MARCH 2018

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Want to save cash? Avoid these places with pricy property taxes – *by Aly Yale*

Property taxes vary greatly across the country, either representing a mere blip on the radar or a massive, savings-depleting annual cost. Want to make sure yours fall into the former category? Then avoid New Jersey – and head to Hawaii.

WalletHub recently ranked all 50 states by both their real estate and vehicle taxes. Coming out on top for property taxes was sunny Hawaii, with a tax rate of just 0.27 percent. Taxes on a $185,000 home there run just $501 per year. On a median-priced home for the area ($538K), they clock in at just under $1,500.

For comparison's sake, the average American pays $2,197 in property taxes annually. In the 27 states that have vehicle taxes, they pay about $436 a year.

Also coming in with low tax rates and average annual tax payments were Alabama, Louisiana, Delaware and the District of Columbia. Though Alabama has the second-lowest tax rate, it claims the single lowest property taxes when taking the median home value into consideration. Residents who own a $128K home – the state's median price – pay just $550 a year.

If you're hoping to avoid sky-high property taxes, then steer clear of New Jersey. The state claims the nation's highest tax rate at 2.40 percent. On a $185K home, a resident would pay more than $4,400 in annual property taxes – 8.9 times the costs Hawaiians face. On a median-priced home of $316K? They'd pay upwards of $7,600 a year.

Other states with high property tax rates were Illinois, New Hampshire, Connecticut and Wisconsin.

According to Stephen J. Lusch, Professor of Accounting in the Neeley School of Business at Texas Christian University, buyers should carefully consider location if property taxes are a concern.

"In states where property taxes are high, such as my home state of Texas, the location of your property can make a big difference though," Lusch said. "There are areas of the Dallas/Fort Worth Metroplex where if you purchase a house a block or two over, you may pay a few thousand dollars less in property taxes per year, because the property falls into a different county, city, school district, etc."

San Marcos Corridor News
March 9, 2018
2018’s Property Taxes Ranked By State….. Where Do You Think Texas Ranks? *– by Terra Rivers*

The burden of property taxes all depends on location. But remember, there is more than one entity homeowners pay property taxes to.

According to the U.S. Census Bureau, the average American homeowner is paying $2,197 in property taxes for their homes every year.

For example, Austin’s median home value is $305,510 with a city property tax rate of $.4451 per $100; that’s $1359.82 for the city of Austin alone.

While the property taxes for the City of Austin might be lower than the City of San Marcos and even the City of Kyle, it doesn’t include the property taxes for the Austin Independent School District, Travis County, Austin Community College District, and the Central Health District.

The Average Austin homeowner may only be paying $1359.82 to the city in property taxes, but they could be paying more than $6,000 in property taxes altogether.

While 63 percent of households in the United States know they’re paying property taxes, the remaining 37 percent is usually doing it indirectly. Property taxes impact the amount of rent landlords charge, whether a household is renting an apartment or a house.

Wallethub analyzed real-estate data from the United States Census Bureau for all 50 states and the District of Columbia.

Ask the Expert: Stephen J. Lusch, Assistant Professor of Accounting in the Neeley School of Business at Texas Christian University

Q: Do people consider property taxes when decided where to move? Should they?

Dr. Lusch: Tax is one of many variables that people consider when deciding where to move; however, it is seldom be a first-order determinant. Generally, I would expect that individuals consider factors such as job opportunities, crime rates, schools, and commute times, etc. before they typically consider property taxation in their moving decisions. In states where property taxes are high, such as my home state of Texas, the location of your property can make a big difference though. There are areas of the Dallas/Fort Worth Metroplex that if you purchase a house a block or two over you may pay a few thousand dollars less in property taxes per year because the property falls into a different county/city/school district, etc. Overall, taxes, including property taxes, are a real cost of location decisions and thus should be considered in these decisions. However, the goal is to maximize the net benefits. There are benefits of certain areas and costs of certain areas. One such cost is tax, but that needs to be considered as part of the larger puzzle. In most instances, selecting location purely based on tax will very likely not result in the optimal decision.

Q: Should nonprofits pay property taxes?

