

## **CRI Property Tax Reassessment Policy**

Progressives are pushing for state funding for a statewide reassessment on the basis of fairness as property values have not increased uniformly over the last few decades. For example, property values in eastern Sussex County near the beach have increased more rapidly than on the west side. And yet, because property assessments have not been updated, property owners on the west side are paying relatively higher taxes.

Progressives are eying more state uses for property taxes. Senator Bryan Townsend has been pushing a state property tax for the past two years to pay for clean water projects, and we saw the effort by DelTech to fund capital investments with property taxes. DEFAC is suggesting Delaware find a more stable revenue source which will probably boil down to a sales tax or the state dipping into property taxes. Touching the sales tax issue has been the third rail in Delaware politics.

It is easy to predict the game plan. A statewide reassessment might cost \$30 million or more. The counties simply do not get all that much revenue from property taxes with much of the revenue going to schools. In Sussex County only \$220 (9%) of my \$2427 tax bill goes to the county.

Delaware law states a reassessment must be essentially revenue neutral with the county only allowed to gain 15% in revenue, and schools 10% after a reassessment. There is not much incentive to pay the cost of reassessment. So, the state might step in to pay the cost in exchange for a permanent slice of the tax pie. Once the state gets its toe in we can imagine increases every few years for all kinds of spending needs. In ten years we could see property taxes rivaling New Jersey.

The state is not going to want to come up with \$30 million every ten years or so to redo the reassessment. Every serious discussion of reassessment over the last two decades includes the idea once the assessment is complete it will be kept evergreen by using an indexing model to reassess one third of all properties every year, and repeating the cycle every three years. This is a multi-state trend with contractors set up to run the models for a fee.

However, these plans don't adjust the tax rate downward as the assessed value rises, leading to a steady increase in property taxes. One effect is county and local governments, and school boards don't have to raise tax rates very often. Rising taxes simply result from rising assessed property values from the indexing formula. Few referendums are needed, and politicians avoid the wrath of voters by having to ask for a tax increase.

Now, we come back to the fairness issue. Initially, some people whose current assessed value falls below the current market value will see lower property taxes. However, before long the rates will rise above the small amount saved, and those folks will be hurt with even higher taxes than they were paying before. Imaging CRI or any

group of citizens can control the subsequent run-away spending once indexing is in place is a fool's errand.

My recommendation is CRI not instigate reassessment legislation, but be prepared to modify, or oppose it should such legislation appear.

*By: David T. Stevenson, 2/26/2019*