LESSON: How to stop a bad policy
PROTECTING THE HOMESTEAD:
How a small team of free-marketers repealed Croatia’s property tax

Lipa Taxpayers Association is a small shop, with just one full-time employee and a modest budget. But with grit and ingenuity it stopped Croatia’s new property tax dead in its tracks, unleashing such a powerful public backlash that Prime Minister Andrej Plenković was forced to repeal the tax in 2017 before it was ever implemented. Public outcry against the country’s high tax burden has been so strong ever since Lipa’s efforts that it has become virtually impossible to pass tax hikes of any kind in Croatia.

Lipa’s campaign stirred the entire nation, awakening a latent desire for agency and freedom that had not been voiced publicly in many years. Lipa’s volunteer campaign to spread the word on the anti-property tax movement yielded incredible results.

- Lipa’s petition collected more than 20,000 signatures in the first 24 hours and reached 50,000 signatures in the first two weeks. When citizens started receiving forms from their local authorities asking them to give a detailed account of their properties, signatures then surged to more than 146,000 people, roughly 3.5 percent of the population in Croatia.

- More than 100 news outlets covered the property-tax repeal campaign, making it impossible for officials, residents, and influencers alike to ignore the grassroots momentum in favor of abolishing the new property tax.

- On Sept. 14, 2017, the Croatian government fully repealed the nation’s property tax. Despite multiple attempts since then, the current government has been unable to introduce any new taxes in the face of public opposition.

KEY TAKEAWAYS

Lipa’s phenomenal success has numerous lessons that can offer guidance to other free-marketers looking to do good work in their home countries. The organization’s defeat of the Croatian property tax offers insight on how to:

- Build a grassroots movement
- Leverage public sentiment and the political climate to fight back against bad tax policy
- Speak in the language the target audience consumes
Since embracing its independence in 1991, Croatia has seen market reforms take root, slowly but surely. But it hasn’t been easy.

One way Croatia’s men and women have exercised their newfound liberation since parting ways with communism is by investing in property. In fact, nearly 90 percent of all Croatians live in property they own — not rent — regardless of their income level. Owning a home has become a powerful tool for investment and long-term stability as the maturing population deals with how to save for the future.

A property tax would’ve devastated this arrangement. But Lipa’s brave team stood up against this toxic policy proposal to unite the country and, for one of the first times in independent Croatia’s history, gave all citizens a voice.

This story isn’t a one-off about killing a specific tax — it’s about creating a movement of unity and hope, in which a people long held down by the strong arm of communism has finally found its voice. And that voice is saying: No new taxes.
Lipa is the leading voice for taxpayers in Croatia, advocating for their interests to all levels of government. The think tank’s primary area of focus is on lowering Croatia’s tax burden, which is 50 percent higher than the EU average, reducing the size of Croatia’s government bureaucracy and bringing more transparency to the system, as well as reducing public debt — a major driver of the country’s high taxes.

Now in its third year, the young organization has already left a bold mark on Croatian civil discourse. The organization is totally reshaping the way citizens see the role of government in a land that has lacked a strong, independent, and people-focused voice for far too long.

THE CONTEXT: Understanding Lipa’s uphill battle, and the significance of the property tax repeal

Croatia is in the midst of a demographic crisis. After seeing its population peak at 4.8 million in 1990, the country has experienced year after year of population losses, between Croatians fleeing the country for greener pastures in Germany, Ireland, and other European nations and the number of deaths outpacing the number of births. Today, Croatia’s population hovers at 4.2 million residents. In 2017, there were nearly 20,000 more deaths than births, and 57,000 Croats left for Germany alone.

Why? Crippling taxes and a weak economy.

Croatia’s personal income tax rate is 40 percent, and though this represents a decline from its peak of 56 percent in 2009, the income tax is still a significant problem, especially when combined with a 25 percent sales tax rate. With unemployment at 13 percent and 40 percent for youths, the hope of planting roots and building a thriving future is not in the cards for too many Croats.

In 2016, a new tax reform package from the Croatian government offered a glimpse of how things could change for the better. Toward the end of 2016, the Croatian government passed, and parliament adopted, sweeping cuts to the country’s personal and corporate income taxes. This was great news — but unfortunately, there was a catch. In addition to these cuts, the new legislation introduced a tax on property in Croatia that would have been devastating to the country. Nearly 90 percent of Croats own the home in which they live, meaning rich and poor alike would’ve felt the pain. Housing has been a key savings vehicle across the country dating back to communist rule, which offered one of very few avenues in which to save one’s money under that system.