Dr. Lusch: This is a difficult question that has valid arguments on both sides. First, the general argument for not exempting nonprofits from property taxation is that they use many of the resources that are supported by the revenues of the property tax system (e.g., infrastructure, public safety, etc.). On the other side, the argument for exempting nonprofits from property taxation is that taxes would be an added expense that would decrease the funds available for that nonprofit's charitable mission. In addition, for nonprofit sectors that have paying "customers," say a private university, that property tax bill would likely, at least partially, get passed on to students through higher tuition.

It is worth noting that there are nonprofits that make voluntary payments to local governments even though they are exempt from property taxation. For example, in fiscal year 2014, Brown University made over $5 million of voluntary tax payments to the city of Providence. So there is some recognition by nonprofits that they are using government resources, and if able, should help pay for them.

Overall, I do not think that property taxes for nonprofits is a policy that is off limits. I think it is a policy that legislatures should think about. However, even if a jurisdiction decided to start collecting property taxes from nonprofits, they would likely still provide some preferences to them relative to other types of landowners. For example, subjecting property held by nonprofits to a lower rate, still exempting certain types or sizes of nonprofits from property tax, etc.

Q: Should local tax policy be adjusted to rely more or less on property taxes versus other forms of taxation?

Dr. Lusch: One thing that is quite unique about tax policy is that a jurisdiction has a lot of autonomy in designing the tax system it believes will work best for it. Thus we see significant variation across the country in how state and local governments design tax systems. Some states, such as Texas, have high average property tax rates; however, the trade-off is that Texans do not pay state income tax. Then you see other states, such as Hawaii, that generally have low property tax rates, but have high state income tax rates. At the end of the day, governments need revenue, and they are going to collect that revenue from some sort of taxation. An advantage of relying more on the property tax system relative to other taxes to collect revenues is that real property is fixed in location. That is, if you own a piece of land with a house on it, then it is very clear what taxing jurisdiction that property will be taxed in. Whereas with income taxes, there is the ability to engage in tax planning strategies to shift income from higher taxed jurisdictions to lower taxed jurisdictions. A drawback of relying too heavily on the property tax system is that without sufficient controls, the tax can significantly burden property owners in periods of rising property values. There is a concept in tax system design known as the wherewithal-to-pay concept. The general premise is that the taxpayer should be paying the tax when he/she has the wherewithal to pay it. In the income tax system, this is fairly straightforward because the taxpayer receives salary/wages/investment income/etc. throughout the year and then files a tax return and pays the tax. In this case, the taxpayer has already received cash inflows related to the income and thus should have the cash available to pay the tax. However, property taxes are a function of the assessed fair market value of the property, so taxpayers are being taxed on increased value in a home that they have not received any cash inflows from. So there are situations where a taxpayer purchases a home at a monthly payment that he/she can afford, but if that house drastically increases in value over time then the additional property taxes can really burden them, particularly if their wages/salary have not been increasing as similar rates. However, some ways you see this addressed is that some jurisdictions have a maximum year-over-year increase in assessed value of properties. So say the home actually increases in value by 10 percent this year, the law may cap that increase at say 2.5 percent for the purposes of calculating property taxes. In addition, there are jurisdictions that have property tax freezes for individuals over a certain age (e.g., 65+), so that these retirees do not get forced into the situation of leaving a home that they can no longer afford the property taxes on.

DALLAS BUSINESS JOURNAL

March 20, 2018
Here are the North Texas business schools with the best-paid graduates - *By Jeff Jeffrey and Brandon Call*

University of Texas-Dallas is among the highest rated business schools in *U.S. News & World Report's* latest ranking of the best MBA programs in America, although the school came up short in one category that ranks high among business school students: average starting salary.

U.S. News determined that at $159,815, the University of Pennsylvania's MBA graduates had the highest average starting salaries among the nation's MBA graduates last year. Locally, however, it was Southern Methodist University's Cox School of Business that took the top spot, whose average salary for MBA grads was $105,644 last year.

Texas Christian University's Neeley School of Business ranked second locally in average MBA graduate pay, boasting starting salaries of $100,734.

Despite having the 40th-best business school in the country, University of Texas-Dallas' Naveen Jindal School of Management MBA graduates earned just $91,270.

