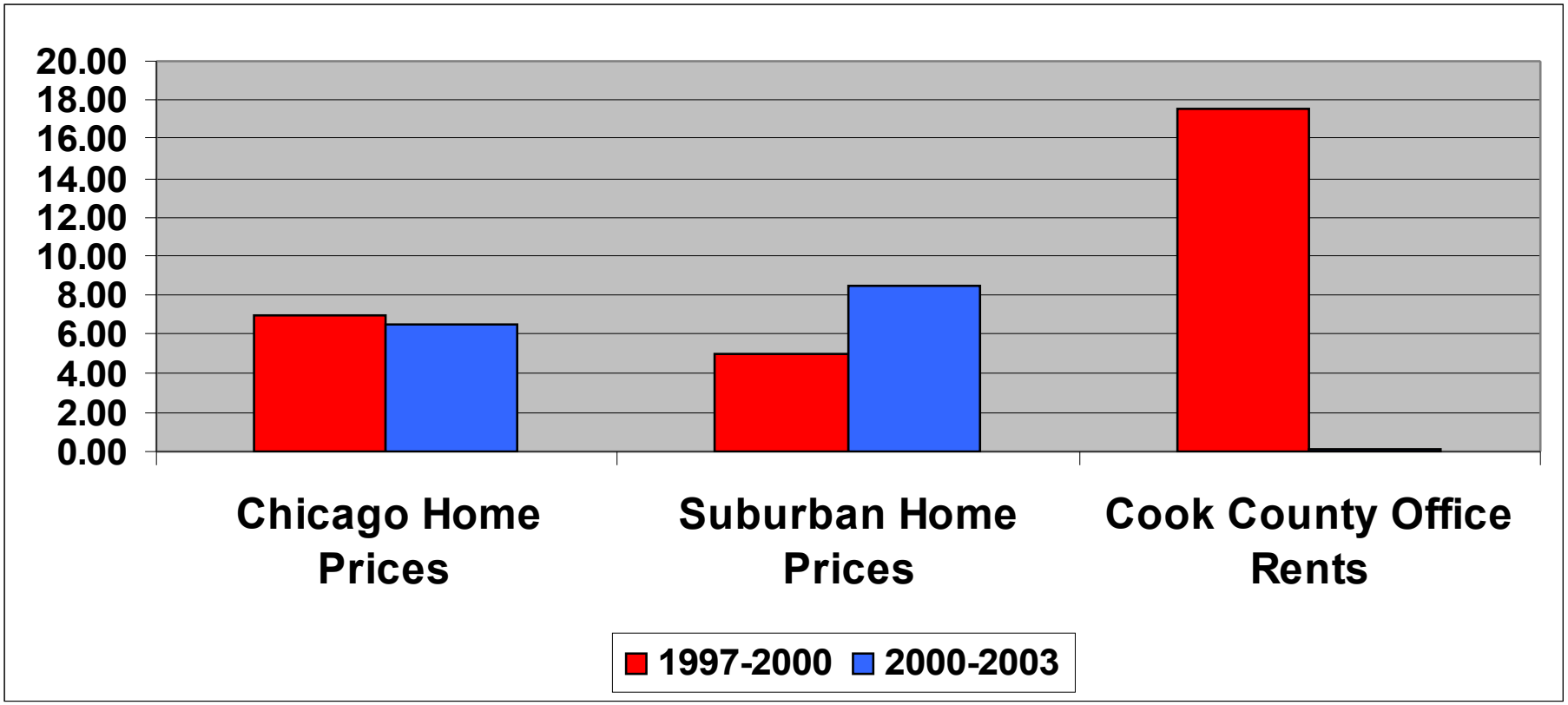
Oregon: Measure 50

- A base year system without reassessment upon sale
- Assessed value, maximum assessed value, and real market value
- Sacrifice of transparency and uniformity

