State-by-State Property Tax at a Glance

Full Volume 2022

Our State-by-State Property Tax at a Glance visualization tool and narratives is a dynamic web-based visualization tool that illustrates the great variety across states in the ways state and local governments use the property tax. Its interactive maps and charts along with its expert-authored narratives tell the unique story of the property tax in each of the 50 states and the District of Columbia.

This 52-narrative volume is a compilation of the of the 2022 print version of the U.S. summary and reports for each of the 50 states and the District of Columbia. Each account begins with highlights of the state's property tax system and discusses property tax reliance, administration and assessment, property tax limits, property tax relief and incentives, key property tax history, and recent developments. These narratives provide data and state rankings for local property tax reliance, common measures of property tax burden, and property tax policy features.

Our researchers updated these narratives in 2022. Data on local government property tax reliance and measures of tax burden come from the 2019 Annual Survey of Government Finances from the U.S. Census and from 5-year 2015–2019 data estimates from the American Community Survey, another U.S. Census survey. Data on property tax features were obtained from the 2020 update of Significant Features of the Property Tax, the Lincoln Institute's signature property tax database.

The glossary at the end of this volume defines property tax terms in plain English. The glossary includes selected state-specific definitions.

The unique story of each state's property tax system is crucial to understanding the context of policy developments and the variation in property tax reliance and tax burden across states. We hope this research will bring clarity to the nuances of each state's system by setting the data against the backdrop of policy experience and history.

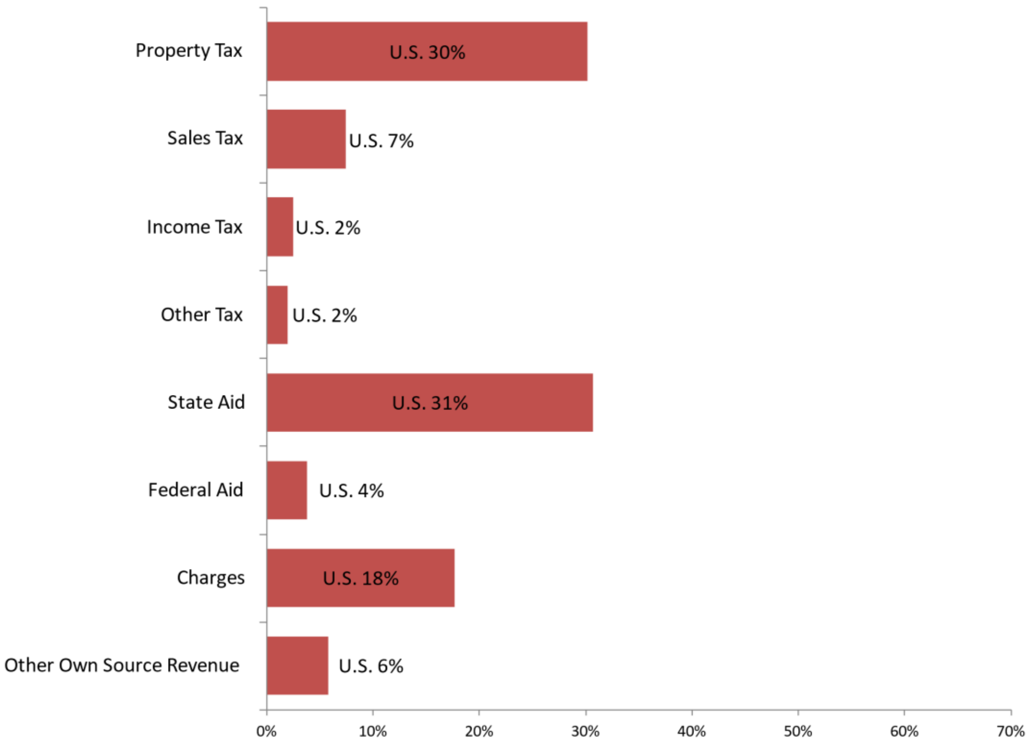
United States

Highlights

Reliance on the property tax varies markedly across the United States. In New England, local governments rely heavily on the property tax, with local governments in five of the six New England states (Connecticut, Massachusetts, Maine, New Hampshire, and Rhode Island) deriving at least half of their general revenue from the property tax. In contrast, local governments in the East South Central region (Alabama, Kentucky, Mississippi, and Tennessee) rely on property taxes for one quarter or less of their general revenues, lower than the U.S. average of 30.2 percent (figure U.S.-1; Garcia-Milà, McGuire, and Oates 2017).

Property tax systems across the United States exhibit amazing variety along many dimensions, as described in later sections of this narrative. Additionally, two states stand out for each having two distinct property tax systems. In Illinois, Cook County's property tax structure is distinct from that of the rest of the state; the same is true for New York City and New York State (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2020, 47).

Figure US-1
Sources of Local General Revenue, U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

The language used to describe features of state and local property tax systems often varies from state to state. For example, Indiana calls its levy limit (which caps property tax liability at 1 to 3 percent of assessed value) a circuit breaker; in other states, the term circuit breaker is reserved for residential relief programs under which relief rises as household income falls (Bowman et al. 2009).

Property Tax Reliance

State and local property tax burden measured as property tax per capita ranged from $620 in Alabama to $3,969 in the District of Columbia in 2019. Property tax revenue accounted for about 17 percent of state and local revenue nationally (table U.S.-1); however, the share of revenue varied by state from 7 percent in Alabama to 36 percent in New Hampshire. The effective tax rate on a median-value owner-occupied home ranged from 0.3 percent in Hawaii to 2.5 percent in New Jersey.

Table US-1
Selected United States Property Tax Statistics, 2019[1]

	U.S. Average
Per capita property tax	$1,758
Property tax percentage of personal income	3.1%
Total property tax as percentage of state-local revenue	16.6%
Median owner-occupied home value[2]	$217,500
Median real estate taxes paid for owner-occupied home[2]	$2,471
Effective tax rate, median owner-occupied home[3]	1.1%

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In the majority of states, assessment is the responsibility primarily of counties (table U.S.-2). However, in other states, assessment may be carried out either centrally by the state, as in Maryland and Montana, or may be a function of municipal governments such as cities and towns, as in Connecticut.

Not every state levies property taxes on 100 percent of a property's market value. In New Mexico, for example, taxable value is defined as 33 1/3 percent of market value; so the taxable value of a home with a market value of $300,000 is $100,000.

Classified property tax systems in 25 states permit local governments to treat particular types, or classes, of property differently. Typically, such systems result in a lower tax on residential property than on other property classes such as commercial and industrial. States achieve classification in one of two ways. Rhode Island is an example of a state in which local governments employ classification by applying different tax rates to four different classes of property (residential, commercial, personal property, and motor vehicles). Nebraska is an example of a state that applies different assessment ratios to three different classes of property.

Limits on Property Taxation

States have imposed legal limits on property taxation since at least the 1850s. In 2013, 46 states and the District of Columbia restricted property taxation either through limits on rates, limits on levies, limits on growth in assessed values, or some combination. In 2018, limits on property tax rates, the oldest and most widespread type of limit, existed in 36 states, and 36 states plus the District of Columbia had limits on property tax levies, while 18 states restricted growth in property values through assessment limits (Paquin 2015; Significant Features of the Property Tax).

Property Tax Relief and Incentives

Homestead exemptions and property tax credits provide residential property tax relief to homeowners in 46 states and the District of Columbia, and most states have multiple programs. These exemptions and credits are the most important in the District of Columbia, Florida, Indiana, Louisiana, and South Carolina (Langley 2015; Significant Feature of the Property Tax). In 2018, 25 states provided relief to all homeowners, usually for only their primary residence (Significant Features of the Property Tax).

Circuit breaker property tax relief programs provide income-targeted residential property tax relief that declines as income rises. Many states restrict these programs to elderly homeowners; although in some places, homeowners and renters of all ages may qualify (Bowman et al. 2009). In 2019, 31 states and the District of Columbia authorized property tax circuit breaker programs.

State property tax incentives for economic development generally fall into five categories: abatement programs, firm-specific incentives, tax increment financing (TIF), enterprise zone programs, and tax-exempt industrial development bonds combined with property tax exemption and sometimes payments in lieu of taxes. TIF is the most common economic property tax incentive for business but recent research finds, in many cases, it has failed to promote economic development (Merriman 2018). The use of business tax incentives has increased markedly in the last 50 years. They now exist in all 50 states and DC in one form or another (Kenyon, Langley, and Paquin 2012).

Table US-2
Property Tax Features of State Governments, United States, 2020

Feature	Count for 50 states plus DC
Statewide classification of real property	25
Assessment of property primarily by county	31
Limits on property tax rates or levies	45
Limits on the rate of growth of assessed value	18
Circuit breaker property tax relief program	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The federal government briefly imposed a temporary tax on property a few times, first in 1798 to generate funds for national defense, and most recently in 1861 to pay for the Civil War (Larkin 1988; Wallis 2001). Once a major revenue source for state governments, the property tax is now a miniscule source for most states (Minnesota Center for Fiscal Excellence 2020). However, the property tax has endured throughout U.S. history as the chief revenue source for local governments.

After independence, all states taxed property to some extent. However, when in 1790 the federal government assumed state debt, state reliance on property taxation declined, with a handful of states eliminating property taxes entirely. State property tax reliance increased briefly due to the War of 1812 but afterward declined through the 1830s, then remained fairly constant until 1900 (Wallis 2001).

Local governments, which had continued to rely heavily on property taxes, grew rapidly relative to the national and state governments from 1840 through the beginning of the 20th century (Wallis 2001). It was during this period that states began to enact limits on property taxation, generally capping property tax rates for specific local governments (Paquin 2015). In 1902, the year of the first comprehensive census of governments, the property tax was the most important revenue source for state and local governments in the United States, generating 68 percent of combined state and local revenue.

Between 1900 and 1942, the property tax again diminished as a state revenue source as state governments shifted away from the property tax in favor of sales and income taxes. Local governments in this period generated about 70 percent of their revenues from property taxes (Wallis 2001). Tax protests grew out of the Great Depression and led states to enact additional limits on property taxation, including caps on growth in tax levies (Paquin 2015).

California's passage of Proposition 13 in 1978 led to the most significant property tax limitation movement to date (Paquin 2015). In the five years following its passage, states considered more than 58 ballot measures to limit the property tax. Following California's lead, states began to enact increasingly stringent tax limitations, including, for the first time in history, broad limits on increases in assessments (Paquin 2015; Youngman 2016).

Historically, the property tax has been closely linked to education, providing the largest source of local education funding (Kenyon 2007; McGuire, Papke, and Reschovsky 2015). Although the property tax, by virtue of its immobile base, has provided a stable funding source for schools, inequities among school districts have been the subject of legal challenges across the United States since the 1960s and have led to massive restructuring of many states' property tax systems.

Recent Developments

In 2018, state and local governments raised $547 billion through the property tax, which accounted for 30.2 percent of local general revenue and 0.8 percent of state general revenue (Significant Features of the Property Tax).

For several years, local governments in many states, but particularly those in the Midwest and the Southeast, have faced a challenge to their property tax assessment practices from the "dark stores" assessment approach. According to that approach, a "big box" store should be valued using the sales comparison approach to value with suitable comparable properties being vacant or "dark stores." Business taxpayers filing appeals using this approach have been able to significantly lower their property tax assessments and thus their property tax bills, thereby reducing local government revenues. In recent sessions, legislatures in Indiana, Kansas, Maine, Michigan, and Wisconsin have considered legislative action to curb dark stores litigation or to provide support to plaintiff local governments. Alabama has contracted a legal firm to help counties defend against litigation (Sell 2019). Walmart first brought a case based on dark stores assessment theory in its home state of Arkansas in 2019, and that case is pending (Besson 2019). Meanwhile, a Wisconsin Supreme Court ruling declined to review an appeals court decision in favor of the local government—this action by the state's highest court was a big win for local governments (League of Wisconsin Municipalities 2021).

In December 2017, the Tax Cuts and Jobs Act was enacted, the first major overhaul of the federal tax code since 1986. This tax act impacted property taxation in two important ways. First, the federal government capped the allowable deduction of state and local income, sales, and property taxes at $10,000 per year. Several states attempted to enact workarounds, most of which were thwarted by new IRS rules, though in 2020 the IRS cleared the way for entity-level workarounds (Walczak 2020). Four states sued the federal government claiming it violated state sovereignty, but a federal judge dismissed the lawsuit in 2019 (Reitmeyer 2019). Then, in 2021, a bipartisan group of U.S. representatives proposed a repeal of the SALT cap, but near the end of the 2021 session a compromise to raise the deduction cap seemed more likely than a full repeal (Davison 2021; McPherson 2021). The second way the tax act impacted federal tax deductibility of property taxes was that the near-doubling of the standard deduction significantly reduced the percentage of federal taxpayers who itemized deductions. Both TCJA

changes make it more difficult for state and local governments to raise property taxes (Tannenwald 2018; Tax Policy Center 2018).

The Covid-19 pandemic had an uneven effect on state and local government revenues. Initially, states saw steep declines in tax revenues, but for most governments tax collections fell less than projected and started to recover sooner than expected. By February 2021, 29 states had brought in as much or more tax revenue in the first 12 months of the pandemic as they had in the 12 months prior to the pandemic. Still, tax revenue losses exceeded tax revenue gains in at least 20 states as of February (data were unavailable for Wyoming) and states dependent on oil and tourism (or both) were furthest behind. Alaska tax revenues were down 49.2 percent year over year while Hawaii, North Dakota, Texas, and Nevada were behind 10 percent or more. On the other end of the spectrum, in Idaho, Utah, Colorado, South Carolina, and South Dakota, tax collections were up 7 percent or more compared to the 12 months prior to the pandemic (Rosewicz, Theal, and Fall 2021). In response to concerns about taxpayers' abilities to keep up with property tax payments, state and local governments across the United States adopted one-time policies, most commonly extending property tax due dates or deferring interest and penalties for late payments (Marvin F. Poer and Company 2020).