The Washington Post SFGATE Daily Herald SUBURBAN CHICAGO'S INFORMATION SOURCE DAILY FREEMAN LIFESTYLE limaohio.com HOUSTON CHRONICLE StarTribune More of what matters to Minnesota. All day. Every day. GREENFIELD RECORDER

March 22, 2018
Love that home's view? See how much more you'll pay *– by Marilyn Lewis*

A house with a fabulous view can be hard for a homebuyer to resist. But seeing the mountains, water or city lights from the comfort of home comes at a price. The hazy part is figuring out what that added cost is — and whether it's worth it.

That's where real estate appraisers and analysts who study home values can help, even though they recognize there's no simple answer.

"Views are actually really difficult to quantify," says Andy Krause, principal data scientist at Greenfield Advisors, a real estate research company. "It's somewhat subjective. What makes a better water view? Do you want it to be wider? Do you want more of the water from a taller angle? You know, some of that is in the eye of the beholder."

Assigning a dollar value can also be difficult because not all views are equal or valuable, and a view that's sought-after in one location may not be in another.

In Manhattan, a place that overlooks a green space will cost you a lot extra. In the countryside? Not as much, says Mauricio Rodriguez, a real estate expert who chairs the finance department at Texas Christian University's Neeley School of Business.

So how do you put a price on a variety of views? Krause, who builds automated valuation models that analyze home data, produced these estimates for what five different types of views might add to a home's price in Seattle:

1. 5% to 10%: For a home on flat ground with an unobstructed view of an open space or a park, a seller could add 5 percent to 10 percent. In other words, if an identical home without a view is worth $500,000 elsewhere in Seattle, this view could boost the price to $525,000 or $550,000.
2. 10%-30%: A home partway up a hill with a partially obstructed water view over neighbors' rooftops could increase the overall price by 10 percent to 30 percent. It depends on how much of your field of vision the view fills, both vertically and horizontally, Krause says. In this example, a home otherwise worth $500,000 might fetch $550,000 to $650,000.
3. 30%-50%: This time Krause considered the same home as above, in the same location, but with an unobstructed view. "You still have the neighbors above looking down into your house, but you have a nice water view," he says. With this clearer view, the $500,000 home could sell for $650,000 to $750,000.
4. 50% to 70%: Next, envision a home atop a hill with an unobstructed cityscape or open-space vista. To buy the $500,000 home in this location, a buyer might have to pay $725,000 to $875,000.
5. 75% to 100%: Finally, imagine a house with a stunning, unobstructed view of a big lake or the ocean. This type of prized view can boost the value of a home worth $500,000 in an ordinary location to $1 million or more, Krause says.

D CEO

March 30, 2018
TCU to Open Center for Real Estate – by Will Ehrhardt
Demand from students and real estate professionals results in new department within TCU's Neeley School of Business.

A new Center for Real Estate is in the works at Texas Christian University in Fort Worth. After clamoring from students and members of the DFW real estate professional community, TCU has received more than $2 million dollars in financial commitments for the new institute.

The center will provide experiential education and networking opportunities for TCU students, in addition to executive education and playing host to presentations from important real estate leaders from across the country.

This announcement comes a little over four years since another real estate educational facility in the region, Southern Methodist University's Robert and Margaret Folsom Institute for Real Estate, a named a leader.

"Real estate professionals will be able to access research, data, and reports specifically for the DFW Metroplex," TCU Neeley School of Business John V. Roach Dean O. Homer Erekson said in a statement. "For students, the center will support them to attend conferences, participate in case competitions and consulting projects."

Dr. Mauricio Rodriguez, a professor of finance and real estate and chair of TCU's Department of Finance, will be the center's director and is leading the charge in recruiting talent for its leadership team.

According to Rodriguez, a posting for associate director of the Real Estate Center will go out sometime in the next two week, pending approval by the university. He hopes to hire another staff member next year to oversee outreach programs, conferences, and contact with local real estate industry individuals.

Currently, the Neeley School of Business offers an undergraduate finance major with an emphasis on real estate, but there are plans to offer an independent real estate major going forward. Dr. Rodriguez expects some students studying finance with the concentration on real estate to transition into the new major program, allowing the program to have a solid student base upon introduction.