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High property taxes driving a new revolt

Several states eye moves to cap tax growth after property boom.

By Patrik Jonsson | Staff writer of The Christian Science Monitor

ATLANTA - In Orford, N.H., a tin-roofed hunting cabin worth \$10,000 was recently assessed at \$200,000, just for its mountain view. Taxes on the cabin and its outhouse skyrocketed.

Around Lake Tahoe, along the California-Nevada border, property taxes have shot up 135 percent in the past four years.

Residents of Beaufort, S.C., pay \$17 million more in property taxes today than in 2000.

Welcome to the flip side of the real estate boom. Years of rising home values have boosted property taxes steadily. Now, homeowners across the United States are fighting back.

"Real estate growth and real estate boom seem to be happening all over the country and [property-tax revolt] is an inevitable consequence," says Roger Sherman, a property tax expert in Boise, Idaho.

This year, legislative proposals, citizen initiatives, and lawsuits are on the agenda in at least 20 states. These new efforts reflect both residents' distrust of how their property tax dollars are being spent and concerns that rising assessments are driving working-class people out of popular towns and cities.

Tax caps are not new. California's Prop. 13 initiative in 1978 capped annual tax assessment increases at 2 percent until a property is sold, a law that is still on the books. Nevertheless, the steady rise in home values has meant that local and state governments are increasingly reliant on property taxes as their No. 1 revenue stream. Last year, those governments collected \$339 billion, according to the Census Bureau, some \$2,750 for every home in America.

This perceived shift of the tax burden onto residential properties is behind the various tax revolts. It also doesn't help that often tax bills reflecting double-digit increases are mailed out at Christmastime - notices that affect older and long-term homeowners the most.

"The intensity of outrage has not been this high since Prop. 13's heyday," says Pete Sepp, spokesman for the director of the National Taxpayers Union in Alexandria, Va.

Reducing property taxes, however, may curtail local governments' ability to raise money for schools and services, some critics say.

Others don't see what all the fuss is about. Since the property tax is determined and spent locally, it is the fairest of all taxes, experts say.

"You think [the property tax is] where the revolt should not come, but it does," says Helen Ladd, a property tax expert at Duke University in Durham, N.C.

Revolt is in full swing in Incline Village, Nev., on the shores of Lake Tahoe.

There, Maryanne Ingemanson's tax bill is now \$80,000 a year for a 5,000-square-foot house. She and a group of residents raised \$400,000 to fund a lawsuit claiming recent assessments are unfair. Last week, 17 residents won a battle against the tax assessor when an elected county board threw out the new assessments.

Of course, many believe homeowners should be glad that their homes are worth more, says Ms. Ingemanson. But many people - especially the working class and those on fixed incomes - can't always afford the new taxes and have to leave. "This runaway taxes situation is driving people from their homes," she adds.

South Carolina's 3 percent cap

South Carolina last week passed a law that caps the increase in property assessments at 3 percent per year.

Many Georgia lawmakers are backing a measure to put a similar cap in the state constitution. The bill's sponsor, first-term state Rep. Edward Lindsey (R) from Atlanta, argues that it's unfair to hit homeowners with a big tax boost years before they sell their home and profit from its increased value.

"Not even the IRS is so bold as to tax people on unrealized gain," says Mr. Lindsey. "These are essentially backdoor tax increases that give government no incentive to be efficient or responsive."

Georgia school superintendents say the measure would make it more difficult to raise needed cash for the state's schools since schools would have to go to the voters for additional funds.

"The fervor for doing something about property taxes seems to be unusually high," says Herb Garrett, executive director of the Georgia School Superintendents Association.

Should you get taxed for a view?

Assessments can vary according to a community's affluence and aesthetics, such as views of mountains or lakes. Tom Thomson, leader of the "Ax the View Tax" movement in New Hampshire, objects to taxing people on intangible qualities such as a view. "It's another process of dipping into taxpayers' pockets without any legislative process, and that is taxation without representation," says Mr. Thomson, son of the late Gov. Meldrim Thomson Jr.

To be sure, higher assessments alone don't mean higher taxes. But the total tax burden on homeowners rises when local governments do not decrease the tax, or millage, rate when property values spike.

"Reassessment has been so big in many communities that local schools and governments have gotten huge revenue increases without ever having to vote on it, so they sit back and take advantage of the largesse," says South Carolina state Sen. Scott Richardson (R) of Beaufort.

But government should move carefully and try to "smooth out the bumps" of rising property values rather than initiate dramatic reform of a tax that is "basically fair," says Bill Fox, an economist at the University of Tennessee in Knoxville.

"You don't want to strangle government, but you want to make sure that government is not unduly benefiting from unique circumstances in housing prices," he says.

Tax revolt in the states

In the wake of the real estate boom, lawmakers in several states are pushing to keep property taxes from skyrocketing. Among the initiatives:

- **Idaho:** Lawmakers are mulling over eight bills limiting property taxes. One would revise the

"homestead exemption," which now keeps the first \$50,000 of a home's value off the tax rolls. The bill boosts that to \$100,000.

- **South Carolina:** Having capped the rise in property tax assessments at 3 percent per year until a home is sold or improved, the legislature is now considering a rollback of property taxes, replacing them with a hike in the sales tax.
- **Georgia:** Many lawmakers are backing legislation that would put a similar 3 percent cap into the state constitution.
- **Nevada:** Protesters are gathering signatures for a citizen initiative that would require the state to refund taxpayers if state revenues rise faster than inflation. They also want to cap the growth in property tax bills at 1 percent per year.
- **Connecticut:** After an uproar over massive assessment hikes for lakefront properties around the state, state officials have ordered cities and towns that have seen property tax spikes to calibrate disputed assessments to "comparable" properties, based on records of recent sales.

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