A bipartisan coalition of state legislatures launched a campaign to stop "corporate tax giveaways" in 2019. The Coalition to Phase Out Corporate Tax Giveaways aims to create a nationwide "Agreement to Phase Out Corporate Giveaways" through state legislation to end inter-state competition for businesses among those states adopting the agreement. The campaign spurred legislative filings in 13 states in 2020 and five states in 2019 (Coalition to Phase Out Corporate Tax Giveaways). In 2021, legislators in 15 states introduced legislation to phase out economic development incentives that use public funds to lure businesses from other states. Utah became the first state to adopt such a law on March 21, 2021.

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Alabama

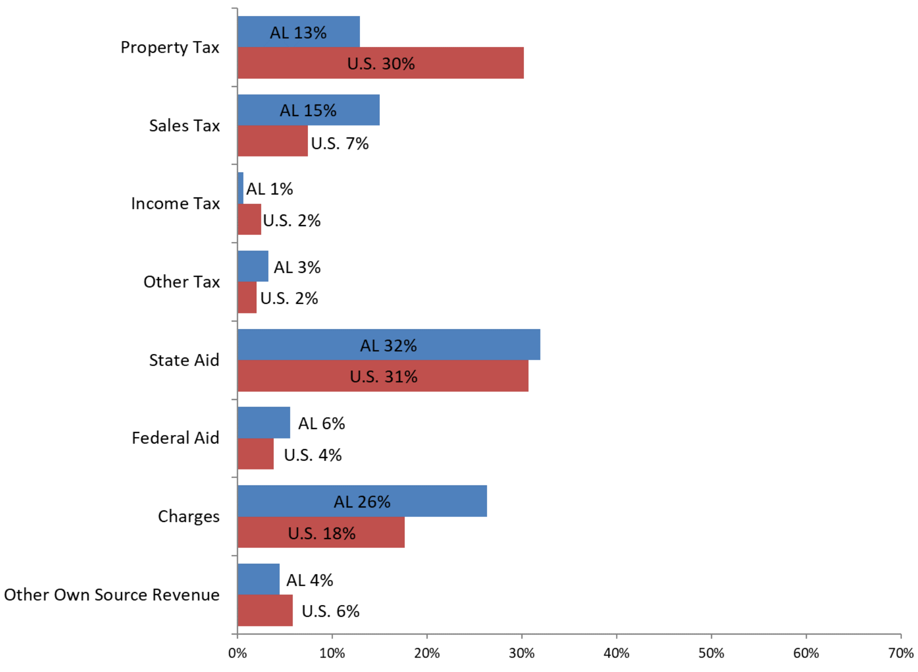
Highlights

Local government reliance on the property tax is very low in Alabama compared to that of the rest of the United States. After state aid, Alabama's local governments rely most heavily on charges, followed by sales taxes and property taxes, which comprise 15 percent and 13 percent of Alabama's local general revenue respectively (figure AL-1).

Alabama has a classified property tax system, with four different classes of property that have different assessment ratios. Residential property, which is included in Class 3, is assessed at 10 percent of market value. This means that a home valued at $100,000 is assessed at $10,000.

Constitutional limits play a major role in the state's property tax policy. Provisions that would be state statutes in many other states are part of Alabama's constitution. Alabama's *Constitution of 1901* is the longest in the United States (including 895 Amendments); and in reaction to the excesses of Reconstruction, it severely limits actions of local governments. Property tax classification is part of the state's constitution, as are the various property tax rate and levy limits.

Figure AL-1
Sources of Local General Revenue, Alabama and U.S., 2019



Source: U.S. Census via Significant Features of the Tax

Property Tax Reliance

Alabama ranks either 50th or 51st among the states and DC in property taxes per capita, property tax as a percentage of personal income, property tax as a percentage of state-local revenue, and the effective tax rate on a median-value owner-occupied home (table AL-1).

Table AL-1
Selected Alabama Property Tax Statistics, 2019[1]

	Alabama	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$620	$1,758	*51*
Property tax percentage of personal income	1.4%	3.1%	*51*
Total property tax as percentage of state-local revenue	6.9%	16.6%	*51*
Median owner-occupied home value[2]	$142,700	$217,500	*45*
Median real estate taxes paid for owner-occupied home[2]	$587	$2,471	*51*
Effective tax rate, median owner-occupied home[3]	0.4%	1.1%	*50*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are levied by the state government as well as by counties, municipalities, and school districts.

Assessment is primarily conducted by the state's 67 counties (table AL-2). The state's classification system employs four different classes: utilities; residential, agricultural, forest, and historic; private cars and trucks; and all other, including business personal property. Class 3 (residential, agricultural, forest, and historic) has the lowest assessment ratio (10 percent), while Class 1 (utilities) has the highest assessment ratio (30 percent).

Property eligible for current use includes not only agricultural and forest, but also homestead and historic property.

The Alabama Department of Revenue directs all tax assessors to reappraise property values at their full market value (Significant Features of the Property Tax).

Limits on Property Taxation

Alabama employs various property tax rate limits and a levy limit. All are part of the state's constitution.

Detailed property tax limits apply to property taxation by the state, counties, municipalities, and school districts. State property taxation is limited to 6.5 mills. Counties are limited to 5 mills for general purposes and 2.5 mills for debt service. Municipalities may levy 10 mills for debt service and an additional 5 mills for other purposes. School districts are required to levy a minimum of 10 mills (Significant Features of the Property Tax).

The levy limit applies to properties by class. For example, Class 3 property, which includes residential property, cannot be subject to total property taxation of more than 1 percent. If taxation initially exceeds these limits, the amount of each taxing jurisdiction shall be reduced proportionately.

Tax Relief and Incentives

Alabama has several property tax relief programs, but no circuit breaker. There is a standard homestead exemption on the 6.5 mill statewide property tax on $4,000 of assessed valuation, meaning a homestead appraised at $40,000 and assessed at 10 percent pays no state property tax. State exemption is also granted at 100 percent for homeowners over 65 years of age with limited income, or those who are retired due to permanent and total disability, regardless of age, or who are blind. Local property tax exemptions are also available.

Abatements of property tax are statutorily authorized for purposes of economic development and can be granted by multiple authorities for up to 10 years. These include, but are not limited to, municipal industrial boards, downtown redevelopment authorities, county industrial development boards, county industrial development authorities, tax increment financing authorities, and municipal medical clinic boards. The granting of these abatements reduces the ad valorem tax revenue to the state as well as to local governmental entities. Such abatements are authorized only for noneducational millages.

Table AL-2
Alabama Property Tax Features, 2020

Feature	Alabama	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

State taxation in Alabama has two distinct historical periods. The first period, spanning from statehood through Reconstruction (1819 to 1874), was characterized by traditional reliance on the property tax as controlled by statute. The second period, from 1875 to the present, has been characterized by constitutional limits on both state and local property taxation and debt.

Major changes to the property tax occurred in the twentieth century to gradually erode yield. These changes included reducing the assessment ratios, creating homestead exemptions and economic development abatements, and introducing current use. Most of the changes have been constitutional amendments. There are some 100 constitutional amendments pertaining to the right to hold a referendum on a local property tax, as no property tax can be levied without specific constitutional authorization.

In the 1970s, a class action suit was brought to the federal court challenging Alabama's variable assessment of property values for tax purposes, with assessment ratios ranging from near 0 to 30 percent. In *Weissinger v. Boswell*, the court agreed that this was a deficiency by U.S. constitutional standards and ordered uniform statewide assessment. But in 1978, Amendment 373 created four statewide classes of property. This was accepted by the court and procedures were set in place for uniform administration statewide. The net effect was that assessment ratios have been reduced to around 15 percent on average. In addition, Amendment 373 implemented current use for Class 3 property. By statute, current use may be granted to a homeowner whose dwelling has unreasonably increased in value; to cropland, pastureland, and timberland; and to historic buildings and sites. Amendment 373 was also referred to as the “Lid Bill" because it placed a maximum yield that could ever be collected as property tax by class of property from any combination of state and local millage rates.

Lynch v. Alabama, filed in 2008, charged that underfunding of the state's K-12 public education system was based on clauses of the constitution written after Reconstruction with the specific intent to limit funding for schools attended by black children. The suit was dismissed as the court ruled that plaintiffs did not prove violation of the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution or of Title VI of the Civil Rights Act of 1964. U.S. District Judge C. Lynwood Smith Jr.'s ruling concluded that "plaintiffs have proved a disparity in funding among the state's public school systems, but not a disparity along racial lines" (SchoolFunding.Info).

Recent Developments

Alabama is one of the states that has been impacted by challenges to commercial property tax valuations under the dark store assessment theory (Farmer 2016). Starting in 2013, Lowe's Home Centers began filing property tax appeals in Alabama. In 2016, the legislature passed SB 128 to authorize counties to hire outside counsel to handle property tax appeals. This was done to counter the property tax appeals (Sharp 2016; Webb 2016). In 2018, Alabama enacted a law that blocks the use of dark stores as comparable sales when appealing valuations of commercial or industrial properties. Act No. 2018-265 states, "it shall be inadmissible for a taxpayer to introduce evidence in support of an appraisal or opinion using a comparable sale or lease of property that either was vacant when sold or contains use or deed restrictions that prohibit the property, on which a building or structure sits, from being used for the purpose for which the building or structure was designed, constructed, altered, renovated, or modified." According to a report by the *Alabama Daily News*, in 2016 the Alabama Department of Revenue entered into a two-year, $200,000 contract with a private law firm to provide litigation support to counties and in 2019, entered into a new, larger two-year contract. In 2019, 20 counties were facing challenges to big box store valuations as well as challenges from owners of low-income housing properties (Sell 2019).

Developers of low-income housing who qualify for Low Income Housing Tax Credits (LIHTCs) have been challenging their valuations in Alabama, arguing the properties are subject to restriction on income and rent and should not be valued like conventional housing complexes (Sell 2019). In 2020, an Alabama circuit court ruled in favor of the developers, finding the land use restrictive agreements (LURA) may not be ignored in valuing low-income housing projects (*Glenbrook at Oxmoor I, LLC v. Magee*, No. CV-2017-900036 (Ala. Cir. Ct. Jefferson County, Bessemer Div. January 29, 2020)).

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Alaska

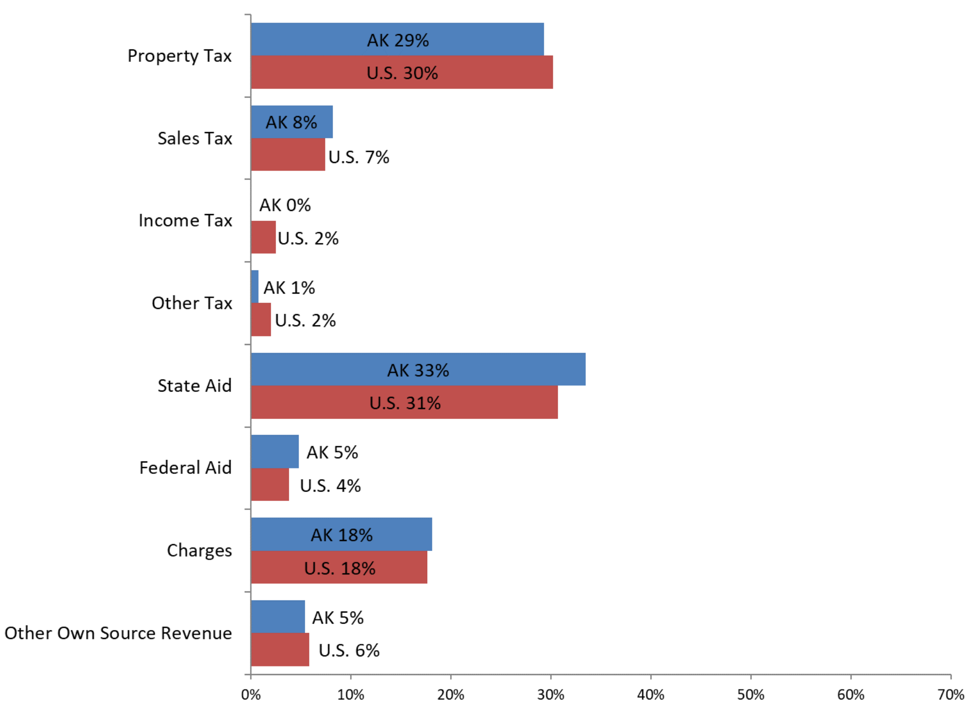
Highlights

For most of Alaska's history, both the state and local governments have derived a significant amount of their revenue from oil and gas. The state levies neither a general sales tax nor an income tax. Instead, it levies a severance tax and a statewide property tax on oil and gas exploration, production, and pipeline transportation. Local governments also derive a significant portion of their property tax revenue from oil and gas property. The plunge of oil prices in 2015 and subsequent slow growth has presented an enormous fiscal challenge for the state (Walczak 2020).

Alaska has a large land area and a small population and in many ways is still a frontier state. More than one-third of the state has no organized local government (McGee 2015).

Property taxes are the most important local government tax, even though many local governments do not levy a property tax (figure AK-1). Municipalities and boroughs (equivalent to counties) can also levy sales taxes and a number of special taxes such as those on alcohol, tobacco, car rental, or raw fish.

Figure AK-1
Sources of Local General Revenue, Alaska and U.S., 2019



Property Tax Reliance

Although Alaska ranks low in terms of total property tax as a percentage of state-local revenue, it ranks 11th among the states for per-capita property tax and 12th for property tax as a percentage of personal income (table AK-1).

Table AK-1
Selected Alaska Property Tax Statistics, 2019[1]

	Alaska	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,222	$1,758	*11*
Property tax percentage of personal income	3.5%	3.1%	*12*
Total property tax as percentage of state-local revenue	13.4%	16.6%	*35*
Median owner-occupied home value[2]	$270,400	$217,500	*14*
Median real estate taxes paid for owner-occupied home[2]	$3,231	$2,471	*14*
Effective tax rate, median owner-occupied home[3]	1.2%	1.1%	*19*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Of the 164 borough and municipal governments in Alaska, only 34 levy a property tax (State of Alaska, Office of the State Assessor 2021). Most real and personal property is assessed at the local level, and there is no fixed schedule for revaluation.

