

Two-Phase Property Tax Relief in Florida

Florida has enacted a controversial two-phase property tax relief reform plan. Phase one, statutory changes to the State's property tax laws, took immediate effect. Phase two, the more controversial, is a constitutional amendment that must be approved by voters at a special election in January, 2008.

The statutory plan, effective October 1, 2007, requires all counties and municipalities to cut taxes in the upcoming 2007-2008 fiscal year to the 2006-2007 revenue levels and make additional cuts of 3%, 5%, 7% or 9% based on their past five years' per capita tax increases compared to statewide averages. Counties and municipalities of special financial concern are not required to make the cuts. There is also a level of districts that automatically fall into the 3% tier for reductions and those that must only cut taxes to the 2006-2007 revenue levels with no further cuts necessary. On top of that the plan caps future property tax revenues to ensure that the government cannot grow faster than personal income.

The second phase, the constitutional amendment, has already run into trouble. The amendment would have replaced the "Save our Homes" exemption with a new "Super Exemption". However, a Leon Circuit Court Judge called the proposal "misleading" and "confusing" and canceled it from the January 29th ballot. Legislators must now decide, during the upcoming special session, to fix the language of the amendment, appeal the Judge's decision or scrape Phase 2.

Some legislators are in favor of replacing the state's property tax altogether with a higher sales tax. This, however, is seen as a long shot.

Disaster Tax Relief in California

Property tax, as well as corporate and personal income tax, relief has been extended to California taxpayers suffering damage and loss from specific natural disasters occurring between September 2006 and July 2007. The legislation applies to the following:

- The counties of Riverside and Ventura (2006 wildfires)
- The counties of El Dorado, Fresno, Imperial, Kern, Kings, Madera, Merced, Monterey, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, Santa Clara, Stanislaus, Tulare, Venture, and Yuba (State of Emergency Proclamation for freezing conditions—January 2007)
- The county of El Dorado (2007 wildfires)
- The counties of Santa Barbara and Ventura (2007 Zaca Fire)

County assessors will be able to reassess qualifying property as of the date of the disaster to recognize any loss in a property's market value. Other exemptions for homeowners, agriculture and corporate and personal income taxes are also available. Contact Ennes & Associates for more information.

Rolling the Dice for Relief in Massachusetts

Three new destination resort casinos received the support of Massachusetts Governor Deval Patrick in September with the caveat that the revenues generated by the facilities would, in part, be used to provide property tax relief. Under the current plan the casino resorts would be built in the western, southeastern and metropolitan Boston areas of the Commonwealth. Half of the revenue from the new casinos would go to a broad-based, direct property tax relieve for homeowners with the balance going to infrastructure repairs and economic development.

Putting the Cart Before the Horse in Philly!

Assessments, in most cases, depict the market value of a property as of a specific date set by law within each state. Typically that date is January 1 for the upcoming year. Then, when you receive your assessment notice you can see how that value relates to what has happened in the market during the year and determine if an appeal is warranted. However, in Philadelphia, PA, the market value for a current year is set as of the January of the next year. Confused?

Let's see if this helps: the assessment notice you receive in 2007 for your property in Philadelphia reflects what the city thinks it will be worth as of January 1, 2008. That crystal ball thinking is ok if they are right. However, what if there is a major downward slide in property values due to changes in the market i.e. the recent declines in market value due to

the economy? What if there is a sudden increase in value due to a major construction project completed in the latter half of the year? There are many "what ifs" that can affect the value of a property from the time of the notice and the following January that cannot be predicted.

This "forecasting" of an assessment makes filing appeals challenging. An appraiser could not perform an appraisal based on values 6 months in advance. Therefore, you have to appeal based on the current value and hope that the assessor accepts your arguments as of the notice date and not a date sometime in the future. E&A has experience dealing with this situation. Feel free to call Carl Pharr if you have any questions.

The 7% Stalemate in Illinois

The property tax situation in Cook County, IL went from bad to worse with the Governor's Amendatory Veto of the 7% Expanded Homeowner's Exemption. The Governor submitted specific recommendations for changes to the legislation that will require the bill to be passed by both chambers of the General Assembly. The changes recommended include doubling the amount exempted (to \$40,000), and making the exemption permanent. Previous legislation called for the exemption to sunset after 3 years.

Governor Blagojevich has been very forthright in his attempt to allocate more of the tax burden to businesses in Illinois. This legislation is a perfect example of this. It doesn't change the amount of taxes levied by any government entity; it just redistributes the share paid by businesses and homeowners. The effect of this legislation will be that the share of property taxes paid by business owners, renters, and homeowners in areas not rapidly appreciating, will be higher. The share paid by owners of rapidly appreciating homes will decline.

The original legislation the Governor vetoed was a compromise between the House and Senate. The Senate favored a larger exemption, while the House favored a smaller exemption. Both proposals called for the legislation to sunset after 3 years. But compromise has been lacking in Springfield all summer, and now the budget standoffs, lawsuits, and vetoes have come home to Cook County to roost. Governor Blagojevich and Senate President Jones are locked into an all-out political war with House Speaker Madigan in Springfield, and no legislation is able to escape without entering the fray.

Because this legislation must be passed in both chambers of the General Assembly again before becoming law, Cook County schools are now in a vulnerable position. There is no indication as to whether any version of this exemption will be passed, and while we wait, Cook County is not able to process their tax bills. This means school districts may have to dip into their reserves to cover costs, and risk losing millions in interest. The longer this fight drags on, the worse the problem will be for school districts in Cook County.

Unfortunately, at this time there is no solution in sight. The question on everybody's mind is how far are these opposing sides willing to go? Will this feud hold up the processing of tax bills and become a blame game, or will legislative leaders override the Governor's veto? Will any portion of this legislation be enacted, or simply die? They say, "All politics is local" and the fighting we've seen over the last 6 months is now going to interfere with every tax bill in the county.

This article was written by Brian Helmers of our staff. He and Terry Ennes recently addressed a group of Bankers and Small Business Owners regarding the property tax situation in Illinois. This topic was of special interest to the group. Feel free to call Brian with any questions or comments.

Coming up on the Fourth Quarter and it's a good time to.....

.... begin to prepare for the Personal Property Filings that will be due early 2008. Dispose of obsolete or idle equipment. If you have closed a location make sure to remove all assets before year end. Be thinking of any exemptions you might be eligible for. Or better yet, call E&A. We are experts on maximizing the tax savings you can experience by filing your Personal Property Renditions with a trained eye.

...be sure to let E&A know of any changes to your property. Has there been any storm damage? Is your area experiencing a recent downturn in the local economy? Have you made any improvements or repairs? Does your capitalization or depreciation policy impact your property taxes? Even if you don't think something might make a difference in the value of your property let us know about it. You might be surprised!

...forward copies of all tax bills or assessment notices you might receive to E&A. This helps us monitor your property tax situation and the results of successful appeals.

