

# property **T**axfacts

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## Philly Changing How They Look At Things

The Board of Revision of Taxes (BRT) in Philadelphia is going to start looking at property values in a whole new way. Beginning in 2007 they will use the "Full Value System". This valuation system assesses all commercial and residential properties at their full value rather than the complicated percentage of full market value used in the past. The Board decided to make the change, after decades of using the present system, because the fractional valuation system was negatively evaluated on three levels. These were:

1. Complexity—Too few people understood the system. The percentages of market valuation used defied easy explanation. The complexity undermined public confidence in the entire system.
2. Legality—The present fractional valuation system was not in compliance with State Law which requires property taxes be based on actual values for all properties.
3. Fairness—The actual amount of a property that was assessed varied widely. This variability was not justified by well defined standards. In addition, these variable percentages greatly constrained the precision with which perceived inequities could be corrected.

Therefore, the Board has been hard at work building a database. Since 2004 they have been collecting information about real market values of City properties. The market value is what a property is worth if it is sold on an open market.

Property Evaluators have been in neighborhoods examining the exterior condition of properties. They are also using Pictometry, an aerial photography system, to document the exterior condition of commercial and residential properties. BRT will use this data, in conjunction with a Computer Assisted Mass Appraisal System (CAMA) to appraise all 569,000 properties in Philadelphia at actual market or "Full Value".

The Board feels most property owners will see minimal changes to their assessment. However, those whose property has been undervalued for years will see a major change. A number of measures have been introduced in the State Legislature and City Council that would phase in or buffer any property tax increases due to the change.

Nearly 40% of other Pennsylvania counties have the Full Value System in place already. The Board feels that in addition to bringing fairness and transparency to the property tax system moving to Full Value will bring Philadelphia in line with common practice in the region.

## CALIFORNIA DEFINES DISASTER RELIEF

Corporation Franchise, income tax and personal income tax taxpayers who sustained losses as a result of the wildfires in San Bernardino County July 2006 and the severe rainstorms, related flooding and landslides and related casualties in specific counties in December 2005 thru April 2006 will receive disaster loss treatment. For taxable years beginning after 2005 related losses may be carried forward to the next succeeding 15 years.

In addition, both Federal and California State law allows affected taxpayers the option of claiming the loss in the taxable year that the loss was sustained or filing an amended return for the preceding taxable year. Check the state web site for the counties involved.

If you question your eligibility or need more information give us a call at 847-577-6500.

## Here Today...Gone Tomorrow!!

Per Executive Order effective October 22, 2006 the Michigan State Board of Assessors will cease to exist. All authority, powers, duties, functions and responsibilities of the former Board of Assessors have been transferred to the State Tax Commission.

The transfer includes the assessing of certain public utilities for property tax assessment purposes, the tax on property located in an enterprise zone and the neighborhood enterprise zone tax.

All records, property, unexpended balances for appropriations, allocations, and other funds used, held, employed available will also be transferred.

So, effective 10/22/06 all cards, calls and letters should be directed to the MI State Tax Commission.



# One Year Later—Public Still Must Be Vigilant

It was just over one year ago that the US Supreme Court ruling in *Kelo v City of New London* gave the right to local governments to condemn private property, not just for a public purpose such as a road or school, but also for private development if a locality's economic future is at issue.

The ruling created a nationwide backlash immediately. Private citizens feared a long standing protection of their private property, the law of eminent domain, had been ruled invalid. They felt stripped of any protection vs local governments bent on boosting tax dollars with new development.

For awhile it seems they were right. Local government, according to the Institute for Justice, threatened or condemned 5,783 properties for private projects in the past year. That is up from an annual average of 2,056 such threats and condemnations from 1998 to 2002, the Institute says. Most of these projects involved condemning lower income homes and apartments in order to construct upscale condominiums and retail developments.

But, the victories haven't been one sided. In that same time, 30 states have passed some form of eminent domain reforms. Of that, 25 of the states enacted laws to curb eminent domain seizures.

The federal government has also been busy. The U.S. House of Representatives voted to bar federal economic development funds to state and local agencies that use eminent domain for private commercial development. On June 23<sup>rd</sup> of this year President Bush issued an executive order that federal agencies can seize private property only for public projects.

Such action should give the fledgling movement to prevent unjustified condemnations of private property some steam. The united front of conservative defenders of property rights and liberals who see these actions as another example of corporate greed pledge to keep the heat on until protections are in place for all private citizens.

Although, as a recent case in Rivera Beach, Florida shows, where there is a will there is a way. There, the local government has vowed to use eminent domain to condemn over 800 acres of waterfront they have designated as "blighted" to force out home and business owners in order to build an upscale condominium and yacht club development.

The Institute for Justice and two business owners have filed suit to stop the condemnations. However, the local government has vowed to stay their course in spite recent reforms in Florida State Law.

In the *Kelo* case, a compromise, suggested by *Kelo* years ago, allowed her to keep her house. It was moved to another location and her land became available to complete the development. State and local governments, as well as the voting public, need to stay vigilant on the issue of eminent domain so that the seizure of a person's private property for the benefit of another private concern is a rare and last resort.

## SCHOOL DAZE??

In New Hampshire, a number of school districts challenged the constitutionality of H.B. 616. That bill established a new education funding formula. It also required the state's enhanced education property tax rate to be set at a level sufficient to raise \$363 million annually.

The school districts challenged the constitutionality of the bill based on the fact that the state had failed to define a "constitutionally adequate education". The New Hampshire Supreme Court agreed.

The Court concluded that the definition of a constitutionally adequate education was essential to a determination of the other issues raised. The Court stayed the case and did not rule on whether the law required municipalities to fund constitutionally adequate education through local taxes, eliminate donor communities, impose an unreasonable and disproportionate tax burden on property poor communities or violate the equal protection act.

The Court expects the political branches to define with specificity the components of a constitutionally adequate education before the end of fiscal 2007. If they fail to act the Court will take further action to enforce the mandates of the State Constitution.

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