There is a statewide property tax on real and tangible personal property used in the oil and gas business, and this property is assessed by the state. The Alaska state assessor also determines the value of taxable property (or potential taxable property) within each school district for purposes of the state's foundation education aid program. This is most challenging for areas where local governments do not levy a property tax.

Limits on Property Taxation

Alaska employs both a municipal tax rate cap and a municipal tax levy cap. The property tax rate limit for first-class cities is 30 mills, and for second-class cities, 20 mills. There is no ability to override. First-class cities have 400 or more permanent inhabitants; second-class cities have 25 or more permanent inhabitants (Alaska Municipal League 2014).

The levy limit in Alaska states that municipalities can't levy taxes that exceed $1,500 a year per resident. There is no override process for the levy limit, but this limit does not apply to taxes levied or pledged to pay principal or interest on bonds (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Alaska does not have a property tax circuit breaker (table AK-2). The most important property tax relief program is a mandatory exemption of $150,000 of a homeowner's property value for seniors or disabled persons. Local governments have the option of increasing this exemption.

Agricultural land and farmland in the state are eligible for full or partial property tax exemption as well as current-use valuation of their property. Historic property is also eligible for full or partial exemption from the property tax.

Alaska also employs economic incentive programs through a property tax credit. The property tax exemption program allows properties to be exempt from property taxes for up to five years, and for payment of property taxes to be deferred for five years, as long as the deferment is tied to increasing jobs or wages. Alaska also has a tax increment finance program.

Table AK-2
Property Tax Features of State Governments, United States, 2020

Feature	Alaska	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Alaska has relied on property taxation since it became a state in 1959. The discovery of North Slope oil less than a decade later altered the state's fiscal landscape. The state government abolished its income tax in 1980, as it was able to derive about 85 percent of its revenue from oil and gas (Barone and McCutcheon 2014).

In the early 1980s, the state required all municipalities to exempt the first $150,000 of homestead property for seniors. At first, the state government reimbursed local governments for the revenue loss, but it no longer does.

Alaska's public schools are funded primarily through the state's foundation funding formula that was adopted under Senate Bill 36 in 1998. While there have been cases challenging the constitutionality of the state's funding of capital projects and operating costs, there has not been legislation introduced to change the foundation funding formula. During the 2015–2016 school year, state funds accounted for about 65 percent of public school funding in Alaska compared to the United States average of about 50 percent (National Center for Education Statistics 2019).

An adequacy and equity suit was filed against the state of Alaska in 1997. In *Kasayulie v. State*, rural parents and school districts claimed that the state's method of funding capital projects for education violated the education and the equal protection clauses of the state's constitution. Additionally, the suit claimed the funding method violated the implementing regulations of Title VI of the federal Civil Rights Act of 1964. The Superior Court ruled in favor of the plaintiffs, stating that the system for funding school facilities was dual, arbitrary, unconstitutional, and racially discriminatory. The court also held that education is a fundamental right in Alaska. After the Superior Court rejected a motion from the state to reopen the decision in 2001, the state allocated a significant amount of funds for the renovation and construction of rural schools, but it did not change the system of facilities financing that was ruled unconstitutional. The case remained open and inactive until 2011 when the legislature approved funding for the replacement or repair of schools in remote Western Alaska villages (SchoolFunding.Info 2015a).

A different group of plaintiffs filed a lawsuit against the state in 2004 claiming that the state's education finance system was inadequate and inequitable in funding operating costs. In *Moore v. State*, the trial court ruled that the state violated the education clause of the state's constitution because it failed to identify schools that were not giving children a meaningful opportunity. It also ruled that the state unconstitutionally violated due process by requiring students to pass an exit exam to graduate high school, since not all students had a meaningful opportunity to learn the material. After the court found that the state had failed to meet its obligations, the case was finally settled in March of 2012 and it provided a one-time appropriation of $18 million that was distributed among Alaska's 40 lowest-performing districts (SchoolFunding.Info 2015a).

Recent Developments

The state is facing an ongoing fiscal crisis because of the steep decline in the price of oil and the state's dependence upon revenue from the oil industry. In 2017, the governor announced a downgrade of the state's credit rating: "In the last three years, Alaska has gone from the highest credit rating in the nation to the third lowest, better than only Illinois and New Jersey" (State of Alaska, Office of the Governor 2017). In 2019, Governor Mike Dunleavy vetoed $440 million from the state budget approved by lawmakers in an attempt to address chronic deficits, largely due to trailing oil tax revenues. The cuts included a 41 percent reduction in state support for the University of Alaska, leading the university's

regents to declare financial exigency, an emergency measure that would allow the institution to cut staff and programs (Albright 2019; Bates 2019).

The crisis worsened in 2020. The Covid-19 pandemic dramatically reduced demand for oil and at the same time, a price war broke out between Russia and Saudi Arabia. These factors pushed oil prices to historic lows, devastating the state's oil industry and compounding the state's revenue crisis (Iversen 2020). By 2021, oil prices had rebounded and Alaska's revenue projections in the spring of 2021 were less dire than in late 2020 (Alaska Department of Revenue 2021). Oil prices hovered over $60 per barrel, around the same price as in early 2020 before the pandemic reached the United States. The industry lost about 40 percent of its workforce in the pandemic. In February 2020, the workforce had 10,200 workers; in April 2021, only 6,300 workers remained in Alaska's oil and gas industry (Brehmer 2021).

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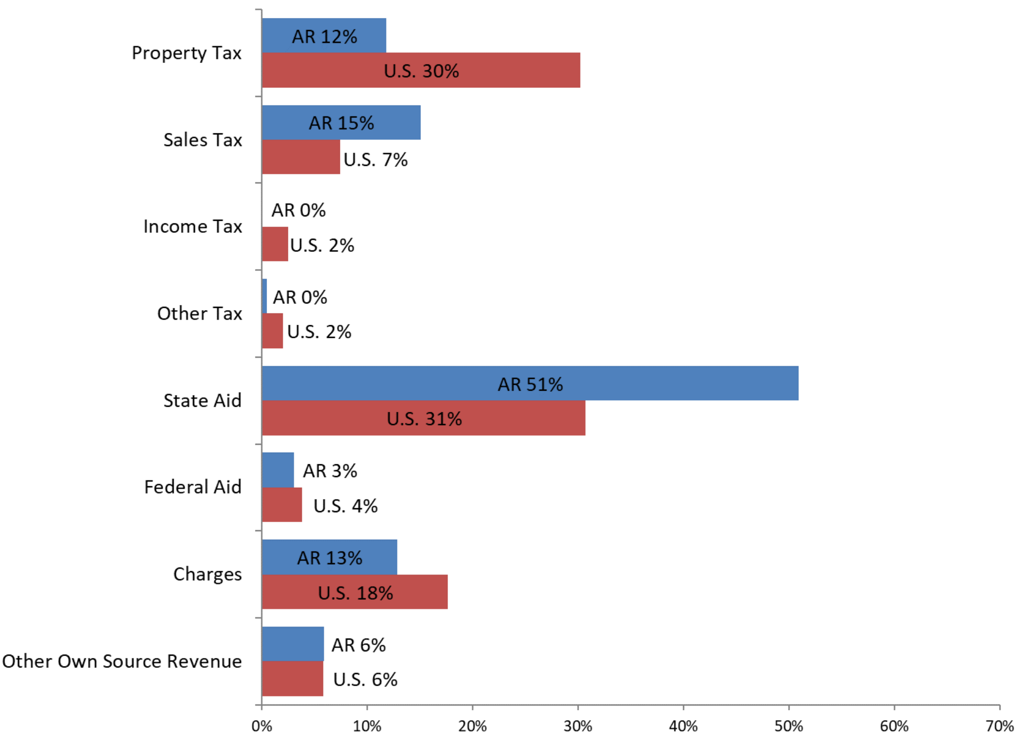
Arkansas

Highlights

Arkansas is one of the least property-tax-reliant states in the country. One reason for this low reliance is the increased state aid for schools that has resulted from decades of school funding litigation. State aid is a much greater contributor to local general revenue in Arkansas than for the average state (figure AR-1).

Another reason for the state's low reliance on the property tax is that most of its cities and counties levy sales taxes. Arkansas is heavily dependent on the sales tax; the average combined state and local sales rate was 9.51 percent in 2021. Only Louisiana and Tennessee had higher average combined sales tax rates (Cammenga 2021).

Figure AR-1
Sources of Local General Revenue, Arkansas and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

The property tax burden in Arkansas, by any measure, is among the lowest in the nation (table AR-1).

Table AR-1
Selected Arkansas Property Tax Statistics, 2019[1]

	Arkansas	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$788	$1,758	*50*
Property tax percentage of personal income	1.8%	3.1%	*47*
Total property tax as percentage of state-local revenue	8.8%	16.6%	*48*
Median owner-occupied home value[2]	$127,800	$217,500	*49*
Median real estate taxes paid for owner-occupied home[2]	$798	$2,471	*49*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*41*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are conducted at the county level (table AR-2). All real property (such as land, buildings, homes, and barns) that is not tax-exempt is assessed at 20 percent of true market value, and all personal property (such as cars, boats, and livestock) that is not tax-exempt is assessed at 20 percent of usual selling price at the time of assessment (UAEX Public Policy Center 2014). Arkansas is one of eight states to fully tax business inventory as personal property (Watson 2019). Each county must reappraise all real property every three or five years, with the interval depending on growth in property values between reappraisals.

Limits on Property Taxation

According to Arkansas Code, there is a limit on the number of mills that can be levied by cities and counties. Cities can levy up to 20 mills of property tax (5 mills for general government, 5 mills for bonded indebtedness, 8 mills for library, and 1 mill each for police and fire pensions). Counties can levy up to 21 mills of property tax (5 mills for general government, 5 mills for bonded indebtedness, 8 mills for library, and 3 mills for roads).

There is no limit on the number of mills that can be levied by school districts. However, there is a minimum: school districts must levy a minimum 25 mill tax on real and personal property (Amendment 74).

All millage levies, except for the city general fund and the county general and road funds, must be approved by voters (UAEX Public Policy Center 2014).

The state's property tax levy cap requires local governments to roll back property tax rates if the value of taxable property increases more than 10 percent following a revaluation. The rates must be adjusted to ensure the levy does not grow by more than 10 percent over the previous year (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Amendment 79 (1997) of the Arkansas Constitution provides for property tax relief by limiting the increase in assessed value for property tax purposes as a result of countywide reappraisal and granting a homestead tax credit. The provisions of Amendment 79 may be considered a type of assessment limit.

An increase in the assessed value of a homestead is limited to 5 percent for the year following a reappraisal. If the reappraisal results in an increase of more than 5 percent, assessments in subsequent years will be increased by 5 percent per year until the initial reappraisal assessment is reached. For other real property, assessment increases are capped at 10 percent per year and increased in the same fashion as homesteads.

Amendment 79 also freezes the assessed value of a homestead owned by a disabled person or a person 65 years of age or older. Finally, the state of Arkansas allows for an annual state credit up to $350 against the property tax on a homestead. This homestead tax credit may not exceed the total property tax on the property (UAEX Public Policy Center 2014).

Arkansas does not have many property tax incentives for economic development, but it does use tax increment finance (TIF) and payments in lieu of property taxes (PILOTs) when local governments issue industrial facilities bonds to attract industry that is building on government-owned property.

Table AR-2
Arkansas Property Tax Features, 2020

Feature	Arkansas	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The school finance system in Arkansas was first challenged in state court in the 1983 case *Dupree v. Alma School District No. 30*. The plaintiff's basic contention, that revenue for school districts is determined in large part by local property wealth leading to great disparities in funds available for education to school districts throughout the state, was similar to arguments put forth in state school finance lawsuits across the country around the same time. The Arkansas State Supreme Court found that the school finance formula in Arkansas violated both the Education Clause and the Equal Protection Clause of the Arkansas Constitution. In response to the 1983 State Supreme Court decision, the state revised its funding statutes by passing Act 34 of 1983, known as "The School Finance Act of 1984." This formula provided Minimum Foundation Program aid to districts funded by a one-cent sales tax passed by the Arkansas General Assembly.

In 1992, there was again dissatisfaction with the school funding system; the school district of Lake View (Phillips County) first brought its case (*Lake View v. Huckabee*) against the State of Arkansas, claiming that the funding system for its public schools violated the state's constitution because it was inequitable and inadequate. In the 1994 *Lake View* decision, a lower-court judge found the school funding system unconstitutionally inequitable. In response, the Arkansas legislature took a number of actions, including increasing school aid and requiring that each school district levy at least 25 mills on the property tax (Choate 2015).

Despite these legislative responses, the Lake View school district filed several additional complaints and the state filed numerous appeals. In 2004, the legislature passed tax increases for additional funding for schools. The state sales tax rate of 5.125 percent was increased to 6.0 percent, some services were subjected to taxation for the first time, and the corporate franchise tax was increased. These increases represented a larger state commitment of roughly $450 million, or a 24 percent increase in a single year

(Ritter 2005). After the conclusion of the special session in June 2004, the Supreme Court signaled its satisfaction by removing itself from a direct supervisory role.

During the 2005 session, lawmakers devoted additional resources to school facilities and teacher health insurance but left the per-pupil foundation amount at $5,400. Because there was no cost-of-living increase to this amount, school leaders in 49 districts requested that the Supreme Court reopen the lawsuit. In a contentious vote in June 2005, the judges agreed to again consider whether the funding system was in constitutional compliance. The Supreme Court chose to reappoint the two "special masters," who concluded one year earlier that the state's response was constitutional, to look into the matter once again and advise the court by October 2005 (Ritter 2005).

The General Assembly responded to this ruling in 2006 by passing legislation that allocated additional funding to the schools. This response did indeed satisfy the court-appointed special masters, who filed a favorable interim report in 2007. This report was adopted by the Arkansas Supreme Court, which declared the public school funding system constitutional.

