

Homeowners Rebellion

An editorial from the Wall Street Journal

The great American tax revolt is brewing again, not inside the Washington Beltway but in cities across the country. Minnesota, Michigan, New Jersey, Connecticut, Arizona, Virginia, Florida -- all have voters trembling with agitation against high and rising levels of taxation.

Last month antitax activists in Minnesota staged a tax protest that drew some 6,000 taxpayers to the steps of the Capitol Dome in what is considered to be the highest turnout for a political rally in years. The crowd was three times larger than the turnout for the hyped MoveOn.org global warming march in Minneapolis. Three days later, hundreds of taxpayers in Lansing, Michigan, swarmed the capital steps to protest Governor Jennifer Granholm's call for higher taxes on business, gas, cigarettes and alcohol. "Not Another Penny, Jenny," one sign read.

In normally placid Princeton, New Jersey, voters recently rejected a tax levy for schools for the first time in 16 years. For homes valued at \$400,000 -- which aren't the domiciles of the rich -- property taxes have skyrocketed to nearly \$14,000.

Ground zero for the tax rebellion is undoubtedly Florida. On April 17 hundreds of taxpayer activists, homeowners, real-estate agents and homebuilders marched on Tallahassee chanting "Cut Taxes Now." Here, too, the issue is property-tax assessments. Florida's property-tax collections rose 50% statewide between 2003 and 2006, a windfall from the red-hot housing market.

Thanks to the resulting revenue gusher, local government spending doubled between 2000 and 2006. But now property owners are facing a double whammy: falling housing values and rising property taxes. "Floridians today are crying out for property-tax relief," says Donna Arduin, the former state budget director and an architect of one of the tax cap proposals.

Florida's experience with sagging housing markets and state spending is hardly unique. ***In Lake Tahoe, Nevada, property taxes rose 135% in four years.*** In Arizona taxpayer groups are gathering signatures for a mandatory

property-tax rollback voter initiative to be placed on the November 2008 ballot.

In Northern Virginia, boom times in real estate coincided with double-digit percentage increases in the county budgets of Arlington and Fairfax every year from 2003 through 2006, even as tax rates were cut slightly. Loudoun County's budget has tripled since 2000. But with this year's U-turn in home values, these Virginia counties have proposed tax-rate increases of 3% to 5% to sustain their spending.

Nationwide, home values crept up by barely 1% last year, but property-tax collections rose by 7%. The spread can be expected to continue to widen; home sales fell by 8% in March, the largest decline in 18 years.

Even Connecticut has noticed. Republican Governor M. Jodi Rell, who is trying to raise income taxes and has been rated as one of the Governors least friendly to taxpayers, recently warned the Legislature "there is going to be a property-tax revolt in this state if real action is not taken." She's seeking a 3% per year cap on annual increases, this for a state that ranks third highest in per-capita property taxes.

A new report from the Tax Foundation finds that while federal taxes have moderated, state and local taxes are now at an all-time high as a share of income. Florida could be the next state to act. The Legislature's current session has been dominated by debate over how to cap or reduce property taxes, and every politician in sight seems to have a plan. One proposal would roll back property taxes an enormous \$6 billion and cut assessments as much as 40% in cities such as Miami where spending is out of control.

As usual, mayors, education lobbyists, public employee unions and social service providers are threatening chaos in city services. These were the same fears invoked when California commenced the modern-day tax revolt in 1978 with Proposition 13. But property taxes were cut by 30%, and California went on a 12-year growth spurt nearly unprecedented in U.S. history. The spirit of Prop. 13 may be coming soon to a county near you.