
Property Tax Impacts of COVID-19

2019/20 Year – What We Know

- Property tax allocations through April of the fiscal year are typically 80-85% of the total property taxes allocated for the full year.
- We expect increases in the amount of delinquencies based on tax payers that could not pay the second installment of their bill timely – not expected to be large delinquency. Teeter cites are not impacted by delinquencies.
- Declines in Transfer Tax revenue can be expected based on a decline in sales activity due to virus concerns and shelter in place orders.
- Declines in Supplemental Assessment roll receipts can be expected based on declines in sales and new construction activity.
- Transfer Tax and Supplemental Assessment revenues are typically very small portions of total property tax revenues.

Bottom Line: Impact on property tax revenues for 2019-20 is not likely to be severe. Impacts on sales activities cannot be known until sales data for April and May are received and analyzed.

2020/21 Year – What We Know

- Values for 2020/21 were set prior to COVID arrival in US.
- Expect declines in Transfer Tax revenue related to transfers of ownership if sales activity does not rebound after July. Also expect declines in Supplemental Assessment revenues based on fewer transfers if sales volume continues to be low throughout the remainder of the year.
- If the shutdown is prolonged and prompts significant foreclosures and sales price reductions, implementation of Prop 8 reductions in value could occur. The potential for such reductions will be evident in the sales data received over the next 4-6 months.

Bottom Line: Minimal Impact on 2020/21 property tax revenues is currently expected. If the shutdown is so prolonged as to cause Assessors to make Prop 8 reductions, sales data will indicate this over the next several months.

2021/22 Year – Considerations

- Values will be impacted by what we are experiencing now and through the rest of 2020. Continued reductions in sales will reduce growth in value for 2021/22. Supplemental assessment revenue will also be reduced by reduced sales.
- Possible Proposition 8 reductions if median sale prices decline and the market softens in remainder of 2020. If Prop 8 reductions are implemented by Assessors in 2020/21 these will likely carry forward and impact 2021/22 roll values.
- If the shutdown is prolonged and impacts CPI, inflation adjustments of less than the maximum 2% could be experienced. The 2% inflation adjustment has already been implemented for 2020/21 but reduced CPI through October 2020 could reduce the inflation adjustment for 2021/22.

Bottom Line: Moderate to Severe Impact. A prolonged shutdown will impact sales and certainly result in less growth for 2021/22 than in recent years. The potential for these impacts will be evident in the sales data through the end of 2020 and will be recognized for the 2021/22 budget cycle.

Timeline Summary Analysis

Property tax receipts lag events by 12-18 months as shown in the prior slide.

2019/20 values were based on 2018 calendar year sales and other values set by January 1, 2019. These revenues will be largely unimpacted by COVID-19.

2020/21 values were set as of January 1, 2020 and based on sales and new construction that occurred during CY 2019. The virus and resulting shutdown should have little impact on these values. If the shutdown is prolonged and prompts significant foreclosures and sales price reductions, implementation of Prop 8 reductions in value could occur. The potential for such reductions will be evident in the sales data received over the next 4-6 months.

2021/22 values will be impacted by sales and new construction during 2020. The number of property sales since the shutdown appear to be down significantly. Values for sales that have occurred seem to be holding. Absent a rebound in sales later in 2020, growth in value for 2021/22 will be impacted. As sales data is received through year end, the potential for impacts on growth will be evident.

2022/23 & Beyond - ??????



The data over the next 6-12 months will bring clarity.