Since 2007, the value of local property has increased rapidly, and thus the fraction of total funding that is contributed by local property tax dollars has increased. In fact, in a few districts with relatively high local property wealth, the minimum levy of 25 mills now generates more than enough to satisfy the per-pupil foundation amount. In 2012, the Arkansas Supreme Court ruled in a 4-3 split decision that school districts in such a position can retain the local property tax revenue even if it exceeds funding levels required by law (Choate 2015).

Recent Developments

In 2019, Walmart challenged valuations of 10 properties in Pulaski County based on "dark stores" assessment theory, which holds that assessments should be based on the sales comparison approach to value, with suitable comparable properties being vacant or "dark stores." In recent years, Walmart and other big box retailers have challenged assessments in other states, mostly in the Midwest and Southeast, but this set of appeals is the first major dark stores challenge in Walmart's home state. In August 2019, a Pulaski County judge denied appeals in which Walmart argued the valuations for eight Walmart Supercenters and two Sam's Club stores should be reduced by about half, from $145 million to $74.3 million (Besson 2019a). Walmart has appealed the decision (Besson 2019b). If the courts accept Walmart's valuations, taxing jurisdictions stand to lose about $900,000 in property tax revenue (Besson 2019b). In June 2020, the Little Rock school district entered a motion to intervene in four of the appeals because it is the taxing jurisdiction that stands to lose the most revenue, about $124,000 per year. The court denied the school district's motion. At least two other taxing jurisdictions filed similar motions (Williams 2020).

In 2019, the Arkansas Court of Appeals upheld the tax-exempt status of outpatient clinics operated by employees of a tax-exempt hospital in *Hardesty v. North Arkansas Medical Services, Inc*. A county assessor denied an exemption for the clinics because the hospital had not proven that more than half of the care they provided at the clinics was charity care. Ruling against the county, the Court of Appeals

stated that because the hospital did provide free care both at the hospital and at its clinics, the clinics met the criteria for a charitable property tax exemption based on criteria established by the Arkansas Supreme Court (Baker, Bates, and Hargraves 2019).

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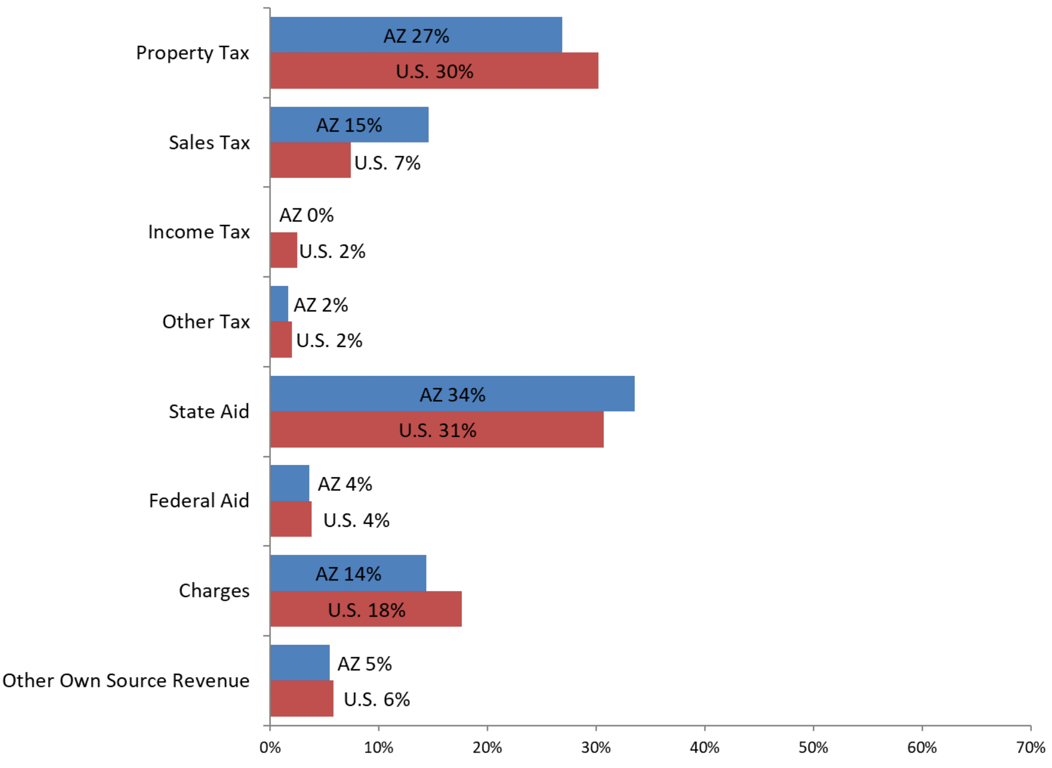
Arizona

Highlights

Although simplified in 2012, Arizona's property tax system is still complex. For assessment purposes, property is divided into nine different classes, with an assessment ratio that ranges by class from 1 to 18 percent. The ratio is 10 percent for residential property, so that a $100,000 house would be assessed at $10,000.

Since 1980, the state has employed two different measures of the property tax base, although a 2012 constitutional amendment is phasing out this distinction. The first measure is full cash value (FCV), which is equal to or less than market value. The second measure is limited property value (LPV), which can never exceed FCV and is limited in the amount to which it can increase each year. Until the 2015 tax year, primary property taxes were levied against LPV to fund maintenance and operating budgets of local governments, such as school districts and cities. Secondary property taxes were levied against FCV to fund voter-approved general obligation bonds, budget overrides, and special districts.

Figure AZ-1
Sources of Local General Revenue, Arizona and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Beginning in 2015, LPV is the basis for levying all property taxes, although FCV will still be estimated. As in prior law, LPV can never exceed FCV and is now limited to the lesser of: 1) the previous year's LPV plus 5 percent, or 2) the current year's FCV. The LPV is referred to as the net assessed value when the tax is computed.

Local governments in Arizona are less reliant on the property tax than are local governments in most states (figure AZ-1). One reason is that cities and counties can levy sales taxes. Another distinctive feature of Arizona's property tax system is that Arizona is the only state in the country that does not use tax increment finance, a common economic development tool.

Property Tax Reliance

The property tax in Arizona is primarily a local revenue source because the state general fund currently receives less than 0.5 percent of all property taxes levied in the state. Arizona is below the U.S. average in its reliance on the property tax, whether measured as per capita, percent of personal income, percentage of state-local revenue, or effective tax rate on owner-occupied housing (Table AZ-1).

Table AZ-1
Selected Arizona Property Tax Statistics, 2019[1]

	Arizona	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,150	$1,758	*36*
Property tax percentage of personal income	2.5%	3.1%	*36*
Total property tax as percentage of state-local revenue	14.2%	16.6%	*29*
Median owner-occupied home value[2]	$225,500	$217,500	*21*
Median real estate taxes paid for owner-occupied home[2]	$1,499	$2,471	*36*
Effective tax rate, median owner-occupied home[3]	0.7%	1.1%	*39*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessment duties are divided between the Department of Revenue (DOR) and the 15 county assessors (table AZ-2). Generally, geographically dispersed and complex properties, such as mines, utilities, airlines, and railroads, commonly referred to as "centrally valued property," are valued by the DOR. All other properties are valued by the county assessors and are therefore referred to as "locally assessed property." Assessment occurs annually, with some counties using computer techniques for mass

appraisal. Yearly ratio studies are conducted by the Arizona Department of Revenue to ensure accurate calculations of the full cash value.

Arizona divides property into nine classifications, with each class of property assigned an assessment ratio. These classifications and their respective assessment ratios are: mining, utilities, commercial, and telecommunications (18 percent); agricultural and nonprofit (15 percent); residential (10 percent); rented residential (10 percent); railroad and flight property (assessed by formula); special purposes (5 percent); commercial historic property (18 percent); historic/residential property (10 percent); and certain improvements on government property (1 percent) (CCH Editorial Staff 2018). The assessment ratios are applied to values and determine the property's net assessed value. All classifications use the same tax rate.

Arizona taxes business personal property unless specifically exempt. Personal property is included in several of the nine property classifications listed above.

Limits on Property Taxation

In addition to the 5 percent limit on growth in LPV, cities, counties, and community college districts are limited to a levy increase of 2 percent per year plus new construction. The levy operates off of a 2005 base-year levy (set by a constitutional amendment). The levy limit increases each year, regardless of use, so there is no loss of the future tax capacity.

There is an additional tax limit on owner-occupied residences. The combined primary tax from all jurisdictions is limited to no more than 1 percent of the FCV. If the tax exceeds that amount, the school district primary taxes are reduced, and the state provides additional financial aid to the school district to make up the difference between the overall primary tax rate and the 1 percent rate cap.

The large array of special taxing districts that levy secondary property taxes are subject to different tax limits. Some are subject to both levy and tax rate caps, some have tax rate caps and no levy limits, and some (libraries) have neither a tax rate cap nor a levy limit.

Property Tax Relief and Incentives

Arizona has several property tax relief programs, including a circuit breaker called the Senior Citizen Property Tax Refund Credit, which is limited to those over 65 with maximum household income of $5,500 for married couples and $3,750 for single persons. The maximum benefit is $502.

Arizona does not allow tax increment financing for new developments, and its general enterprise zone program expired in 2011. However, the state does have an instrument that provides an incentive for development—the Government Property Lease Excise Tax (GPLET). Under a GPLET, certain developers avoid paying property tax by allowing the title to their land to go to the city in exchange for an exclusive right to lease the property back. Since cities do not pay property taxes, neither does the developer nor the final user. However, the developer or end user does make alternative tax payments based on the

size, height, and use of the development, thus explaining why this is an excise tax. After a set period, the GPLET expires and the property goes back on the tax roll.

Property owned by a Native American tribal member is exempt from property taxation if the property is located within a Native American reservation. Additionally, if a Native American tribe or tribally designated housing authority owns property outside of a Native American reservation, that property is exempt if it provides low-income rental housing for Native American tribal members (Arizona Department of Revenue).

Table AZ-2
Arizona Property Tax Features, 2020

Feature	Arizona	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Arizona has had a property tax system since territorial days, with the county sheriff playing the role of both the tax assessor and tax collector. Immediately after statehood in 1912, the legislature reenacted all of the existing property tax laws. There were various changes implemented between 1912 and 1980, particularly regarding appraisal standards, assessment ratios, and classification. In 1980, major changes were enacted. In that year, a special statewide June election established the maximum ad valorem tax on all taxable property, defined full cash value, defined limited property value, limited annual increases in assessment of all taxable property, and restricted the authority of all levels of Arizona government to raise property taxes without a two-thirds majority (Arizona Tax Research Association 2015). Over time, there have been some marginal adjustments to this limit, but it is still the guiding principle for property taxes in Arizona.

The Arizona Legislature has reduced taxation of personal property in recent years. In 2011, the legislature provided additional accelerated depreciation for business property in class 1 and class 2 for property purchased in 2012 or later. In 2017, the legislature passed a broad business tax incentive bill,

SB 1416, which also extended this accelerated depreciation benefit to personal property in foreign trade and military reuse zones (Busby 2017; Jones 2017).

Recent Developments

Four school districts sued the state in 2017 claiming that state funding for school maintenance was inadequate and violated the constitution (*Glendale Elementary School District v. State of Arizona*). The state quickly filed a motion to dismiss, arguing the case was a political issue. In 2018, the state asked the court to postpone action on the lawsuit after Governor Doug Ducey proposed full funding for "district additional assistance" (money for expenditures outside of maintenance and operation such as curriculum, technology, and buses) and money for school construction and repairs, but the Maricopa County Superior Court declined to postpone action on the case. The case is pending (SchoolFunding.Info).

A ballot measure proposal under consideration in 2021 would have amended Arizona's constitutional exemption for nonprofits. The proposed amendment would list property held by educational and charitable organizations as property the "legislature may exempt" instead of property that is exempt from taxation. The legislation to refer the measure to the ballot died (SCR 1019). The 2021 legislature also failed to act on legislation to exempt property owned by disabled veterans or their spouses (SCR 1027) and legislation to reduce the property tax assessment ratio for commercial and industrial property (Senate Bill 1108 of 2021).

In 2021, Arizona considered a workaround to the 2017 federal cap on state and local tax deductions (SALT). The SALT cap limits individual income tax deductions for taxes paid to state and local governments, such as property taxes, to $10,000 per year. In 2020, the IRS released regulations that permitted an entity-level tax workaround paving the way for Arizona's legislation (HB 2838).

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Publication Date

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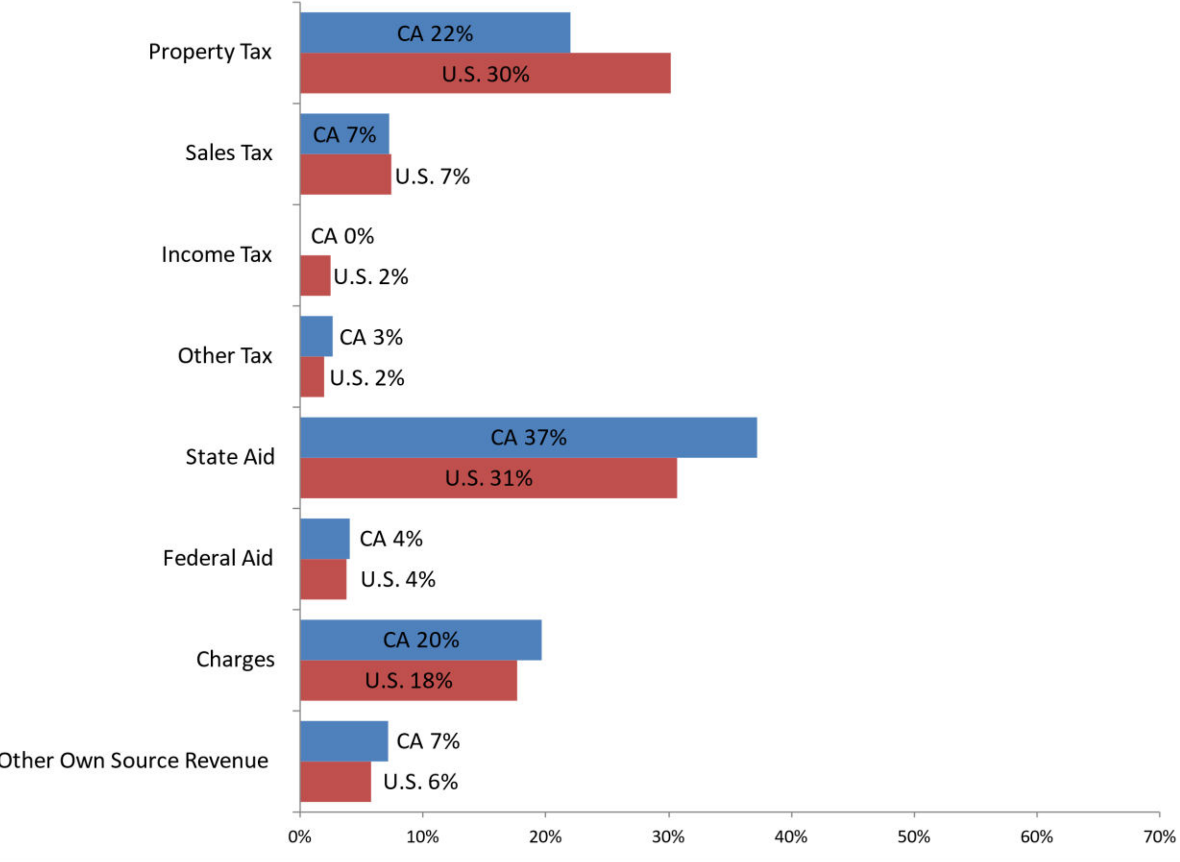
California

Highlights

California is credited with initiating a nationwide tax revolt when voters passed Proposition 13 in 1978. This ballot initiative amended the state constitution and put into place one of the most restrictive property tax systems in the country. Proposition 13 contained four key provisions: a property tax rate cap, a rollback of assessed values, an assessment limit, and a prohibition against state and local governments imposing any other ad valorem property taxes, sales taxes, or transactions taxes on real property.

