



County of Hamilton

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TAXES, BIG GOVERNMENT AND NEVER-ENDING SUBSIDIES

Will it soon cost too much to live here?

Dusty Rhodes, Hamilton County Auditor

Property Taxes were just due. Now it is time for fiscal reality. Trouble is brewing. The cost to own property and live in Hamilton County is growing out of reach for many citizens and calls for making it even pricier are increasing while the task of administering real property taxation has reached new levels of complexity.

Let's take these one at a time.

As the Metropolitan Sewer District seeks to comply with a federal consent decree to improve the combined sewer pollution problem property owners are getting hit with ever expanding sewer rates. Since just 2000 the average homeowner has seen sewer rates more than triple with an average yearly increase of almost 11 percent (10.8417%) which means he or she now pays nearly \$800 a year.

Add our very high property tax rate that residential properties in Hamilton County pay and you are on your way. The property tax was recently reported by Gallup to be "the most hated tax in America". A new study by Urban-Brookings Tax Policy Center indicates that Hamilton County was in the highest 13 percent of counties nationally and 6th highest in Ohio from 2007 through 2011 when you figure property taxes as a percent of home price. It was 1.60 % for the five year period. In 2012 it was 1.76 percent, in the highest 9 percent of counties nationally.

From 2007 to 2011 some 60% of U.S. counties had property tax bills less than 1% of home value. 37% had bills between 1% and 2%. The few remaining were higher. And here we are in Hamilton County at 1.76% in 2012, among the very highest in the country.

Having previously compared the County's 11 special tax levies to "being nibbled to death by ducks" (each levy modest, but the cumulative impact is great) it is worth noting that the County portion is only about a fourth of the total property tax. Schools, cities, villages, and townships get the rest.

With all the current expenses the pressure is on local decision makers as the area's media routinely focuses public attention on one new expensive project after another. Never mind the stadiums that are not paid off, the billion dollar City of Cincinnati debt, the same municipality's hopelessly underfunded pension system, and the aforementioned MSD capital projects.

We still hear constant calls for more subsidized development at "the Banks". Editorials and reporting seem to promote Union Terminal, Music Hall, funding for the Port Authority, completing and even expanding the city streetcar, Queensgate redevelopment, Swifton transformation, the MLK interchange, the County crime lab and Brent Spence replacement.

The proposed funding for these projects is not limited to direct taxation. For example, tolls have been suggested for the bridge, "regional solutions" (whatever those might be) have been put forth as an answer for Union Terminal and Music Hall, and the business community and foundations are looked to as sources for some other items on the wish lists.

Simply calling something an "investment" does not mean we can ignore the expense and justify more spending.

If you have a story to tell or a project to sell too many local voices will happily try to persuade government to do it. Everything seems to warrant public subsidy. Business risk is being socialized. Do any corporate leaders in our area still believe in the free market?

So how will this approach work in the end? Not well.

The very system of property taxation has grown so complicated that teams of skilled practitioners have a devil of a time trying to administer it. As government keeps interfering in the market place each deal further erodes what free market forces normally do. . . allocate resources efficiently and allow those of us with responsibility for appraising property values to do our job reasonably well.

Those very acts of government involvement considered so necessary to get anything developed, to keep people here or attract new people, create an understandable impression among taxpayers that the system is unfair. It is also largely inexplicable as tax abatement, tax exemptions, and tax increment financing (TIFs) play favorites chosen by the politicians who created this whole hodgepodge in the first place.

So while it is increasingly expensive to live here, there is growing pressure to take on more projects we cannot afford before we pay off the previous expensive undertakings. The system is so opaque that it is viewed as unfair, politicians are handing out special development deals right and left, and the market place has been largely abandoned as an allocator of capital and decider of valuation as government intrusion grows.

This is all a formula for failure.

It poses a fundamental threat to our area as we expect a smaller and smaller group of property owners to foot the bill as favored categories avoid taxation. At some point the only people who will live here will be those so wealthy taxes make no difference and those who are the routine recipients of government services or subsidies who cannot afford to relocate.

This is fair warning that the much ballyhooed happy talk of our great success is really a thin veneer of propped up achievement hiding debt, escalating public commitments, and justified taxpayer resentment.

We are starting to resemble a Potemkin village. While "The Banks" gets built and Over the Rhine gets revitalized, many neighborhoods and communities are in decline. Just drive a car on our streets and you'll feel the deterioration.

The truth is that happy days are not here again and the exodus of the middle class from our County is advancing.

Our future? At this rate, think Detroit.

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