Chicago – Assessment Limitations

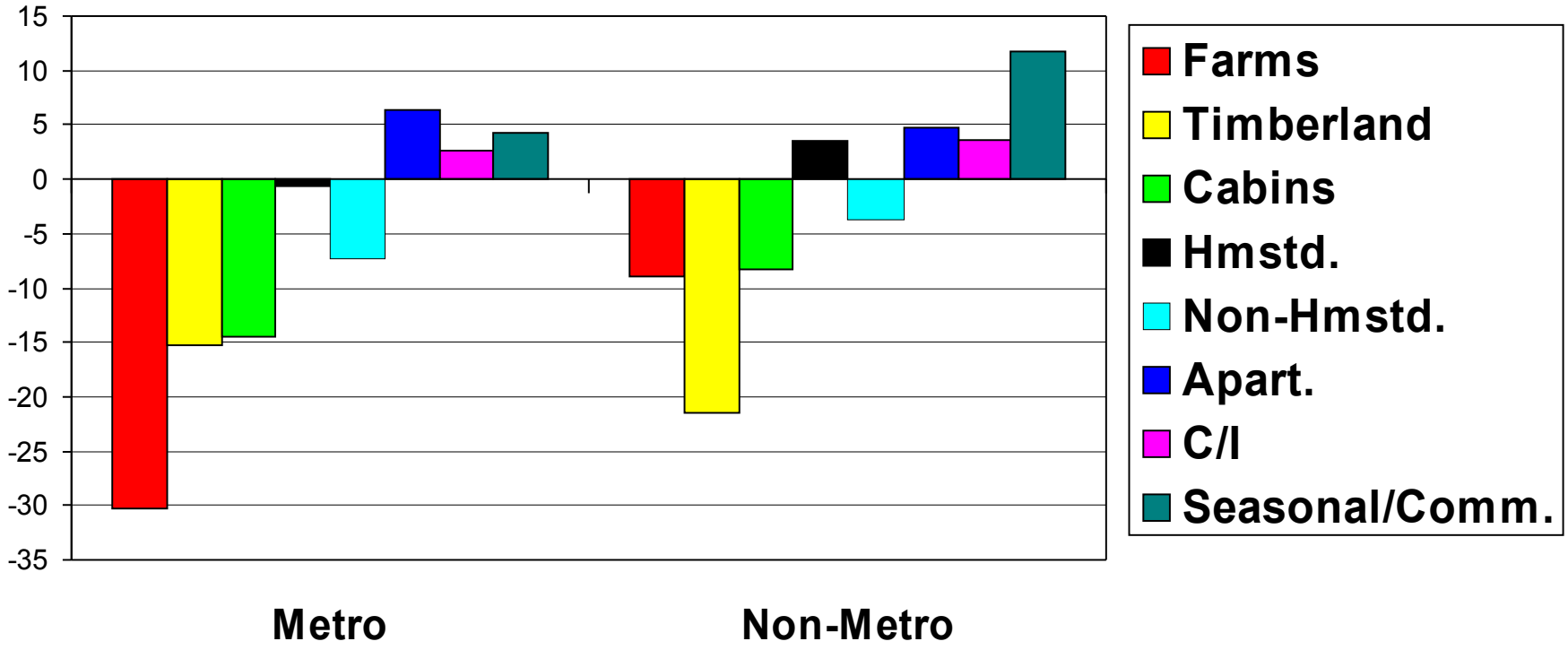
- “7 percent solution”
- Triennial assessment cycle
- Winners and losers across classes
- Winners and losers within the residential class
  - Compare Minnesota and Idaho
- Transparency and accountability
  - Commercial and residential assessment ratios

Property Value Growth Rates in Cook County



Minnesota

Average Percent Change in Property Taxes Payable in 2006
Due to LMV, By Class of Property



Massachusetts
Reassessments and Tax Revolts

- Longstanding de facto classification overturned by 1974 *Sudbury* decision
- 1978: Classification Amendment
  - Required certification of full-value assessment
- 1980: “Proposition 2½”: rate and levy limits

What will 100% valuation do to your taxes?

First, sit down.

Now turn the page.

If you're paying $1200 a year now, you could be paying $2500 a year.