These provisions resulted in an entirely new system of local property taxation in California. Prior to Proposition 13, each local government levied its own tax rate. Under Proposition 13, the state legislature devised a complex system by which the total property tax revenue within each county is shared among all of the separate districts.

Figure CA-1
Sources of Local General Revenue, California and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Although local governments lost control over their most important revenue source, California voters benefit from the certainty of knowing that the tax on their property is limited to 1 percent of the purchase price and that the assessed value can increase by no more than 2 percent per year. The property tax is still the largest source of local general revenues after state aid, but charges account for nearly as much as the property tax as a source of local general revenue (figure CA-1).

Property Tax Reliance

The effective tax rate on a median-value owner-occupied home is low relative to the U.S. average as is total property tax as a percentage of state-local revenue (table CA-1).

Table CA-1
Selected California Property Tax Statistics, 2019[1]

	California	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,840	$1,758	*15*
Property tax percentage of personal income	2.8%	3.1%	*31*
Total property tax as percentage of state-local revenue	13.6%	16.6%	*32*
Median owner-occupied home value[2]	$505,000	$217,500	*3*
Median real estate taxes paid for owner-occupied home[2]	$3,818	$2,471	*9*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*36*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey
[1] All revenue numbers in this table include the state government as well as local governments.
[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.
[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

California uses an acquisition-value-based assessment system, meaning that market value assessments occur only when the property is transferred, with ensuing adjustments based on a standard factor, rather than on current market value. When Proposition 13 was passed in 1978, it defined the value of real property as its fair market value on March 1, 1975, which is known as a base year value. Proposition 13 stipulated that in subsequent years the assessed value could increase by no more than 2 percent per year or the rate of inflation, whichever is less, unless there is a change in ownership. Every time a property is sold, it is assessed at its full market value, thus receiving a new base year value. Transfers from one spouse to another and, under certain circumstances, transfers from parent to child or from grandparent to grandchild do not constitute a change in ownership (Moll III and O'Neall 2015).

California's 58 counties are responsible for assessing property. Personal property is subject to tax, but this excludes most business inventories. Personal property is assessed annually.

Limits on Property Taxation

In addition to limiting property tax assessments, California limits property tax rates (table CA-2). Although Proposition 13 set a tax rate cap at 1 percent, rates were allowed to exceed the cap to cover preexisting debt obligations. In 1986, voters approved Proposition 46, which reinstated property tax-financed general obligation bonds as a local government option provided they receive two-thirds voter approval, resulting in some variation in property tax rates across the state.

California also approved a limit on the growth in annual appropriation of tax revenues for the state and most local governments, known as the Gann Initiative, which was enacted in 1979 and modified in 1990 (Coleman 2014). Revenue received by any local government in excess of that allowed must be refunded by a revision in tax rates or fee schedules within the next two fiscal years.

Property Tax Relief and Incentives

Property tax relief is provided to homeowners and disabled veterans. An exemption of $7,000 of assessed value is available for all owner-occupied homes. Veterans with specified disabilities and unmarried surviving spouses of deceased disabled veterans are eligible for an exemption of up to the full value of their principal residence.

With the passage of Proposition 19 in 2020, eligible homeowners (seniors over 55 years old, severely disabled persons, or wildfire and natural disaster victims) can transfer the favorable taxable value of their primary residence to a more expensive replacement residence located anywhere within California. (In California the term "taxable value" is used interchangeably with "assessed value.") If the market value of the new home is more than the taxable value of the old home, an upward adjustment is made with a corresponding increase in the property tax. Seniors over 55 years old and severely disabled persons are allowed up to three such transfers while wildfire and natural disaster victims are limited to one transfer. In 2018, a similar measure, Proposition 5, was on the ballot but failed.

Tax increment finance (TIF) was first used in California in 1952, but the program ended in 2011. In 2015, the governor signed legislation allowing community revitalization and investment authorities, which are similar to TIFs but more limited (Youngman 2016).

Table CA-2
California Property Tax Features, 2020

Feature	California	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

California's Property Tax Law of 1850 established the statewide property tax as the major state revenue source, accounting for over 70 percent of its revenue through 1910. Local governments also imposed property taxes as their primary source of revenue. In the early 1900s, California's first tax revolt led to the eventual elimination of the statewide property tax. Local taxing jurisdictions used this opportunity to increase their property tax rates, absorbing all the savings.

Rapidly rising property values resulting in annual increases in property tax bills as high as 30 percent, a growing state surplus, and changes in education finance brought on by California Supreme Court rulings in *Serrano v. Priest,* all contributed to the passage of Proposition 13 in 1978.

Soon after its passage, the acquisition-value assessment system was under attack as a violation of the Equal Protection Clause of the U.S. Constitution. Under Proposition 13, two owners of identical properties can face radically different taxes simply because they bought their properties at different times. In 1978, the California Supreme Court found that this assessment feature did not violate the U.S. Constitution (*Amador Valley Joint Union High School District v. State Board of Equalization*). Challenges continued, however, and not until 14 years later did the U.S. Supreme Court issue the final verdict concerning the constitutionality of an acquisition-value property tax system. In its 1992 judgment in *Nordlinger v. Hahn,* the court ruled that the assessment features of Proposition 13 did not violate the Equal Protection Clause of the Constitution.

Although Proposition 13 prohibited any new or increased ad valorem taxes on real property, the parcel tax, another form of property levy, has emerged as a source of revenue for local jurisdictions, especially school districts. Parcel taxes are usually flat rate taxes imposed on property irrespective of value. In California, they are considered special taxes that require two-thirds voter approval. Some districts have

levied parcel taxes that differ for residential and nonresidential properties or that vary according to the square footage of the property. These levies are currently being challenged in the courts as mimicking ad valorem levies (Sonstelie 2014).

In July 2013, California enacted major legislation to reform its education funding system. The new Local Control Funding Formula (LCFF) established uniform base per-pupil funding levels by grade and provided additional need-based funding both on a per-pupil basis and through grants to districts with a high share of needy students. The law eliminated 75 percent of categorical spending restrictions, imposed new reporting requirements, and included funding for Common Core implementation. State aid is based on the gap between a district's target LCFF funding level and their prior-year funding level, with the gap fully funded after eight years. Local property tax revenues count against each district's target LCFF funding level (Taylor 2013).

Recent Developments

In 2020, two major initiatives, Proposition 19 and Proposition 15, were on the ballot. California voters approved Proposition 19, which not only expanded tax relief to certain eligible homeowners, as noted above, but also curtailed tax benefits associated with inherited properties. Under Proposition 19, children and grandchildren who inherit their parents' or grandparents' primary residence must use the property as their primary residence as well to retain their parents' or grandparents' favorable taxable value. (Prior to Proposition 19, the heirs could also use the property for other purposes, such as a vacation or second home or investment property.) If the fair market value of the inherited home is equal to or greater than the property's taxable value plus $1 million (adjusted for inflation every two years starting in 2023), the property tax would increase based on the new taxable value but not to the same extent as if the property were sold to another party. This measure also applies to family farms. Further, parents and grandparents can no longer transfer to their children and grandchildren property other than a primary residence, even if it is less than $1 million, without triggering a reassessment to market value.

Voters in California rejected Proposition 15, which would have amended California's constitution to require commercial and industrial properties to be assessed at their market value instead of their original purchase value, creating a split-roll property tax system since residential properties would continue to be assessed at their original purchase price.

The Covid-19 pandemic and associated economic downturn has made budget forecasting very challenging for California. In 2019, the state estimated it had a $21 billion budget surplus. However, a few months into the pandemic, California faced a projected $54.3 billion deficit resulting from plummeting revenue caused by the decline in economic activity and increased spending on Covid-19-related social and health programs (CNBC 2020). But by November 2020, the state estimated it had a $26 billion surplus, in part because of the CARES Act and in part because the recession had less impact on high-wage workers, and California has a highly progressive tax structure (Beam 2021; White, Mandel, and Seitz 2021). By May 2021, the state projected a $76 billion surplus (Ronanye 2021). When California Governor Gavin Newsome signed the original 2021–2022 budget in June 2020, he closed the projected deficit by temporarily raising taxes on business, deferring aid payments to public schools, and cutting

public services and worker salaries. In May 2021, a revised budget was proposed that included a substantial increase in school funding.

The pandemic also devastated the commercial real estate market as workers emptied out of their offices and worked remotely from their homes, and tourists and shoppers stayed away from retail stores. San Francisco was one of the hardest-hit cities in California, with a 75 percent increase in unused office space in 2020 (Rappeport 2021). With rents down and decreased demand for office spaces and retail stores, commercial property values in cities across the country are expected to decline sharply in 2021 (Rappeport 2021).

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May 2021, data updated February 2022

Colorado

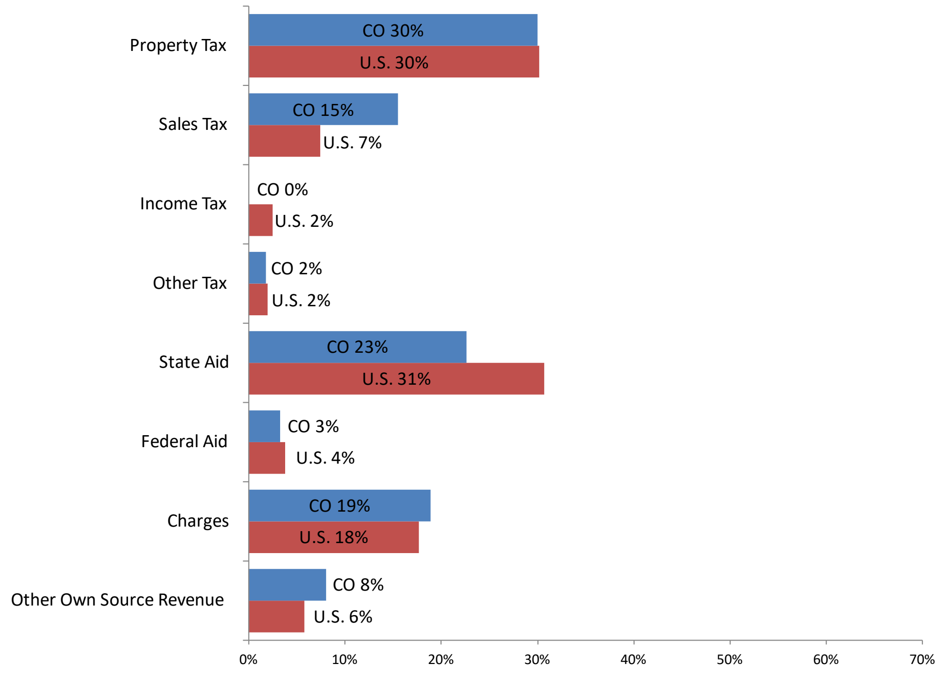
Highlights

Colorado's property tax funds primarily counties, school districts, and special districts. Municipalities are funded predominantly by the sales tax. The state's Taxpayer's Bill of Rights (TABOR) prohibits both local income taxes and statewide property taxes (figure CO-1).

Historically, Colorado relied primarily on local property taxes to fund public education, with state aid accounting for a small share of total education funding. However, policy decisions by the General Assembly prior to 1992 and the interaction after 1992 between the School Finance Act and the local property tax limit in TABOR resulted in the ratcheting down of school property tax mill levies and a shift in the responsibility for funding schools onto the state general fund (Brown et al. 2011).

The property tax has been the most limited of all taxes in Colorado, restricted in recent years by both the TABOR and Gallagher Amendments to the state constitution. From its enactment in 1983 until its repeal, effective 2021, the Gallagher Amendment required an adjustment of the residential assessment ratio such that the residential share of total assessed value did not exceed 45 percent. The result was that by 2020, residential property in Colorado was assessed at 7.15 percent of market value, whereas other classes of property are assessed at 29 to 87.5 percent of market value (Colorado Department of Local Affairs 2019). In November 2020, Colorado voters approved Amendment B to repeal the Gallagher Amendment. Legislation authorized with the repeal froze the assessment rates at 2020 levels. Amendment B also authorized the legislature to lower the assessment rate, though assessment rate increases still require voter approval under TABOR (Amendment B of 2020).