Lipa, which supported the tax cut portions of the legislation, knew it must act quickly.

GET OFF MY LAWN: How Lipa got government off Croatia’s property

Lipa’s anti-property tax campaign entailed an innovative communications onslaught. Because of the pressing nature of the issue — the property tax would have been effective Jan. 1, 2018, had it been allowed to go into effect as planned — the organization leveraged multiple communications channels and approaches to reach Croatians, old and young alike.

Before going public with their fight against the property tax, Lipa commissioned Velimir Sonje, one of Croatia’s most influential economists, to provide
an analysis showing how this new tax would affect the Croatian people. With those findings in the context of the overall tax burden, Lipa launched a marketing and communications campaign to help all Croatians understand what was at stake.

Armed with the facts, Lipa’s campaign kicked off on April 18, 2017, beginning with a press release that all major Croatian media picked up. In addition to the press release, the group shared an online petition against the introduction of the tax. Within 24 hours, more than 20,000 people signed the petition, and by the end of the campaign’s first week that number jumped to 50,000 signatures.

But the key to Lipa’s rolling success and growing influence on the issue was its practice of using information to build the campaign and drive at more and more homeowners. No piece of collateral was a one-off — it was always repurposed, recycled, and recharged. For example, all media coverage of the campaign was promoted on Facebook, where Lipa has an active and influential audience of more than 15,000 followers.

But not everyone Lipa wanted to reach is a social media user, and not everyone tunes into the news stations Lipa’s reach was hitting. So, in addition to generating anti-property tax support through media and on the web, they used the anti-property tax petition to collect mailing addresses. As the number of signatories rose, so did the mailing list, through which Lipa contacted further to reach homeowners using newsletters and other mailings.

Momentum continued to build as separate milestones regarding the government’s planned implementation of the property tax took place. The most significant peak in the campaign came in Aug. 2017, coinciding with the point at which Croatian citizens started receiving forms from their local government authorities asking owners to give a detailed account of their properties. This triggered an additional 100,000 people to join the campaign, applying even more pressure on the government. Many agitated property owners held protests in four major Croatian cities.

Finally, on Aug. 8, public outcry was unavoidable. Prime Minister Andrej Plenković pledged to withdraw the new property tax, signaling a win for the Croatian public and a major victory for Lipa.

GET OFF MY LAWN: How Lipa got government off Croatia’s property

A total of 146,100 signatures were gathered, which makes the petition one of the most successful civil-sector campaigns in the history of the Croatian democracy.

» According to Lipa’s economic impact analysis, the organization’s defeat of the property tax will mean Croatian citizens will keep 300 million kuna (USD $50 million) more in their pockets instead of transferring that wealth to state coffers.

» Lipa’s campaign totally shifted national sentiment on taxation. After the property-tax campaign, the Croatian government tried to introduce other new taxes, but had to withdraw these proposals due to public resistance, coming mainly from the people who signed Lipa’s petition and continued receiving the group’s newsletter. Lipa gathered 30,000 signatures against four new taxes one month after the property tax campaign. All of these new tax proposals were defeated.

» During Lipa’s six-month fight against the property tax, 100 different national and local media published news on the campaign.

» Lipa’s members discussed the need of withdrawing the property tax law in 20 major TV appearances.

» Lipa’s website experienced 380,000 visits in this period.

» Its Facebook reach was 900 percent higher and added 50 percent more followers during the campaign.

» More than 350 people volunteered to collect signatures for the campaign.
Key Lessons from Lipa’s Property Tax Campaign

HOW LIPA OVERCAME IT: Taking down a new federal tax — without knowing how much the government would be charging homeowners

Fighting back against the government is never easy, but it’s especially difficult when you’re trying to stop bad tax policy without being able to clearly articulate to the public how much the tax would cost them.

When the Croatian government enacted its new property tax, a good part of defining the new rate was to be left to local authorities. On top of this, the way the tax would be calculated was going to be left to a complicated calculation based upon property size and use, among other things. Ultimately, the property tax could have cost homeowners anywhere from a couple of hundred to a couple of thousand dollars per year.

In the end, the campaign won not because of numbers, but because of emotional appeal. The message that “A property tax makes us subtenants in our own homes” struck a chord with the people of Croatia and became a message that resonated with a vast swath of the population.

Why it matters: We have to work with the toolbox we’re dealt. When data were not readily available

for the anti-property tax campaign, Lipa was able to communicate the effects a property tax would have holistically, while also making an emotional appeal to a nation heavily invested in property.

