

Strategies for Solving Property Tax Inequities in Middle Neighborhoods

NHS of Chicago
Chicago, IL

Property tax inequities can destroy a family’s hard work and lifelong efforts to build assets and create intergenerational wealth. Often, a concerted effort is needed to correct the disparate impact of these practices and protect families and households for the long term. One primary step is to pull together a team to investigate the issue and develop a response.

NHS of Chicago has assembled such a strategy which involves hosting neighborhood workshops, conducting thorough outreach, supporting advocacy and policy to secure corrections, and building an information structure that is accessible and easy to understand. As practitioners look to preserve the wealth-building efforts of long-time residents in their middle neighborhoods, imagining solutions to property tax inequities and incorporating strategies is crucial.

Property Tax Basics

Homeowners pay property taxes based on a formula that is used to determine the annual fee. That fee is calculated by multiplying the local tax rate (determined by local governments) by the home’s assessed value (determined by the local tax assessment office). The inequities in property taxes start here: with the property tax assessment.

Local tax assessment officers estimate the value of a home using a particular model that is based on statistics but is not always accurate. This means the property owner may be paying too much or too little in property taxes each year. Developing a fair and equitable assessment and taxation formula is complicated but is the responsibility of the assessor. Nationwide, assessment data shows that black-owned homes are over assessed, meaning they pay more in annual property taxes relative to the value of their homes than other groups. This inequity exists in about 90% of US jurisdictions.¹ These assessment inequities can result in higher tax foreclosures which interrupt the passing on of wealth to the next generation.

Data from the University of Chicago’s Harris School of Public Policy and its [Property Tax Project](#) show that lower priced homes are more often overtaxed than higher priced homes. Since lower priced homes are mostly owned by minority homeowners, and higher priced homes are usually owned by white households, a correlation exists between price, assessment value, taxation outcomes and race. This over-taxing of lower-priced homes feeds the racial wealth gap.

Whether or not a home is overtaxed, another scenario causing unpaid taxes and subsequent foreclosures is that of homeowners who have paid off their home loans so don’t have a monthly escrow

Understanding the Problem

1. Inflated property taxes
2. Results in affordability hardship for homeowner
3. Leads to tax delinquency which can result in tax foreclosure
4. These foreclosures are based on unpaid, inflated taxes that the owner should NOT have paid in the first place.

Finding a Solution: Potential solutions include appealing assessment values, claiming a refund on overpayment on taxes, creating a savings plan, and finding other ways to decrease housing costs and increase savings so the funds are there when taxes come due.

¹ [Property Taxes and Equity](#), University of Chicago Harris School of Public Policy.
Middle Neighborhoods Initiative

account to help them plan and save for annual tax payments. Hit with a large tax bill of thousands of dollars all at once can be an insurmountable obstacle, especially for older homeowners on fixed incomes. Solutions include working with households to help them anticipate and plan for future tax payments, and working for policy change that creates mechanisms for quarterly or even monthly property tax payments after a mortgage lender stops managing an escrow account.

Building a Strategy

While exploring the foreclosure issue, NHS offers a few strategies to consider:

Investigate the Problem. Contact your town or county assessment office or clerk’s office and ask to review local tax sale data. Look to see if specific geographical areas or demographics are affected more than others and ‘map’ where foreclosure tax sales are concentrated. Track other notable traits associated with tax foreclosures as well.

Conduct Outreach. Design an outreach strategy to connect with local homeowners who would benefit from education, resources, and advocacy related to tax delinquency. This is especially important during key times when property taxes increase such as re-assessment years, open appeal periods and the timeframe when these increases affect mortgage payments (usually a year or two after the re-assessment). Design a questionnaire that speaks to the population and gets the information you need. Ask if the homeowner is paying property taxes and if so, if they have applied for exemptions. Create a flow chart to help them understand the next steps.

Provide Education and Resources. Providing education and resources to homeowners and others in the community is key to solving tax inequities. Develop a thorough overview of local assessment trends and practices and explain all possible solutions to delinquency. Create a list of resources and strategies to help homeowners stay in their homes.

Initiate Advocacy and Broader Change. The issue of unjust taxation is built into broader systems and in most instances requires input and support from local governments and policy advocates. Focus on building connections and providing data and solutions to local government as well as the larger community to build broader support.

An Educational Approach

NHS of Chicago uses a multi-faceted education approach to inform the community about tax inequities as well as solutions and strategies to resolve and prevent such issues.

Outreach in Cook County

Each time there is a three-year re-assessment, NHS does a full outreach to homeowners and an educational marketing campaign via social media outlining 1). the deadline by which they must appeal; 2). various options for appealing including tax appeal lawyers and average fees; and 3). seminars done by the Cook County Assessment Office that teaches participants how to appeal themselves.

If the homeowner waits too long to appeal, and misses the deadline, they must pay the higher taxes for the first year, even if the value is extremely over-inflated – appeals are not retroactive. These higher taxes can cause shortages in escrows.