Figure CO-1
Sources of Colorado Local General Revenue, 2019



Property Tax Reliance

In 2019, Colorado ranked 16th in per capita property taxes (table CO-1). While residential property in Colorado is currently assessed at 7.15 percent, most nonresidential property is assessed at 29 percent. This skews the property tax statistics below. Although other studies reveal different rankings, all rankings of Colorado's residential tax burden place the state in the bottom half of the nation.

Table CO-1
Selected Colorado Property Tax Statistics, 2019[1]

	Colorado	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,816	$1,758	*16*
Property tax percentage of personal income	3.0%	3.1%	*21*
Total property tax as percentage of state-local revenue	17.8%	16.6%	*18*
Median owner-occupied home value[2]	$343,300	$217,500	*5*
Median real estate taxes paid for owner-occupied home[2]	$1,756	$2,471	*30*
Effective tax rate, median owner-occupied home[3]	0.5%	1.1%	*49*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Assessment and Administration

Property assessments are conducted at the county level (table CO-2), with reassessments performed every other year. Once property is assessed, the taxable portion of total assessed value is governed by the assessment rate. Colorado has four classes of property, with assessment rates or ratios ranging from 7.15 percent for residential property to 87.5 percent for oil and gas producing leaseholds (Colorado Department of Local Affairs 2019; Colorado General Assembly).

Colorado taxes business personal property in addition to real property, but inventories are not taxed. The first $7,700 in personal property value is exempt, with an annual adjustment for inflation. An income tax exemption for business personal property has further reduced the amount of personal property subject to tax, exempting up to $18,000 in personal property value in 2020. However, in 2021, the legislature increased the general personal property tax exemption to $50,000 (HB 21-1312).

Limits on Property Taxation

Property taxes in Colorado are subject to limitations on tax rates and tax levies. In 1913, a levy limit was enacted that applied to counties and municipalities. The Taxpayers Bill of Rights (TABOR) amendment limits both property tax rates and levies, and also includes a revenue/expenditure cap. These three TABOR limits and the 1913 levy limit operate in conjunction with each other. Colorado repealed its assessment limit effective 2021.

Table CO-2
Colorado Property Tax Features, 2020

Feature	Colorado	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value*	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax
*Colorado repealed its assessment limit effective 2021.

Property Tax Relief and Incentives

A homestead property tax exemption for seniors and qualifying disabled veterans allows for the first 50 percent of up to $200,000 in market value to be free from property tax. In most years, property tax funded jurisdictions are reimbursed for the amount of the exemption by the state general fund (this funding was suspended during the Great Recession).

The state's property tax and rent rebate circuit breaker program provides property tax rebates to elderly or surviving spouses, disabled homeowners, and renters based on income. In 2019, the maximum rebate was $700. Eligibility was restricted to households with income up to $4,074 (single) or $18,972 (married) in 2019 (Significant Features of the Property Tax).

Colorado provides property tax incentives for economic development through a tax increment finance program and an abatement program called Local Incentives for New Business Facilities, which provides up to 100 percent relief from personal property taxes for up to 10 years.

Key Property Tax History

The state of Colorado levied a property tax until 1964, when the legislature repealed all statutes dealing with state-levied property taxes. Since then, property taxes have been levied only at the local level (Colorado Fiscal Institute 2017).

The property tax in Colorado has been very much defined by the constitutional provisions that limit and govern its administration and collection. The first of these provisions is the Gallagher Amendment, passed in 1982 as part of a larger property tax reform effort and repealed in 2020. The second is the TABOR amendment, passed in 1992, which contains specific limits on the growth of property taxes.

The Gallagher Amendment is the most famous provision of a broader-based property tax reform that also included changes to assessment practices; property tax exemptions for livestock, agricultural products, agricultural equipment, business inventories, and materials or supplies held for sale or consumption; a lowering of the assessment rate to 29 percent for all classes of property except for residential; and the creation of the State Board of Equalization to oversee property valuation practices. The Gallagher Amendment required that the residential assessment rate be adjusted such that the share of the property tax attributed to residential property remain constant. At the time of passage of the amendment, residential property represented approximately 45 percent of total taxable property. To maintain that target percentage today, the residential assessment rate sits at 7.15 percent. Colorado repealed the assessment limit in 2020, but froze assessment rates at 2020 levels (Amendment B of 2020).

The second limitation significantly affecting property taxes in Colorado is the TABOR Amendment. Most Coloradans know TABOR as the constitutional requirement that all tax increases be subject to a vote of the people. However, TABOR has many other limits, disclosure requirements, and prohibitions. With respect to the property tax, the following provisions of TABOR are relevant:

- TABOR limits property tax revenue according to a growth formula. Specifically, property taxes may increase by the rate of inflation and some measure of growth. For school districts, that measure is enrollment growth; for counties, municipalities, and special districts, it is the net change in the value of property from construction. Any collections greater than the limit require both a refund of the additional amount and a reduction in the mill levy to avoid excess collections in the future.
- TABOR prohibits a mill levy in a subsequent year that is greater than the current levy without approval of the voters. Thus, when mill levies are forced down, it is difficult to restore the levy.
- TABOR requires approval from the voters to increase any assessment rate.

Since the passage of TABOR, the requirements of the School Finance Act and the limitations in TABOR have interacted, with the practical result that for most districts mill levies have declined and for many of those districts state aid has increased.

In 2007, the General Assembly passed SB 07-199. This bill imposed two changes on the calculation of school district mill levies: (1) It placed a cap of 27 mills on all district levies; and (2) It mandated that any district that had previously passed a measure to retain and spend property tax revenue in excess of its TABOR limit (an approved revenue change under TABOR) impose the previous year's levy. This became known as the levy freeze (Colorado Legislative Council Staff 2009).

Recent Developments

In November 2020, voters repealed the Gallagher Amendment, enacted in 1982, which limited assessments so that the residential assessments could not exceed 45 percent of the state's total property value, even if the market value of residential property rose relative to non-residential property in the state. Each year the state automatically adjusted assessment rates to achieve this ratio. Voters'

action to approve Amendment B of 2020 at the polls also authorized SB 21-293 to freeze assessment rates at their current level, 7.15 percent for residential property and 29 to 87.5 percent for other classes. Approval of the ballot measure also means the state can lower assessment rates without regard to the share of total property value without voter approval; but under TABOR, voter approval is still required for increases to assessment rates (Hindi 2020).

In 2021, the legislature exercised its new authority to lower assessment rates—Senate Bill 21-293 lowered the residential assessment rate from 7.15 percent to 6.95 percent and lowered the assessment rate for commercial property from 29 percent to 26.4 percent for 2023 and 2024. The bill's ratio reductions may conflict with Initiative 27, which supporters hope will appear on the November 2021 ballot—that measure would permanently lower the residential rate to 6.5 percent and the commercial rate to 26.4 percent. But, due to Senate Bill 21-293, Initiative 27 would only reduce the rate for multi-family residences, not for single family. The Colorado Supreme Court upheld the initiative on May 27, a week before legislators introduced Senate Bill 21-293 (Davis 2021). SB 21-293 also expands the state's property tax deferral program. All Colorado homeowners will be able to defer property tax increases over 4 percent up to $10,000 on their primary residence when the bill takes effect in 2023 (Paul and Vo 2021).

A 2021 Colorado Supreme Court ruling paved the way for school districts in Colorado to recoup property taxes that were approved by voters back as far as 2007, but subsequently blocked by the Colorado Department of Education in violation of TABOR's override provision. The supreme court said proposed legislation (HB 21-1164) to permit school districts to increase their property tax collections to the voter-approved levels over 19 years "effectuates what the voters have already approved." The department had directed school districts to reduce their levies to meet TABOR limits even though the increases were authorized by voters. The legislature passed House Bill 21-1164 the same day the court ruled on the legality of the bill and the governor signed the bill into law on June 8, 2021. According to news reports, the measure would generate over $90 million in local property tax revenues for school districts in fiscal year 2022, increasing to $288 million when the increases are fully phased in (Paul 2021).

In 2021, the governor signed legislation to increase the deduction for business personal property tax from $7,900 to $50,000 with the passage of SB 21-1312. The state is required to reimburse localities for associated tax loss (State of Colorado).

In response to the economic fallout from the Covid-19 pandemic, the legislature passed SB 21-279 in 2021, authorizing local governments to reduce, suspend, or waive interest charges for delinquent property tax bills for the period between June 16 and September 30, 2021 (State of Colorado).

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Publication Date

July 2021, data updated February 2022

Connecticut

Highlights

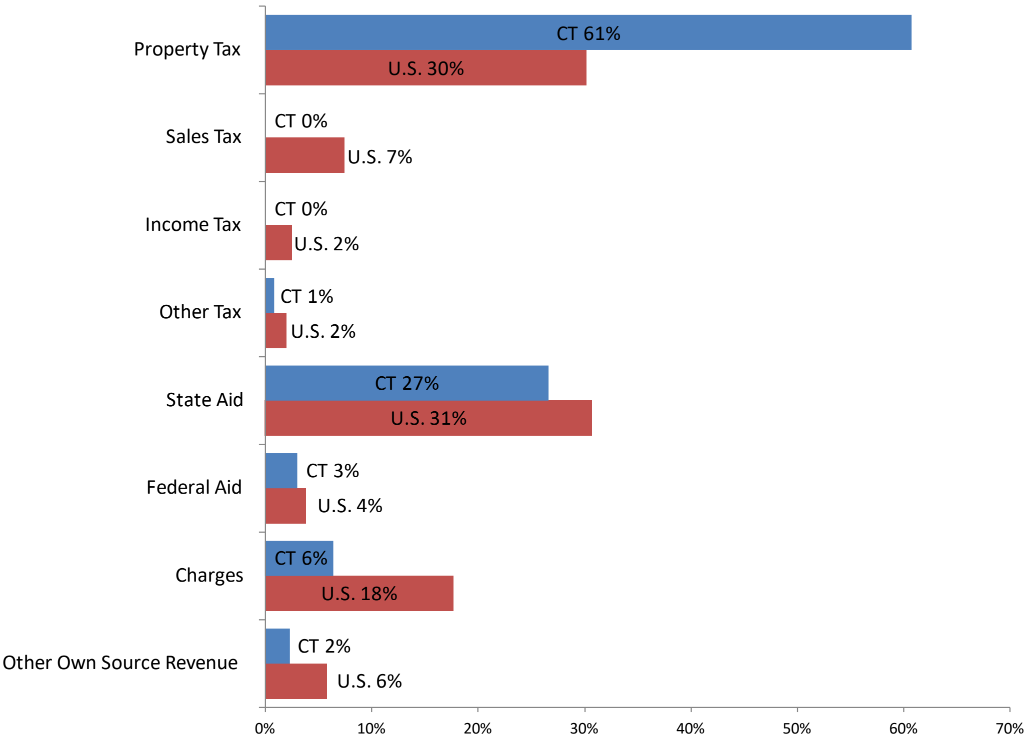
Connecticut ranks as the state with the second highest degree of income inequality among all U.S. states (U.S. Census Bureau). Given this degree of income inequality, it may not be surprising that there are significant fiscal disparities among Connecticut municipalities, mostly driven by an uneven distribution of the property tax base (Zhao 2015).

Local governments in Connecticut rely very heavily on the property tax, which constituted 61 percent of local government revenue in 2019 (figure CT-1).

Connecticut is one of very few states that have considered split-rate property taxation (higher rates on land than buildings).

Connecticut is also unusual in that it is one of only two states (Rhode Island is the other) that reimburses municipalities for revenue foregone because of the property tax exemption afforded to colleges and hospitals. Connecticut terms this a PILOT program (Kenyon and Langley 2010).

Figure CT-1
Sources of Local General Revenue, Connecticut and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

State and local governments in Connecticut rely on the property tax for a greater share of state and local revenue than do all but two other states. In 2019, the median real estate taxes paid for owner-occupied homes in Connecticut ranked second highest among all states (table CT-1).

Table CT-1
Selected Connecticut Property Tax Statistics, 2019[1]

	Connecticut	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,215	$1,758	*4*
Property tax percentage of personal income	4.2%	3.1%	*8*
Total property tax as percentage of state-local revenue	25.8%	16.6%	*4*
Median owner-occupied home value[2]	$275,400	$217,500	*12*
Median real estate taxes paid for owner-occupied home[2]	$5,898	$2,471	*2*
Effective tax rate, median owner-occupied home[3]	2.1%	1.1%	*4*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are conducted at the local level (table CT-2). Real property is assessed at 70 percent of market value. With some exceptions, the state does tax personal property. Real property is on a five-year assessment cycle, but personal property and motor vehicles are valued annually.

Limits on Property Taxation

Connecticut places no statewide limit on property tax rates or levies. However, municipalities have the option to phase in assessment increases or decreases over a period of five years or less.

Property Tax Relief and Incentives

A property tax circuit breaker program in Connecticut provides relief to homeowners who are either completely disabled or at least age 65 and have incomes below specified limits. To be eligible for the tax relief in 2021, 2020 income must not exceed $37,600 for individuals and $45,800 for married couples for a credit of up to $1,000 and $1,250, respectively. A second circuit breaker program for homeowners

who are 65 or older or can claim a dependent on their federal income tax return provides income tax credits ranging from $20 to $200 for single homeowners with income up to $109,500 and for married couples with income up to $130,500.

Connecticut provides only three types of property tax incentives for encouraging economic development. One is the Enterprise Zone Program, which allows for 80 percent property tax abatement on eligible property for a period of five years. Seventeen municipalities are considered part of enterprise zones, and four municipalities are part of an additional enterprise zone near Bradley International Airport, all of which are eligible for the incentives with the Enterprise Zone Program. Second, individual municipalities are authorized to offer property tax credits. The third type of economic development property tax incentive is a tax increment financing program.

Table CT-2
Connecticut Property Tax Features, 2020

Feature	Connecticut	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The State of Connecticut was one of the first U.S. states to have its school finance system challenged because of its property tax system. In 1977, the state's highest court found that the Connecticut constitution required the state to "provide a substantially equal educational opportunity" for each student and that the current school financing system was unconstitutional because it was based on local property taxes without sufficient state support to equalize disparities in the property tax base. In response, the legislature modified its system of state education grants (SchoolFunding.Info).