Figure out your own 100% valuation tax bill:

Property	Selling Price	1974 Tax Bill	100% Valuation Tax Bill	Increase
1 Family	$25,000	$1,200	$2,500	+$1,300
2 Family	$30,000	$1,420	$3,000	+$1,580
3 Family	$35,000	$2,120	$3,500	+$1,380

These are just three estimates, based on 100% valuation tax rate of $100 per $1000. Figuring the tax for your own home is as easy as 1, 2:

1. Your new assessment would equal the selling price of your home.
2. Your new tax bill would equal 10% of the selling price of your home.* (Aren't you glad you're sitting down?)

*Under 100% valuation, Boston tax rate is estimated at $100 per $1000 of property value.

Why we have to stop it now.

The Massachusetts Supreme Court has ordered 100% valuation. The wheels are already in motion. **And unless we act now, it will be implemented.**

100% valuation is unreasonable, unworkable, and inequitable to the vast majority of homeowners.

Most homeowners could expect their tax bills to **double.**

Owning a home would become a privilege of the wealthy. And rents would be forced up, too.

(You only have to look at what's happening to Worcester right now to see what a nightmare 100% valuation can be.)

I'm not about to sit still and let 100% valuation destroy Boston. That's why I'm opposing it with every legal means available.

I've filed two very important pieces of legislation, and I need your help to get them passed.

So please fill out the enclosed card and mail it to me immediately.

Kevin H. White

Massachusetts Approach

- Very high rate limit
- Levy limit with override capacity
- Classification tied to reassessment certification
- Dramatic but cyclical increases in state aid
- Importance of multiple elements

Policy Goals

- Transparency
- Stability
- Flexibility
- Renters as residents
- Accurate tax prices

Alternative Approaches

- More frequent assessment cycles
- Phase-in during multiyear cycles
- Circuit Breakers
  - Design issues
  - Coverage
  - Definition of income
- Homestead Exemptions – various types
- Truth in Taxation
- Deferral

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Top Ten Things to Know if You're Interested in a Reverse Mortgage

Information by State
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Reverse Mortgages are becoming popular in America. The U.S. Department of Housing and Urban Development (HUD) created one of the first. HUD's Reverse Mortgage is a federally-insured private loan, and it's a safe plan that can give older Americans greater financial security. Many seniors use it to supplement social security, meet unexpected medical expenses, make home improvements, and more. You can receive free information about reverse mortgages by calling AARP at: 1-800-209-8085, toll-free. Since your home is probably your largest single investment, it's smart to know more about reverse mortgages, and decide if one is right for you!

Related Information
- Reverse Mortgage Calculator
- HUD-Approved HECM Counseling Agencies
- HUD-Approved Reverse Mortgage Lenders
- HECM Public Service Announcement
- HECM Servicers

