PROPERTY TAX IN THE NEWS – DECEMBER 2024

IPTI's usual monthly newsletter - the "President's Message" - contains, inter alia, some summarised news articles from around the world. This IPTI publication - "Property Tax in the News" - contains some of the more interesting news articles concerning property taxes in North America and Europe which is where many of our members have a particular interest. Links to these and more, similarly summarised, articles - from North America, Europe and around the globe - can be found in "IPTI Xtracts" on our website: www.ipti.org. Please note that these are news articles; they do not necessarily reflect IPTI's views.

USA

Illinois: Cook County Property Tax Reform Group Releases Study on Commercial Property Valuation

The Cook County Property Tax (PTAX) Reform Group, in collaboration with Josh Myers Valuation Solutions, has released a comprehensive study on commercial property valuation practices in Cook County. The study focused on the processes, practices and outcomes of commercial valuation by both the Cook County Assessor's Office (CCAO) and the Cook County Board of Review (BOR) and includes a Sales Ratio Study to measure the current system to industry standards. This study highlights significant issues with current property tax assessment practices and offers actionable recommendations to improve equity, fairness and predictability in the Cook County property tax system.

"This study underscores the urgent need for reform in how we assess commercial properties in Cook County," said Cook County Board President Toni Preckwinkle. "My administration will use these findings to further address the systemic, long-standing challenges in our property tax system – challenges that have persisted for decades. While reform will take time, this work is part of a broader, long-term strategy to create a more equitable and transparent property tax system that benefits everyone in Cook County."

The study finds the commercial assessment process does not meet industry standards per the International Association of Assessing Officers (IAAO). The study identifies challenges that impact the fairness and uniformity of commercial property assessments. It finds that inconsistent valuation methods between the CCAO and BOR, combined with a lack of data-sharing practices, contribute to substantial discrepancies in property values and assessments.

Furthermore, the study found that commercial properties are frequently underassessed in Cook County, particularly in the south and north suburbs, and that high value properties tend to benefit more so from this trend.

In addition, the study recommends several steps that can be taken at the county level to better ensure consistency and fairness in the assessment and appeal processes, including:

- Adopting standardized valuation methods across offices;
- Establishing improved data-sharing protocols to reduce discrepancies in assessments;
- The CCAO increasing their participation in the appeals process to enhance fairness and collaboration; and
- Implementing a robust sale validation process to improve the accuracy of property values across the county.

This effort reflects the collaborative work of Cook County's separately elected offices to address long-standing issues in the property tax system. Beginning in Spring 2022, the PTAX Reform Group worked with the Civic Consulting Alliance (CCA) to identify commercial valuation as a critical area of study and reform.

"This commercial valuation analysis addresses significant issues of equity in our property tax system," said Cook County Assessor Fritz Kaegi. "I support all the recommendations included in the report and look forward to working with the Board of Review to implement these recommendations as quickly as possible."

"We applaud the President and the PTAX Reform Group for commissioning this report," said the Cook County Board of Review in a joint statement. "As members of the PTAX Reform Group, we have always been committed to transparency and collaboration among all government agencies involved in the property tax system and we will continue to assist each office with obtaining the data required to improve accuracy within the property tax system. We look forward to the continued investment by the County as it supports the implementation of the report's recommendations."

Together, the group defined key questions and areas of focus, developing a detailed scope of work for this study. Throughout the process, progress was tracked during quarterly meetings with elected officials to ensure alignment on the group's goals. In Spring 2024, the group engaged Josh Myers Valuation Solutions, whose team conducted on-site interviews with staff from the separately elected offices, documented existing practices and collaborated with teams to provide data for the study's sales ratio analysis. The Cook County PTAX Reform Group plans to engage a consultant to support the CCAO and BOR in developing a plan and timeline for implementing the study's recommendations.

