

June 7, 2005

## States try to ease property-tax rise

**Faced with revolts by homeowners, legislatures from Maine to Nevada are coming up with possible fixes.**

By [Ron Scherer](#) | Staff writer of *The Christian Science Monitor*

**NEW YORK** — During the day, Tracy Price pilots Boeing 737s through the skies. But when he's not in the cockpit, one of his real passions is trying to get the property taxes lowered on his colonial in Fairfax Station, Va.

"The increase in my property taxes over the past seven years is enough money to pay for college for both my sons," says Mr. Price, who is a member of VOTORS, a grass-roots group pushing for a property-tax cap.

Across the country, homeowners are waging revolts as property taxes post massive gains. Faced with these protests, legislatures are considering ways to provide relief:

- Besides implementing a two-year cap on property taxes, Nevada is studying a constitutional amendment that would change the way property taxes are figured.
- Maine is picking up a larger share of education costs, which may lower property taxes.
- Voters in New Jersey are trying to force a constitutional convention that would reform property taxes. The State House has to authorize the convention.

"Almost every state is looking at some form of property-tax cap," says Myron Orfield, an expert on property taxes and a law professor at the University of Minnesota in Minneapolis. "It's a 'perfect storm' for property taxes: There are rapidly increasing home values while states are not keeping up with their contributions to school districts."

The talk of a real estate bubble is causing additional angst because many homeowners are afraid that their taxes may be based on a market value that no longer exists. "If northern Virginia is any guide, when it does burst, no local government is going to trim spending. They didn't when the value of their housing stock dipped in late 1989 and 1990," says William Ahern, a spokesman for the Tax Foundation in Washington.

Some are particularly concerned about the impact of rising home values on the elderly and those living on fixed incomes. Michigan, for example, this year increased the eligibility for a tax-deferral program on the basis of income. "They are expanding homestead exemptions that may or may not be based on age," says Bert Waisanen, a fiscal analyst at the National Conference of State Legislatures in Denver.

The pressure is particularly intense in some of the nation's hottest real estate markets. Nevada, for one, last month signed into law the two-year cap on property taxes, which limits increases to 3 percent a year on single-family primary residences and 8 percent on commercial property and second homes.

### Valued at \$60 million

Behind the effort was a tax revolt started by the residents of Incline Village, a small community on Lake Tahoe, about 35 miles south of Reno. Property values, particularly along the lake, have risen at eye-popping speed. Over the past year, the median price of a home in Washoe County (which includes Reno) rose from the low

\$200,000 level to more than \$270,000. Along the lakefront, prices are astronomical: One property is listed for sale at \$60 million. Some residents are paying as much as \$75,000 a year in property taxes.

"It's a closed development - there is no more developable land - so people can ask ridiculous prices and get it," says Ted Harris, chairman of the tax-revolt committee of the Village League to Save Incline Assets. "I'm retired and on fixed income, and I don't know if two or three years down the road, I can afford to live in my house."

Right after it was finished in 1989, the Harris house was assessed at about \$400,000. Today, the assessor says it's worth \$1.2 to \$1.3 million. His property taxes have climbed from \$2,200 per year in 1990 to \$12,000 today.

Incline's predicament, combined with other warnings about people being forced out of their homes, helped precipitate the Nevada legislation. Now, an interim committee is studying a constitutional amendment to change the way property taxes are figured. Yet another Nevada legislator is introducing an amendment similar to California's Proposition 13. "This is all pretty exciting," says Mr. Harris. "And I may have been the spark that started this revolution."

In Maine, the spark has come from an unusual alliance: the Teachers Association and the Municipal Association, which represents municipalities. The alliance had one goal: to get the state to pay a larger share of the cost of education. If it could get that to happen, then property taxes could possibly come down.

This year, there will be scattered property-tax relief of between 3 to 5 percent as the state starts to pick up a larger share of education costs. "There has been some talk of a constitutional amendment, maybe going away from an ad valorem tax," says Michael Starn, communications director at the Municipal Association.

Last year, an attempt at a Proposition 13 type of tax cap failed. But this fall, Maine residents will vote on whether to give special tax relief to working waterfront property - a benefit to fishing interests.

## **Tea party in Trenton**

Voters elsewhere are also hoping to spur changes. That's what is happening in New Jersey, where a grass-roots effort to force a constitutional convention to reform property taxes is now under consideration in the State House. "If it's not signed by the governor by July 31, the convention will not be on the ballot, and I think the issue will die," says Cy Thannikary, founder of Citizens for Property Tax Reform, a group that wants property taxes to be based on the ability to pay, not the size of the house. To get across his point, his group and others will be holding a "tea party" in Trenton on June 16.

Almost every candidate running for governor in the Garden State has a stand on the issue. Last week, Sen. Jon Corzine, the front-running Democratic candidate, announced his support for the convention and for lowering property taxes.

So far, 123 property-tax relief bills have been introduced in Trenton. However, Mr. Thannikary says that leaving it to the politicians means "it will never get done."

Proponents of capping property taxes point out that the additional taxes also mean there will be fewer dollars to be spent on local businesses. For example, Al Aitken, founder of VOTORS (Virginians Over-Taxed on Residences), estimates his tax burden has increased by 45 percent, at the same time he has taken a 40 percent pay and benefits cut as a pilot at American Airlines.

"I needed to look at my personal areas and find areas to cut back," he says. "So I have cut back on dry-cleaning my uniforms, which is costing my local merchant \$1,000 a year in business."

Even in states where there are no organized groups, property owners are angry. In Highland, N.Y., Tim Woods, owner of Highland Manor Bed & Breakfast, saw his property taxes go up by 33 percent. On Grievance Day, he says the line at the town hall stretched past the door as residents complained - mostly to no avail. "No one escaped it," he says.