1. What is a reverse mortgage?

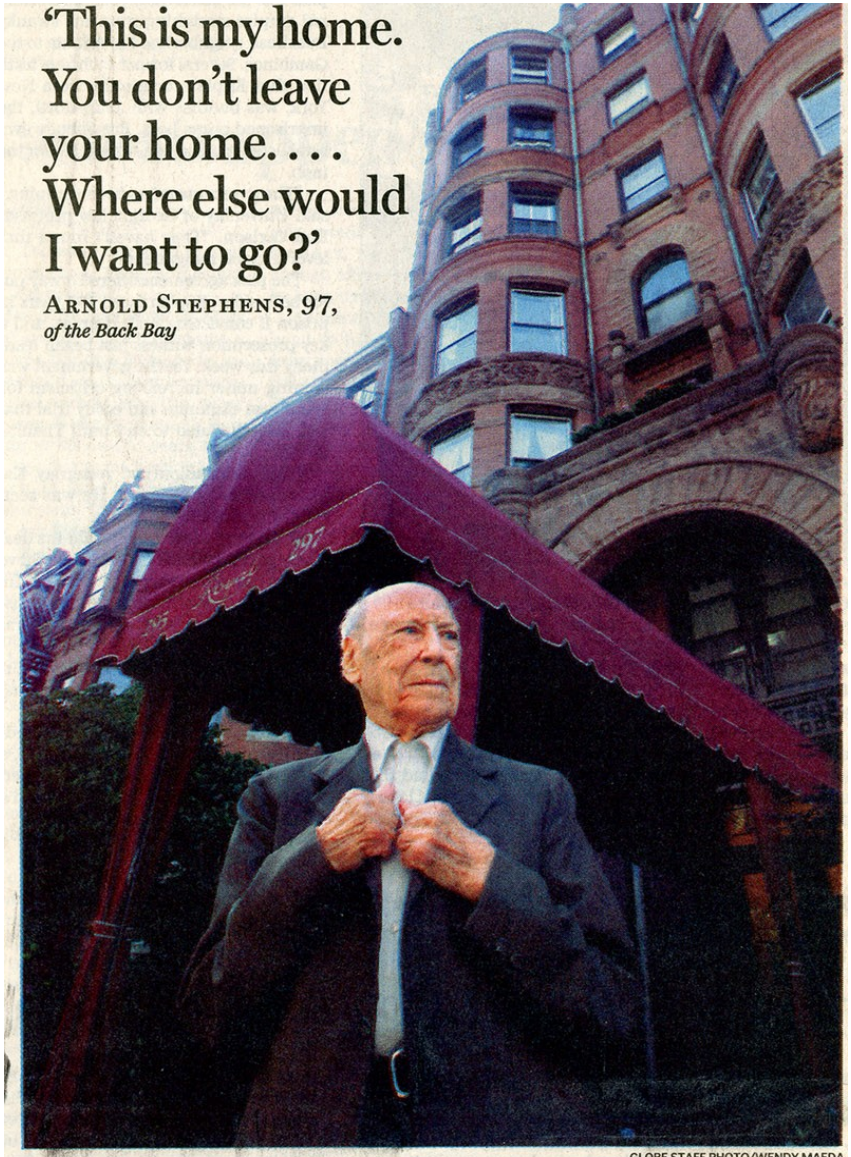
A reverse mortgage is a special type of home loan that lets a homeowner convert a portion of the equity in his or her home into cash. The equity built up over years of home mortgage payments can be paid to you. But unlike a traditional home equity loan or second mortgage, no repayment is required until the borrower(s) no longer use the home as their principal residence. HUD's reverse mortgage provides these benefits, and it is federally-insured as well.

2. Can I qualify for a HUD reverse mortgage?

To be eligible for a HUD reverse mortgage, HUD's Federal Housing Administration (FHA) requires that the borrower is a homeowner, 62 years of age or older; own your home outright, or have a low mortgage balance that can be paid off at the closing with proceeds from the reverse loan; and must live in the home. You are further required to receive consumer information from HUD-approved counseling sources prior to obtaining the loan. You can contact the Housing Counseling Clearinghouse on 1-800-569-4287 to obtain the name and telephone number of a HUD-approved counseling agency and a list of FHA approved lenders within your area.

3. Can I apply if I didn't buy my present house with FHA mortgage insurance?

Yes. It doesn't matter if you didn't buy it with an FHA-insured mortgage. Your new HUD reverse mortgage will be a new FHA-insured mortgage loan.



GLOBE STAFF PHOTO/WENDY MAEDA

Arnold Stephens at his brownstone, where his property taxes are nearly $4,000 a year.

Many cash-strapped seniors hold on to valuable property

Price Volatility - Considerations

Response	Assessment caps or freezes
Drawbacks	Equity Issues Lock-in effects Winners and losers
Possible Alternatives	More frequent reassessments Phase-in over assessment cycle

Absolute Tax Burdens - Considerations

Response	Assessment caps or freezes
Drawbacks	Equity issues Inflexibility
Possible Alternatives	Targeted relief

Perceived Overspending - Considerations

Response	Levy Limits
Drawbacks	Inflexibility Not reflective of cost of services
Possible Alternatives	Truth in Taxation Caps with override option

Shifting Class Burdens - Considerations

Response	Classification; Class share freezes; Exemptions
Drawbacks	Not targeted to need Business climate Volatility
Possible Alternatives	Exemptions targeted to need

Senior Citizen Tax Burdens - Considerations

Response	Tax Freeze; Exemptions
Drawbacks	Not targeted to need
Possible Alternatives	Circuit Breakers Deferral