This study is the second in a series of in-depth analyses by the Cook County PTAX Reform Group aimed at transforming the property tax system in Cook County. The first study, released earlier this year in conjunction with the Chicago Metropolitan Agency for Planning (CMAP) and the Government Finance Research Center at the University of Illinois Chicago UIC), examined the impact of homestead exemptions on property tax rates. It uncovered how these exemptions, while providing relief to individual homeowners, can lead to higher overall tax rates and exacerbate inequities, particularly in historically disinvested areas. These and future studies provide a comprehensive look at the factors driving inequity in Cook County's property tax system and lay the groundwork for meaningful, data-driven reforms.

Research for this project was supported with funding from the Cook County Equity Fund as part of the PTAX Reform Group convened by President Preckwinkle. The reform group was created to work collaboratively on effective, long-term change throughout the property tax system and includes leadership from the Office of the President, the Cook County Assessor's Office, Cook County Clerk's Office, Cook County Board of Review and Cook County Treasurer's Office. The PTAX Reform Group's mission is to ensure that the property assessment and tax system produces predictable, accurate, fair and equitable results in a timely and efficient manner for Cook County residents.
To access the study, click on the link below.

https://www.cookcountyil.gov/sites/g/files/ywwepo161/files/documents/2024-12/12.11.2024%20-%20%20Commercial%20Valuation%20Cook%20County%20Study.pdf?utm_medium=email&utm_source=govdelivery

CANADA

New Brunswick: Property tax burden in Saint John will shift further onto homeowners in 2025

Most houses will see a 7.9 per cent increase in their tax bill

New Brunswick property assessments for 2025 will not be issued for several weeks but Terry Nadeau doesn't need to see the latest Service New Brunswick valuation of his house to know his 2025 property tax bill will jump - by $312.

Added to the $267 the Saint John man's property tax increased earlier this year, and $544 in increases he received over the three years prior to that, the annual escalations are beginning to sting.

"In today's economy, it means a lot to me," said Nadeau in an interview.

"I'm retired, and there's not a money tree outback [where] I can just go and get that extra $300. So, I mean, obviously it has to come from somewhere."

The assessment on Nadeau's property has increased 41 per cent in the last two years, and because New Brunswick requires the taxable portion of large assessment increases to be phased in gradually at 10 per cent per year, he already knows the taxable value of his home will be 10 per cent higher in 2025.

Commercial and industrial properties in Saint John are to receive the same property-tax rate reduction as homeowners in the city in 2025, although their property assessments are not rising nearly as fast. That means another year of uneven changes in municipal tax bills, with homeowners paying most of the increases for a second straight year.

Saint John has announced plans to cut its property tax rate by 1.9 per cent in 2025. Once that modest reduction combines with his much larger assessment increase, Nadeau's tax bill is set to rise 7.9 per cent - before his 2025 assessment even arrives.

“This will put me over $4,000 a year," said Nadeau about his tax bill, which four years ago was under $3,000. I just can't wrap my head around it really.”

In Saint John, 2025 will be the second year in a row tax bills for different classes of property owners will be heading in different directions - up for most residential properties and sideways or down for most industrial properties.

And like last year, provincial property tax rules have left the city powerless to even-up those differences.

Last month, Premier Susan Holt said a campaign promise Liberals made to overhaul the property tax system, including a rewriting of rules that apply to municipalities, will be kept - but not until the 2026 tax year.

“The timeline is key,” Holt told CBC News in late November.

“We're going to get the work done within the first year, so that the bill you get come this time next year will have a new system under it.”

In Saint John that means another year of the city's tax burden shifting from business properties to residential properties.

Earlier this year most Saint John homeowners received a 2024 property tax bill from the city that was at least seven per cent higher than in 2023, while bills on multiple industrial properties were falling.

Municipal property taxes on Irving Oil's refinery, for example, fell $25,165 from what they had been in 2023.

Other Irving Oil properties, like its Canaport oil terminal, lubricants plant, head office building, former head-office building, pipeline properties and others, also enjoyed reduced municipal property taxes of between $1,000 and $15,000 each.

N.B. Power did better. The property taxes it pays to Saint John were reduced by $185,194 on its two generating stations in the city.