HOW LIPA DID IT: Harnessing recent experiences with communism to stir public awareness and engagement

Croatia’s recent experience as part of communist Yugoslavia continues to have deep effects on its people and its economy, and this presented powerful opportunities as Lipa fought back against the new property tax.

One lasting impact that was particularly relevant for this fight? The effect of communism on homeownership in Croatia. Due to the inflation that was prominent during Croatia’s years under communist rule, people were forced to save money by purchasing properties, which did not lose value even as the value of national currency fell. Today, Croatia ranks third in the European Union when it comes to rates of home ownership, after Romania and Slovakia. The country’s high percentage of home ownership helped Lipa motivate citizens into action, because the new tax policy directly affected their investments, which have come to have not only monetary value, but also symbolic meaning and a strong emotional attachment.
Why it matters: Context matters. So does motivation. It’s not just a matter of understanding why your position is the right one from a policy perspective — you must also be able to translate that importance to a wide audience, while at the same time providing the significance of the issue at the personal level. It’s not just “Why should Croatia care?” — it’s “Why should YOU care?” If people feel detached or unrelated to an issue, they will not engage. As Lipa realized, the property tax affected everyone.

HOW LIPA DID IT: Motivating an unmotivated populace

When Lipa first considered taking on the property tax fight, the team knew it would be an uphill battle. First, the EU Commission had recommended the measure as an appropriate decision for the government to pursue. Second, the general public had little to no knowledge on the property tax issue, let alone the intricacies and specifics of the federal legislation.

In general, before Lipa’s campaign, Croatian citizens were not very sensitive to new taxes. They thought it was somebody else’s problem — that taxation affects other, wealthier people.

So Lipa exposed the facts. The organization partnered with one of the nation’s most respected economists to show how all Croatians would be affected by a property tax given the amount of revenue the country hoped the tax would generate, and produced compelling, consumable language to explain to the general public how every new tax directly means less money for them to spend on their families.

Why it matters: As policy wonks, we often feel that we have to “ripen an issue” to get anyone to care about what we’re saying. And even in Lipa’s case, when a major policy initiative was taking place in real time that would affect the vast majority of the country’s residents, that challenge remained. Why should anyone care? As much as personal messaging matters, you have to first start with the facts. Lipa did just that by putting a number on the economic impact of the property tax, then distilling this impact down to the simplest possible talking points and messages to expose the public to the danger of this policy.

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“The biggest lesson, and a positive one at that, was that it is possible to get popular support on liberal topics in Croatia, if the campaign was done correctly — carefully choosing the messages and the communication channels for the target audience, timing it right and choosing the right topics.”

Zoran Löw
executive manager, Lipa
POINTS TO PONDER

1. Lipa Taxpayers Association is a small organization, but regardless of its size, it was able to take on the government and stop the new property tax before it was implemented. How can other think tanks, advocacy groups, or non-profit organizations with small staffs and/or modest budgets grow their advocacy efforts and expand the scope of their organization?

2. The power of Lipa’s campaign against the property tax stemmed from two parts: an economic analysis detailing how the tax would burden the Croatian people and the marketing and communications campaign to help Croatians understand what was at stake. How can think tanks, advocacy groups, or non-profits message their work in a way that resonates with people who may not understand the wonky details?

3. Lipa’s ability to engage its audience so quickly was due to its all encompassing marketing campaign that targeted social media, radio, and direct mail — but that might not be the best strategy for all organizations. What things should other organizations consider when planning their marketing and communications strategy?

4. An initial challenge that Lipa faced in its fight against the property tax was an unmotivated and unaware populace who did not understand how the new taxes would affect them. Aside from marketing campaigns, what can other think tanks, advocacy groups, or non-profit groups do to engage new audiences who may otherwise stay unmotivated and unaware?

Lipa Learn More:

- Dnevnik: [They put Croatia on their feet: "100 thousand signatures is sufficient reason for the government to give up on real estate taxes."
- Liberal.hr: [4 indications indicating that things in Croatia are finally changing for the best
- Rafinerija Ideja: [Davor Huić: “Do Not Change Politicians, It Is Impossible, Change Voters. You Have To Tell The Voters That They Have To Ask, Ask, Otherwise They Will Not Get What They Want”
- Index HR: [The petition against property tax collected more than 42 thousand signatures in five days
- Novilist.hr: [Davor Huić: Postponement of real estate tax first victory of civil society

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