In 2005, another school funding lawsuit, *Connecticut Coalition for Justice in Education Funding, Inc. (CCJEF) v. Rell*, was filed, arguing that Connecticut's system of education funding falls short on both equity and adequacy grounds. That case went up to the Supreme Court, which sent the case back for a trial. In a September 2016 ruling, the trial judge, Superior Court Judge Thomas Moukawsher, held that "major components of Connecticut's K-12 educational system were so 'irrational' that they were

denying students, especially those in low wealth districts, their constitutional right to an adequate education" (SchoolFunding.Info).

In January 2018, the Connecticut Supreme Court overturned Superior Court Judge Moukawsher's school funding ruling, "declaring that the state had met its minimal constitutional obligations and beyond that, it is up to the legislature to set educational policy." This ruling brought the end to more than a decade of school finance litigation (Kauffman and Mahony 2018).

An alternative method of encouraging local economic development entails levying a split-rate tax on land and buildings, where the tax rate on improvements is lowered and lost revenue is made up by raising the tax rate on land. This approach was considered in Connecticut in 2008, when the City of New London was classified as a distressed municipality and was authorized to implement a split-rate tax (Cohen and Fedele 2012). Although New London chose not to pursue this option, subsequent legislation in 2013 authorized up to three municipalities in the state to apply for consideration in a land value taxation pilot program (Cohen and Fedele 2015). Currently, no Connecticut cities are actively pursuing this option.

In 2014, the legislature began a two-year study of the state's tax system, including the property tax. In December 2015, the tax study panel recommended changes in the property tax, including a move from a five-year reassessment cycle to annual assessment. The panel also recommended folding most local property tax exemptions into an expanded circuit breaker run through the personal income tax and enacting a 1 percent local sales tax to reduce reliance on the property tax.

Recent Developments

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, Connecticut joined New York, Maryland, and New Jersey in a legal challenge to the SALT cap, arguing it interferes with state sovereignty (Civil Action No. 18-cv-6427). A federal judge dismissed the lawsuit, ruling that "[t]he States have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The average amount of the deduction claimed by Connecticut taxpayers in 2015 was $19,655, almost twice the new limit (Tax Policy Center 2017).

The Connecticut legislature attempted to work around the cap by authorizing municipalities to establish charities to support local services and issue property tax credits for the value of fully deductible charitable donations, but in August 2018 the IRS proposed new rules blocking this approach (Public Act No. 18-49; Federal Register 2018). In June 2019, the IRS set new rules effective in August 2019 that blocked workarounds by requiring the reduction of any tax credit from the value of a charitable deduction. Any amount donated exceeding the value of the tax credit, the IRS recognizes as a charitable deduction (Federal Register 2019). In 2018, Connecticut adopted another measure to work around the SALT deduction cap, imposing a passthrough entity-level tax and allowing the entity members to claim individual income tax credit on their Connecticut income tax. Other states have adopted similar workarounds, but Connecticut is the only state in which entity-level tax is mandatory instead of optional

(McLoughlin 2021). In 2020, the IRS released proposed regulations that left the door open for entity-level workarounds (Walczak 2020).

Senate Bill 171, introduced in January 2021, proposes a new statewide "mansion tax" on residential and commercial real properties with assessed value over $300,000. The measure would exempt the first $300,000 in assessed value and the rate would be one mill—or $1 for every $1,000 of assessed value. Because Connecticut assesses property at 70 percent of market value, properties with a market value of about $430,000 or more would be subject to the tax (Phaneuf 2021).

The Connecticut legislature has proposed a bill (Senate Bill 873) to increase state funding to struggling cities with high concentration of tax-exempt properties, such as New Haven, where 60 percent of property is tax-exempt. The bill would restructure the existing PILOT program by creating three new tiers of cities and distribute payments based on financial needs of the cities (Breen 2021).

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Publication Date

May 2021, data updated February 2022

Delaware

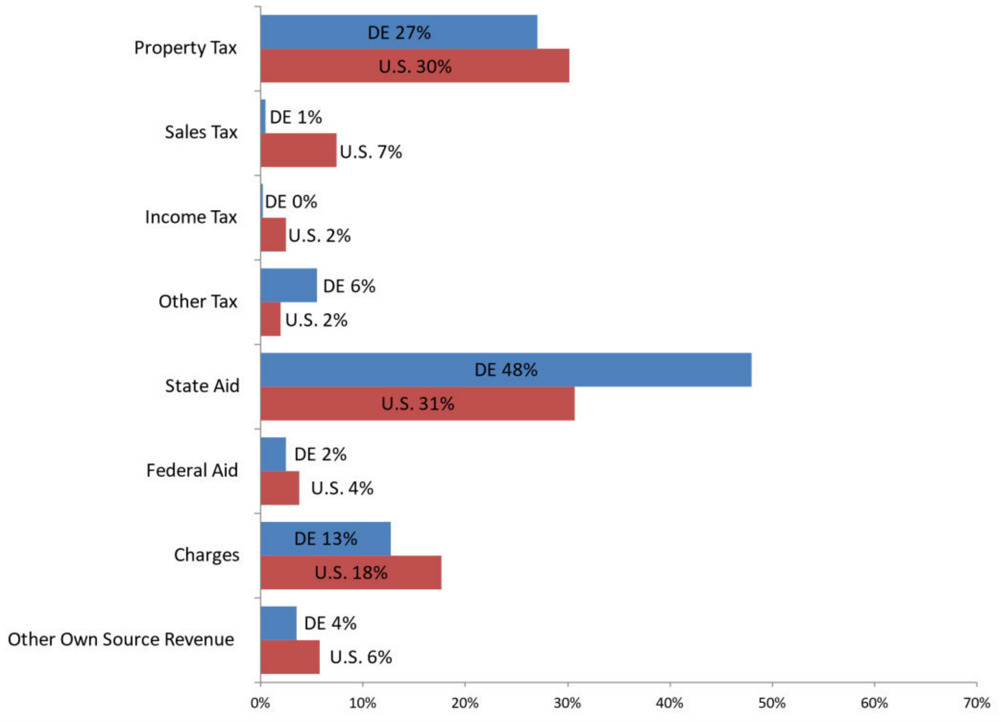
Highlights

Delaware is a small state (second smallest after Rhode Island) with only three counties. It is known as a corporate tax haven, a reputation that derives from its favorable corporate tax policy, regulations, and court system (Wayne 2012). Indeed, most companies in the Fortune 500 are incorporated in Delaware (Barone et al. 2014).

Local governments in Delaware are less dependent on the property tax than they are in most other states and much more reliant on state aid (figure DE-1).

Delaware is unusual in the extent to which county governments are important in administering the property tax, with little interference by state government. For example, the following differ among the three counties: tax payment dates, deadlines for appealing an assessment, treatment of tax-exempt property, abatements and incentives, and property taxation of agricultural property. At the same time, Delaware has no provision for central assessment of property and there is no state commission for equalizing assessments within or among the counties (Significant Features of the Property Tax).

Figure DE-1
Sources of Local General Revenue, Delaware and the U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Delaware is among the least property tax-reliant states in the nation (table DE-1).

Table DE-1
Selected Delaware Property Tax Statistics, 2019[1]

	Delaware	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$967	$1,758	*43*
Property tax percentage of personal income	1.8%	3.1%	*47*
Total property tax as percentage of state-local revenue	8.2%	16.6%	*49*
Median owner-occupied home value[2]	$251,100	$217,500	*18*
Median real estate taxes paid for owner-occupied home[2]	$1,431.00	$2,471.00	*39*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*45*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Delaware are imposed at the local level to fund municipal and county governments as well as school districts. If located within an incorporated area, real estate is subject to county property taxes, school district property taxes, vocational-technical school district property taxes, and municipal property taxes. There are no state-level property taxes. In general, tax rates are the same for all types of property, including residential, industrial, and commercial. Personal property is not taxed.

In New Castle County, properties are assessed at 100 percent of market value, and property assessments are based on 1983 property values. In Kent County, properties are assessed at 60 percent of market value, and property assessments are based on 1987 property values. In Sussex County, properties are assessed at 50 percent of market value, and property assessments are based on 1974 market values. In Delaware, there is no fixed schedule for revaluation of property (Wilson and Kuang 2020).

Limits on Property Taxation

Delaware imposes a county property tax levy cap that restricts increases in the property tax levy following a reassessment to 15 percent or less. The state also limits the tax rate for vocational-technical

school districts, with different limits for each county. Kent County restricts the county property tax rate to 50 cents per $100 of assessed value, a limitation that does not apply to tax rates of taxing districts within the county.

Property Tax Relief and Incentives

Delaware offers a homestead exemption called the Senior Property Tax Relief Program to homeowners age 65 or older but only if income does not exceed $3,000 for single individuals or $6,000 for married couples. The maximum exemption is $5,000. Each of the three counties in the state has different income eligibility requirements and increased the exemption amounts. The state also helps fund a Senior School Property Tax Credit against school property taxes that is 50 percent of taxes remaining after the homestead exemption, up to a set dollar cap. Taxpayers who moved to Delaware since 2018 become eligible to apply after they have resided in state for 10 years. There are no property tax circuit breakers in Delaware (table DE-2). The state provides for current-use valuation of forest and agricultural land.

Delaware also authorizes municipalities and two counties (New Castle County and Kent County) to create tax increment financing (TIF) districts. Property tax exemptions exist in the City of Wilmington for certain commercial property developments—new construction, redevelopment, or renovation—and properties in historic districts of the city. At-risk or deteriorating properties that are improved are also eligible for property tax abatements. The cities of Newark and New Castle have adopted similar programs. Kent and Sussex Counties have property tax incentive programs for businesses intended to provide long-term employment opportunities for their residents.

Table DE-2
Delaware Property Tax Features, 2020

Feature	Delaware	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The earliest example of a state-imposed limit on property tax rates was enacted in 1852 in Delaware's Kent County. The state also enacted a rate limit on vocational-technical school property tax rates in 1953 and on county property tax levies in 1972 (Paquin 2015).

There has been considerable discussion in the state about the option of a statewide reassessment of residential and commercial properties. In 2008, a committee charged by the legislature under House Joint Resolution 22 recommended that the state take on the role of implementing such a comprehensive reassessment at 100 percent of market value with annual revaluations. In 2010, a League of Women Voters study of property tax reassessment concluded that "reassessment is extremely important for taxpayer equity, the distribution of school Equalization Funds and to provide simplicity for the property tax system statewide" (Delaware League of Women Voters 2010).

As the 2017 legislative session began, the state faced its largest budget gap since the 2008 recession (Albright 2017b). As part of an effort to balance the budget, lawmakers reduced the benefits from the Senior School Property Tax Credit. The maximum benefit a senior can receive was reduced from $500 to $400 (Albright 2017b).

Recent Developments

Until 2018, Delaware was one of only five states with no litigation of the constitutionality of its education finance system. In January 2018, Delawareans for Educational Opportunity and the NAACP Delaware challenged the constitutionality of the state's education system on adequacy and equity grounds. The lawsuit cited poor performance of disadvantaged students and funding disparities that disproportionally benefit affluent students. In *Delawareans for Educational Opportunity v. Carney*, the plaintiffs placed blame for funding disparities in part on the counties' irregular assessment standards and artificially low valuations. Delaware Chancery Court Judge Travis Laster split the lawsuit into two cases: one on tax fairness issues and the other on educational adequacy claims.

In May 2020, Judge Laster ruled that Delaware's property tax system is unconstitutional as all three counties calculate property taxes based on outdated property valuations, so that some taxpayers whose property values have increased over the past several decades get a substantial reduction in property taxes while others who live in economically depressed areas pay more property taxes than they should. The judge found these inequities violate the constitutional requirement that property owners be taxed uniformly and a state law requiring that property be assessed at fair market value (Chase 2021; Wilson and Kuang 2020). By April 2021, all three counties settled the lawsuit and agreed to conduct property reassessments in their counties. Kent County, New Castle County, and Sussex County last assessed properties in 1987, 1983, and 1974, respectively (Chase 2021).

Parties reached a settlement on the educational adequacy issue in October 2020, requiring Governor John Carney to propose legislation making weighted school funding permanent (Kuang and Alamdari 2020). In June 2021, Governor Carney signed Senate Bill 56. The new law ensures direct, classroom-

based support for low-income students and English language learners, more than doubling the funding to $60 million annually by fiscal year 2025 (Delaware Office of the Governor 2021a).

Like many states, despite dismal forecasts earlier and some residual fallout due to the Covid-19 pandemic, Delaware revenue is expected to surpass earlier projections. The state is expected to end fiscal year 2021 with about $880 million in surplus and raise about $238 million more in fiscal year 2022 revenue than previously anticipated (Owens 2021). Governor Carney's record-breaking fiscal year 2022 budget proposal was approved, making significant investments in public school education and infrastructure and setting aside reserves to prepare for future economic downturns and revenue shortfalls (Delaware Office of the Governor 2021b).

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Publication Date

July 2021, data updated February 2022

Washington, DC

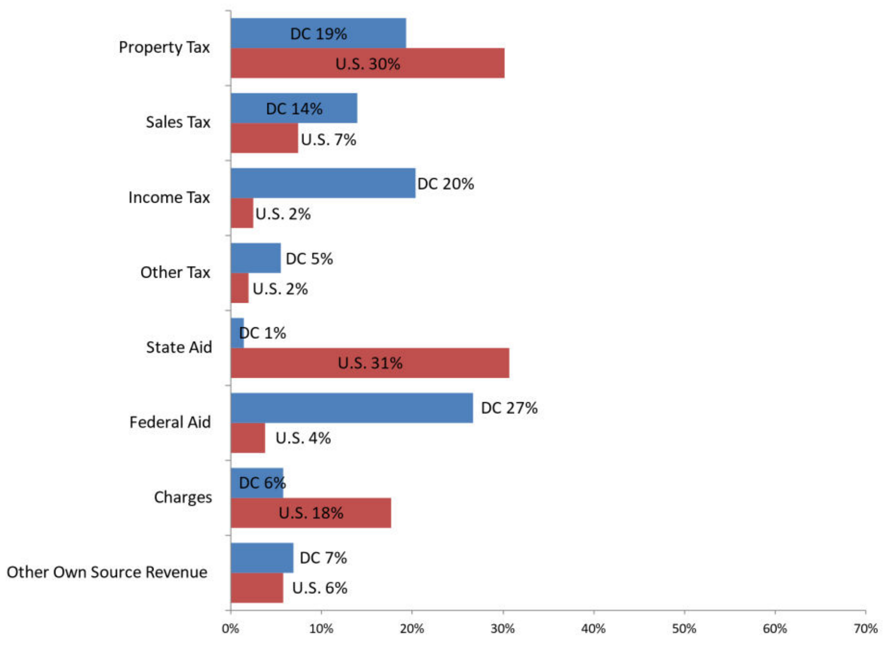
Highlights

The District of Columbia is constitutionally prohibited from being located within the boundaries of any state; as a result, the government in the District takes on both state and local revenue-raising responsibilities. In this diversified revenue system, in which the city levies both sales and income taxes, property taxes account for only 19 percent of local general revenues (figure DC-1).