Moosehead Breweries paid less, as did several J.D. Irving Ltd. properties, including its east-side wallboard plant and paper mill and west-side train yard and tissue mill.

Taxes paid to the city by a number of port properties also declined, including on the controversial American Iron and Metal shredding and recycling property.

The reductions were caused by a provincial rule that forbids municipalities from lowering tax rates on houses below 58.8 per cent of tax rates charged to business properties. For two years that has been forcing Saint John to lower tax rates on its commercial and industrial properties as a condition of lowering them on residential properties.

Individual tax bills for 2025 won't be released until next month, but general tax information shared with the city by the province shows the 1.9 per cent reduction in next year's tax rate, when applied to industrial properties, will accelerate the shift in the city's tax burden to residential properties.

While most homeowners will be paying 7.9 per cent more in property tax because of previous assessment increases, city industrial properties will pay an average of 0.44 per cent more.

That will widen the gap among property groups of who is paying what for city services. In 2023, residential property owners paid $152 in property tax for every $100 paid by non-residential business properties. In 2025 it will be $171.

During budget meetings in November, city finance commissioner Kevin Fudge told councillors if the province had allowed the city to lower the tax rate more on residential properties than on business properties, to even up increases each group would see in its tax bill, it would have been done.

"We believe it would have been a fair thing to do this year," said Fudge.

EUROPE

How much are land taxes in Europe?

Property tax rates in Europe vary significantly from country to country, reflecting differences in national policies, local government decisions, and how properties are assessed and taxed. These taxes are typically levied on the ownership or use of land and buildings, and they serve as a vital source of revenue for municipalities to fund public services such as infrastructure, education, and waste management.

In some European countries, property taxes are relatively high, constituting a significant share of the private capital stock. For example, the United Kingdom has one of the highest property tax rates in Europe. Property taxes in the UK include council tax, which is based on the value of a property and is charged to occupants, and business rates, which apply to commercial properties. These taxes contribute a substantial portion of revenue to local governments and reflect the value placed on property ownership in the UK.

France is another country with notable property taxes. French property taxes include the *taxe foncière*, an annual tax paid by property owners, and the *taxe d'habitation*, which is paid by occupants. These taxes are based on the estimated rental value of the property and can vary depending on location and property type. In urban areas, where property values are higher, the tax burden can be more significant, making property taxes an important consideration for homeowners and investors in France.

In Belgium, property taxes are relatively moderate compared to countries like the UK and France but still represent a significant expense for property owners. The tax system in Belgium involves regional and local taxes, which are calculated based on the cadastral income, an assessed rental value assigned to properties. Property taxes are an essential revenue source for Belgium's regional governments and vary depending on the region and municipality.

Germany, in contrast, has relatively low property tax rates. German property taxes are based on the assessed value of the property and are levied by local governments. The lower property tax rates in Germany reflect the country's policy priorities and the reliance on other forms of taxation, such as income and consumption taxes, to fund public services. However, ongoing discussions about property tax reform in Germany could lead to changes in how properties are assessed and taxed in the future.

Luxembourg and Switzerland stand out for their exceptionally low property tax rates compared to other European nations. In Luxembourg, property taxes are minimal, and their impact on property owners is relatively limited. This is partly due to the country's reliance on other revenue sources, such as corporate taxation and financial services. Similarly, Switzerland's property tax rates are among the lowest in Europe, making it an attractive destination for property investment. Swiss property taxes are levied at the cantonal level and are often supplemented by wealth taxes, creating a unique tax environment.

The variation in property tax rates across Europe demonstrates how different countries prioritize taxation and public revenue generation. Local factors such as property values, population density, and municipal needs play a significant role in determining tax rates within individual countries. For instance, urban areas with higher property values and greater demand for public services often impose higher property taxes than rural areas.

It is also important to note that property tax policies are subject to change, as governments regularly review tax structures to align with economic conditions and public needs. Reforms in property taxation can affect how properties are assessed, the rates applied, and the exemptions available to certain groups, such as low-income families or first-time buyers.