Financial Self Defense. NHS offers a financial management class that has a particular focus on managing annual property taxes to help households with budgeting strategies as well as guidance on how to claim exemptions and appeal tax hikes. Since tax amounts typically increase each year, households on fixed incomes may need ideas on how to decrease other costs to afford increasing tax payments. NHS also helps homeowners review their homeowner’s insurance costs and apply for tax exemptions they may be eligible for which can save them hundreds or even thousands of dollars a year. The class covers ways to improve energy savings through winterization and other efficiencies and NHS shares information on local energy savings programs and other resources as well.

To compliment the course, NHS of Chicago offers clinics to provide more targeted help on actions including budgets and savings strategies. Laptops are available for those who need access to technology and staff help participants complete applications for tax exemptions and/or certificates of error so money can be refunded if overpayments were made in the past.

Remember the Objective

- ✓ **Create tax justice.** Focus not only on restoring affordability but dignity to those who have worked hard to attain and sustain safe and affordable housing. Support intergenerational wealth by ensuring homes go to the proper heir and focus on reparations in cases of racialized dispossession of a home.
- ✓ **Stop foreclosures.** Find ways to help households get their property tax debt decreased to zero.
- ✓ **Stop unfair and illegal over-assessment.** Conduct interventions to help the tax administration ensure fairness. Focus on increasing awareness and recruit partners who can encourage and support updates to antiquated systems and processes. Help develop a corrective action plan and identify ways for supporters to help.

Property Tax Exemption Clinics	In the Property Tax Exemption Clinics, NHS provides participants with information on various property tax exemptions and how to apply. Exemption examples include those for lower income households, older adults, military veterans, people with disabilities, long-time homeownership exemption and others. NHS provides details on eligibility factors and the steps to apply and provides support in completing the application if necessary. Some exemptions require an annual application so tracking who has applied in the past and reaching out to them each year is helpful. NHS also helps homeowners who missed an exemption in the past to reclaim them if possible.
Property Tax Appeal Clinics	Many homeowners do not know that they can appeal an increase in their tax assessment or appeal a tax foreclosure sale. NHS Chicago provides step-by-step guidance on the appeal process, plus connects taxpayers with free legal aid if needed. They help homeowners create a reasonable repayment plan to cure the debt and help the resident advocate for this solution.

PITIE Counseling. In addition to clinics, NHS of Chicago offers an in-depth look for homeowners who still have mortgage loans to help them reduce the cost of homeownership. Staff help them understand the payment structure including principal versus interest, homeowners’ insurance payments and tax responsibilities. They look at loan to value (LTV) and make sure private mortgage insurance (PMI) is removed if the mortgage amount is below 80% of the overall LTV. Staff review insurance rates with owners to make sure the policy makes sense and help them shop around if necessary or find discounts if possible. They look closely at energy costs, water bills, etc. and help them figure out how to get the lowest rate through pre-buy or other discounts.

Best Practices

Some best practices include:

Focus on Homeownership Preservation	Focus on diverting properties from annual tax sale. Help people create a monthly payment plan so they are ready for expenses. The ultimate goal is to minimize displacement and to help owners stay in their home.
Gather Resources	Compile information on all potential resources to help homeowners be successful. Assemble them in a way that is easy to digest with instructions that are easy to follow.
Create an Educational Program	Offer classes, materials and personal clinics to help people navigate the process of pursuing an appeal. Many people need help obtaining accurate information and some might need help working through the process.
Outreach	Get the word out. Consider going door to door in neighborhoods with higher property tax sales. Ask residents if they own the property and if they have applied for exemptions. Provide a strategy to get in touch and make referrals.
Sharing Findings	If racial or other disparities in property tax rates and/or foreclosure are found, share that information with local government and policy advocates. Helping families to maintain safe and affordable housing is important for any city or locale; show how repayment plans can cure debts in a timely manner.
Engage with Community Partners	Connect with legal aid, financial support options, policy, and local government advocates to help explore issues and find solutions. Partner with local law schools and housing organizations. Reach out to agencies and local governments around the country to explore examples and strategies for success. Connect with HUD Housing Counselors and attorneys specializing in elder law. Partner with local senior centers and programs serving veterans and other underserved populations.

Resources

[Property Tax Fairness from the Center for Municipal Finance](#)

Harris School of Public Policy, University of Chicago

<https://propertytaxproject.uchicago.edu/#:~:text=Property%20taxes%20represent%20the%20single,70%20percent%20of%20local%20taxes>

Coalition for Property Tax Justice

<https://www.illegalforeclosures.org/>

How the Property Tax System Harms Black Homeowners and Widens the Racial Wealth Gap

<https://www.brookings.edu/articles/how-the-property-tax-system-harms-black-homeowners-and-widens-the-racial-wealth-gap/>

Questions?

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