

Tax Win Inspires Copycats

Lake Tahoe Homeowners Who Won Record \$43 Million Refund Seek Even More

By Jim Carlton
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INCLINE VILLAGE, Nev.—One of the country's most successful property tax revolts is about to get another day in court, as lawyers for residents in this wealthy Lake Tahoe community who won a record \$43 million in refunds are seeking even more.

The residents argue that Washoe County's assessments should be "equalized" with those of a nearby county, which has comparable homes abutting the lake but assessments up to 50% lower. Lawyers for the residents will press the Nevada Supreme Court on Tuesday to reinstate a case that argues such equalization should take place.

Among the Incline Village homeowners entitled to refunds under the \$43 million ruling in July are Oracle Corp. billionaire Larry Ellison, former junk-bond king Michael Milken and Peoplesoft founder Dave Duffield.

U.S. homeowners increasingly are challenging tax assessments. In some cases, they are contesting run-ups in property assessments when the housing market was flush. In other cases, homeowners argue their assessments haven't fallen as much as their home values have since 2008.

In Toms River, N.J., about 1,000 homeowners won refunds totaling over \$1 million after filing appeals of their township assessments from 2009 to 2011, when they saw their house values fall faster than their assessments, said Philip Giannuario, an attorney representing them.

The Nevada lawsuit could encourage other regions to fight property taxes, said Sheila Anderson, a broker at Commercial Property Services Inc. in Ocala, Fla., who helped

organize residential property-tax protests in her state. "I think it's very significant and we're all watching it," she said.

In Sandpoint, Idaho, members of an antitax group say the Nevada fight inspired them to take actions including voting in county commissioners more amenable to reining in property tax increases.

The Tahoe case also led to passage of a 2005 Nevada law that took away the power of counties to use their own methodologies to set tax assessments.

Tax experts say how the Nevada case plays out could have more repercussions nationally. "Any time residential taxpayers can see somebody be hugely successful in a tax appeal, of course it inspires them," said John Garippa, president of American Property Tax Counsel, a Chicago-based trade group for property-tax attorneys.

If the Nevada Supreme Court rules in the Tahoe residents' favor, and the lower court that turned away the case follows suit, residents could receive millions more in refunds on top of those the court awarded in July, their lawyers said. The court ruled then that Washoe County improperly raised property taxes on 8,700 homeowners in Incline Village and adjoining Crystal Bay.

The \$43 million refund award is believed to be the highest ever in the U.S., Mr. Garippa said.

The Nevada dispute began after homeowners saw property taxes jump in 2003. Kern Schumacher said the tax bill for his 12,900-square-foot house in Incline Village rose 40% to \$200,539 after a rise of less than 1% in 2002. Although he said he could afford the increase, the railroad executive banded with neighbors against it.

The attitude [of county officials] is we have more money than everyone else and we can afford it," said the 71-year-old Mr. Schumacher, whose house is valued by the county at \$11.2 million.

Washoe County officials blame a 1981 change in state tax law that let county assessors use their own techniques to value homes rather than relying strictly on market values. "It kind of put all county assessors in the state in a bit of a no-man's land," said David Creekman, Washoe County's chief deputy district attorney, who is helping defend the county in the case.

Mr. Creekman said soaring property values prompted double-digit tax increases on the Incline Village area in 2003 using methodologies that placed a premium on lake views and beaches. "Obviously, at Incline Village, the view and type of lake frontage plays a significant value in the property," said Josh Wilson, the current assessor.

But some homeowners considered the process unfair. Maryanne Ingemanson, 78, a retired concert pianist and developer, helped form the Nevada Property Tax Revolt, which filed multiple lawsuits challenging the tax system. From 2003 to 2006, the Nevada Supreme Court awarded \$6.1 million in refunds to 1,200 homeowners who filed appeals.

In 2010, the Incline Village group filed a suit in state district court that led to the Supreme Court's ruling ordering the \$43 million in refunds. That award put an added strain on a county that has laid off a quarter of its work force since 2007 because of the weak economy.

County officials declined to estimate how much more in tax-refund liability they could

face in the case being heard Tuesday. "It's something that will impact us," said John Sherman, Washoe County's finance director.

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Jim Carlton/WSJ: Railroad executive Kern Schumacher sued over Lake Tahoe tax increases.



Jim Carlton/WSJ: Retired developer and pianist Maryanne Ingemanson also sued over tax increases.

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