For property owners or potential investors in Europe, understanding the nuances of property tax systems in specific countries and regions is crucial. Consulting local tax authorities or experts can provide clarity on current tax rates, exemptions, and potential future changes, ensuring informed decision-making regarding property ownership and investment.

Property taxes in Europe present several challenges for property owners, governments, and potential investors. These challenges stem from the complexities of tax systems, regional variations, and the broader economic and social implications of property taxation. Understanding and addressing these challenges is essential for ensuring that property taxes are equitable, effective, and sustainable.

One of the most significant challenges is the complexity and variation of tax systems across Europe. Property tax structures differ greatly from country to country, and even within individual nations, municipalities may have their own tax rates and assessment methods. This creates difficulties for property owners, particularly those with assets in multiple locations, as they must navigate differing rules, filing requirements, and payment schedules. The lack of uniformity can also deter cross-border investment, as investors may struggle to understand the tax implications of owning property in different jurisdictions.

Another challenge is the valuation of properties for tax purposes. Many European countries use assessed values, cadastral values, or estimated rental values as the basis for property taxation. However, these valuations are often outdated or inconsistent, leading to inequities in how taxes are levied. For example, properties in rapidly appreciating urban areas may be significantly under-assessed compared to their market value, resulting in a lower tax burden for owners of high-value assets. Conversely, in rural areas or regions with stagnant property markets, assessed values may overestimate a property's worth, placing an unfair burden on owners with limited resources.

The impact of property taxes on affordability is another pressing issue. High property taxes can increase the overall cost of homeownership, making it more difficult for first-time buyers or lower-income families to enter the housing market. In countries with significant regional disparities, such as the United Kingdom and France, property taxes in affluent urban areas can exacerbate housing affordability problems. This dynamic creates tension between the need for municipalities to generate revenue and the goal of fostering accessible and equitable housing markets.

For governments, the challenge lies in balancing revenue generation with fairness. Property taxes are a critical source of funding for local services such as education, infrastructure, and public safety. However, heavy reliance on property taxes can lead to public dissatisfaction, particularly when taxpayers perceive the system as unfair or overly burdensome. Striking the right balance between taxing property owners and maintaining public support is a constant challenge for policymakers.

The issue of compliance and enforcement adds another layer of difficulty. Property taxes can be evaded or minimized through underreporting, legal loopholes, or complex ownership structures, especially in cases involving foreign investors or multinational entities. Ensuring compliance requires robust systems for property registration, valuation, and tax collection, which can be costly and administratively challenging to implement and maintain.

Economic factors, such as market volatility and financial crises, can also create challenges for property tax systems. During economic downturns, property owners may struggle to pay taxes, leading to increased arrears and a reduction in municipal revenues. Conversely, rapidly rising property values can lead to "bracket creep," where taxes increase disproportionately relative to incomes, creating financial strain for middle-class homeowners.

Environmental and social considerations further complicate property taxation. As governments increasingly aim to promote sustainability, there is growing pressure to align property taxes with environmental goals, such as incentivizing energy-efficient buildings or discouraging urban sprawl. Designing tax policies that support these objectives while remaining fair and practical is a significant challenge.

Finally, the political sensitivity of property taxes makes reform difficult. Efforts to update valuation methods, increase rates, or introduce new taxes often face public resistance, as property taxes are highly visible and directly impact individuals' finances. This resistance can stall necessary reforms, leaving outdated systems in place and perpetuating existing inequities.

Overall, the challenges associated with property taxes in Europe reflect the complexity of balancing fiscal needs, economic realities, and social equity. Addressing these issues requires careful policy design, effective administration, and ongoing dialogue with stakeholders to create systems that are both efficient and fair.

Germany: New Property Tax Regulations Set to Impact Homeowners in 2025

Beginning January 2025, many homeowners in Germany will face a revised property tax system, following a ruling by the Federal Constitutional Court that deemed the previous calculation method unconstitutional. This change requires millions of property owners to provide updated information about their assets, leading to widespread concern about potential hikes in property tax.

Under the new regulations, significant increases in property tax rates are anticipated. Reports suggest that some homeowners could see their tax obligations multiply dramatically. For instance, a resident in Berlin's Mahlsdorf district is expected to pay an annual tax of EUR913 instead of the previous EUR273. Such increases have been described by affected individuals as unjustifiable actions by the government.

The shift to a new property tax calculation method arises from the necessity to update data that had not been revised for decades. This reform has been long anticipated, according to local political leaders who have pointed out that certain property values have remained unchanged for many years. As a result, homeowners should prepare for potentially significant increases in their property tax bills.

Industry representatives have already issued warnings regarding the impending tax changes. They indicate that, on average, property owners should brace for higher tax rates. According to calculations, Berlin may see a 75% increase in property tax revenue due to these changes. However, the actual impact on individual households may vary, with some homeowners possibly experiencing a decrease in their property tax burden.

Despite the promise of maintaining a revenue-neutral tax system made by the previous Chancellor, the reality appears to be shifting. Experts highlight that many municipalities are raising their tax rates, contradicting earlier assurances. The property tax system's complexity arises from the interplay between federal and local regulations, with local governments having the authority to set their own tax rates, which can lead to increased financial burdens on residents.

The calculation of property tax involves three key components: the value of the property, the tax assessment rate, and the municipal multiplier. The property value is determined based on factors such as land value and estimated rent, while the tax assessment rate has been significantly reduced in response to historical data that had not been updated for many decades. This has resulted in a decrease from 0.35% to 0.031% for residential properties, and slightly higher for commercial properties.

Municipalities also have the flexibility to adjust their local multipliers to address changes in property tax revenues. This approach is intended to create a stable revenue stream for local governments, although the effectiveness of this system remains to be seen, especially as many municipalities have already increased their tax rates in recent years.

Additionally, some federal states may implement alternative regulations under what is known as the 'opening clause,' allowing them to deviate from federal property tax guidelines. States such as Baden-Württemberg, Bavaria, and others are likely to introduce their own assessment methods, which may further complicate the overall tax landscape.

As the new property tax regulations come into effect, the specific tax implications for most homeowners will only become clear in early 2025. This period will be critical for residents to assess their financial obligations and for local governments to communicate the changes effectively to the public.

In summary, the upcoming changes to the property tax system in Germany signal a significant adjustment for homeowners. With the potential for increased tax rates and complex calculations, residents are advised to stay informed and prepare for the financial implications of these new regulations.

Greece: Changes to property taxation

Amendments to fees and taxes on real estate ownership included in the draft bill submitted

The tax bill submitted to Parliament on Tuesday provides for a number of significant changes to property taxation among the long list of amendments to legislation, as the government is attempting a tax overhaul that will make taxation more fair and investment more attractive.

The new measures include the extension to the suspension of value-added tax (VAT) for new buildings in 2025, the exemption from the Single Property Tax (ENFIA) for listed buildings worth up to 400,000 euros, and the increased discount on ENFIA for properties ensured against natural disasters.

For the three-year tax exemption on rents of closed properties that are returned to the long-term rental market or those that switch from short-term to long-term lease, the draft law does not provide for any change compared to the original text. Therefore, it concerns residences up to 120 square meters, for which at least three-year lease contracts will be concluded between September 8, 2024 and December 31, 2025.

They must also have been declared in the tax years 2022, 2023 and 2024 (if the lease is drawn up in 2025) as vacant properties (form E2) or not declared as leased properties nor as the main or secondary residences nor as self-occupied or free-of-charge properties (forms E1 and E2) or were made available exclusively for short-term lease, and the short-term leases concluded have been declared to the tax authorities.

A double reduction in ENFIA is also provided for from 2025 (from 10% to 20%) for residences with a taxable value of up to €500,000 which are insured against fire, earthquake and flooding.

It is possible that based on the discussion and proposals that will be submitted, the government will proceed with corrections, something that will be seen in the coming days.

The bill also includes other measures previously announced, such as the reduction in social security fees by one percentage point and the abolition of the levy for practicing a profession (known as "*telos epitidevmatos*").