As the nation's capital, Washington, DC has a large federal presence. The U.S. government owns 2,852 properties exempt from paying property taxes (about a quarter of all exempt properties in DC), with an estimated market value of $53 billion (52 percent of all exempt value in DC) accounting for $938 million in foregone property tax revenue annually. Foreign governments own an additional 620 exempt properties, accounting for $51.5 million in foregone property tax revenue (District of Columbia Office of the Chief Financial Officer 2020, 49). Federal aid accounts for 28 percent of local general revenue in the District, compared to 4 percent for the United States on average.

The District of Columbia has the lowest residential property tax rate and the highest commercial property tax rate in the Washington-Arlington-Alexandria Metropolitan Area. As a result of low real property taxes, families in the District have the lowest overall tax burden in the metropolitan area (District of Columbia Office of the Chief Financial Officer 2021, 13, 46).

Figure DC-1
Sources of Local General Revenue, District of Columbia and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, the District had the highest per capita property tax levy in the nation and an above-average percentage of personal income paid in property taxes, but one of the lowest effective property tax rates on median-valued owner-occupied homes (table DC-1). These statistics reflect the fact that the District of Columbia shifts its property tax significantly away from homeowners toward commercial properties. Washington, DC ranks 14th among 53 large cities in terms of the degree to which property taxes are shifted away from homeowners to owners of commercial property (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2020, 102).

Table DC-1
Selected District of Columbia Property Tax Statistics, 2019[1]

	District of Columbia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,969	$1,758	*1*
Property tax percentage of personal income	4.8%	3.1%	*5*
Total property tax as percentage of state-local revenue	19.6%	16.6%	*11*
Median owner-occupied home value[2]	$601,500	$217,500	*2*
Median real estate taxes paid for owner-occupied home[2]	$3,378	$2,471	*11*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*47*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In the District of Columbia, the property tax is administered by the city (table DC-2). The District's property tax system differs from that of the 50 states as there is only one rather than multiple taxing bodies responsible for assessing, levying, and collecting taxes. All real property is assessed annually at 100 percent of market value. Personal property except for inventory is taxed, and personal property less than or equal to $225,000 in assessed value is exempt from taxation.

The District of Columbia has a classified property tax system, whereby four different classes of real property are taxed at different tax rates (District of Columbia, Office of the Chief Financial Officer, 2021):

- Residential property is taxed at $0.85 per $100 of assessed value;

- Nonresidential property (mostly commercial) is taxed at $1.65 per $100 of the first $5 million in assessed value, at $1.77 for value over $5 million but less than $10 million, and 1.89 per $100 for value over $10 million;
- Vacant buildings are taxed at $5 per $100 of assessed value; and
- Blighted buildings are taxed at $10 per $100 of assessed value.

As a result, commercial properties in the District account for 4.7 percent of taxable properties, 44.3 percent of assessed value, but 65.2 percent of tax liabilities (District of Columbia Office of the Chief Financial Officer 2020, 102).

Limits on Property Taxation

The District has levy limits for both residential and commercial property. It also limits the annual increase in assessed value for owner-occupied residential property to a maximum of 10 percent, or 5 percent for elderly or disabled residents with income under $133,100. If the assessed value increases by more than 10 percent (or 5 percent for qualifying seniors or disabled residents), the owner receives a nonrefundable credit to offset the corresponding increase in the tax bill (Significant Features of the Property Tax).

Property Tax Relief and Incentives

The District has many property tax relief programs, the most popular of which are the Homestead Deduction (a type of homestead exemption) and the credit for senior citizens or disabled property owners. For 2019, the Homestead Deduction provides a $74,850 reduction in assessed value for all homeowners, and the credit reduces by 50 percent the property tax liability for taxpayers 65 and older with incomes of $133,100 or less, as well as for the disabled. Circuit breaker programs for elderly and non-elderly homeowners or renters provide additional relief (District of Columbia Office of Tax and Revenue).

The District also offers a wide array of property tax incentives for economic development, including economic development zones and tax increment financing.

Table DC-2
District of Columbia Property Tax Features, 2020

Feature	District of Columbia	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The District enacted property tax classification in 1979, establishing three classes of property with different tax rates. The classification system has been changed several times since then, and the assessment limit was enacted in 2002 (District of Columbia, Office of Revenue Analysis 2014).

Between 1978 and 2011, the District Council responded to rapidly increasing property values by providing a variety of tax relief measures to homeowners. These measures resulted in a large number of homeowners having zero tax liability. In response, the District Council in 2011 required all homeowners to have a tax liability that is at least equal to the residential tax rate ($0.85) applied to 40 percent of their home value. This ensures that every homeowner will pay something toward the cost of city-provided goods and services. These tax relief measures resulted in substantial differences in effective tax rates across and within groups of taxpayers. For example, homeowners 65 or older pay a median effective property tax rate of 0.23 percent, and nonelderly homeowners in the District who receive the homestead deduction pay a median effective property tax rate of approximately 0.63 percent. Non-homestead residential property and multi-family residential property are taxed at a median effective rate of 0.85 percent, and large office buildings and hotels/motels have effective tax rates of approximately 1.8 percent.

In 2013, the District enacted the Property Tax Relief Act of 2012, which doubled the income limit for the non-elderly circuit breaker program, tripled the income limit for the elderly circuit breaker, and increased the benefit cap for both programs effective for 2014. However, it also imposed stricter eligibility criteria for the elderly circuit breaker by increasing the minimum age to 70 and eliminating eligibility for the non-elderly disabled (D.C. Act 19-649 and Significant Features of the Property Tax). In 2014, the city council enacted an interest-free property tax deferral for low- and moderate-income seniors over 75 who have owned a house in the District for 25 years or more, effective in 2015. Between

2015 and 2018, the District continued to expand tax relief by incrementally increasing homestead exemptions.

Recent Developments

The District's fiscal year 2020 budget (Fiscal Year 2020 Budget Support Act of 2019) reduced the threshold for the homestead assessment cap credit from 10 percent to 5 percent for qualifying residents over age 65 or disabled with household income under $125,000 (District of Columbia Office of the Chief Financial Officer 2018).

In 2018, the District restructured its commercial property taxes to help fund improvements to the Washington Metropolitan Area Transit Authority (WMATA). The Fiscal Year 2019 Budget Support Emergency Act of 2018, proposed by Mayor Muriel Bowser, raised new revenue to fund the Metro in part by restructuring Class 2 property tax rates. The law raised the assessed value threshold for property to receive the lowest-tier rate of $1.65 per $100 of assessed value from $3 million to $5 million, added a new rate of $1.77 for commercial property with assessed value greater than $5 million but less than $10 million, and raised the third-tier commercial property tax rate back to $1.89 per $100 of assessed value on properties with an assessed value higher than $10 million. Prior to the new law, commercial property with assessed value over $3 million was taxed at a rate of $1.85 per $100 of assessed value. The rate was temporarily cut from $1.89 to $1.85 in December 2018 thanks to new revenue from taxing online sales (D.C. Law 22-258, Internet Sales Tax Amendment Act of 2018).

According to city officials, the District of Columbia became the first jurisdiction in the United States to fully integrate its property tax system with systems for income, sales, and business taxes when it completed a five-phase technology initiative in 2020. In December 2020, the District's Modernized Real Property Tax System (MRPTS) went live, allowing customers to manage and pay property taxes online at the District's MyTax.DC.gov domain. With the 2020 update, residents can view and pay property taxes, apply for relief online, and appeal assessments. They can also access income tax, business tax, and sales tax systems within the same portal (State Tax Today 2019; MyTax.DC.gov). Although residents may still print out and submit property tax relief applications by mail, the Office of Tax and Revenue proposed new rules in 2021 that would require taxpayers to apply electronically for the Senior Citizen Tax Relief Program and the Disabled Property Tax Relief Program (State Tax Today 2021).

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Publication Date

June 2021, data updated February 2022

Florida

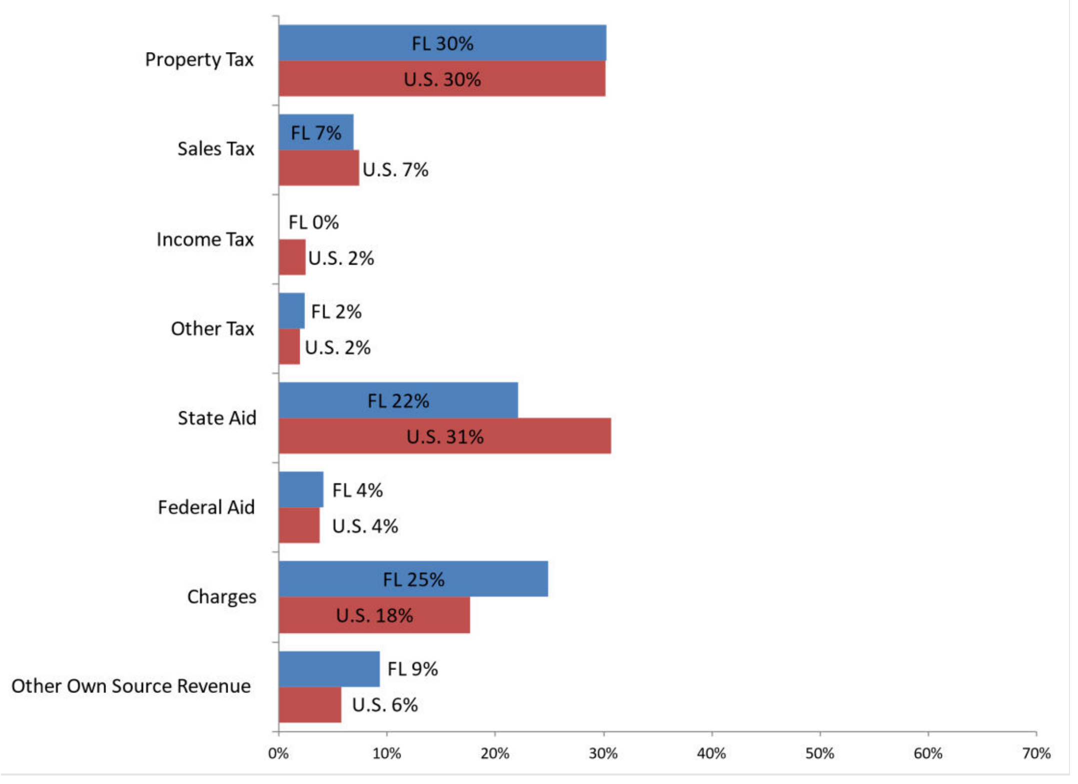
Highlights

The adoption of the Save Our Homes amendment in 1992 profoundly altered Florida's property tax landscape. Beginning in 1995, the law limited growth in assessed values to the lesser of 3 percent or the change in the consumer price index (Youngman 2016). In 2008, Florida became the first state to allow "portability" of assessment limit tax reductions statewide (Cheung and Cunningham 2009).

Florida's constitution governs most property tax law, including certain tax limitations and exemptions. Although the state constitution is generally more difficult to change than state statutes are, Florida provides five paths to amending its constitution, more than any other state. Florida law requires a 60 percent supermajority vote to adopt amendments to its constitution (McCarthy 2011).

Florida ranks second among the states for percentage of state and local revenue from local sources (Florida Tax Watch 2020). The state depends more on charges and user fees than do most other states (figure FL-1).

Figure FL-1
Sources of Local General Revenue, Florida and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Florida's reliance on the property tax is about average among U.S. states. The property tax, which is exclusively a local tax in Florida, accounts for 30 percent of local revenue and 18.1 percent of state and local revenue (table FL-1).

Table FL-1
Selected Florida Property Tax Statistics, 2019[1]

	Florida	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,454	$1,758	*31*
Property tax percentage of personal income	2.8%	3.1%	*29*
Total property tax as percentage of state-local revenue	18.1%	16.6%	*14*
Median owner-occupied home value[2]	$215,300	$217,500	*24*
Median real estate taxes paid for owner-occupied home[2]	$1,914	$2,471	*28*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*28*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

More than 640 local governments in Florida levy property taxes (Florida Department of Revenue 2017). Florida's 67 counties are responsible for real property assessment at 100 percent of "just" or market value subject to assessment limitations (Florida Department of Revenue). Although local governments have exclusive authority to tax property, each year the legislature sets the required local effort (RLE) for all school districts. RLE is the amount of funding for K-12 education each district must raise locally. In fiscal year 2021, the statewide average RLE millage rate was 3.720 mills (Florida Department of Education 2020).

Florida conducts revaluations annually and re-inspections every five years. Florida levies a tax on personal property. Current use valuation provides preferential property tax treatment of agricultural land.

Limits on Property Taxation

The state imposes limits on both property tax rates and property tax assessments. Constitutional rate limitations constrain county, municipality, and school district property tax rates to a maximum of 10 mills without voter authorization. Florida's maximum millage rate statute further restricts growth in local property tax rates.

In 1992, Florida adopted the Save Our Homes amendment, which imposed constitutional limits on growth in homestead assessments, with no override provision. Under Save Our Homes, home values may not increase more than the lesser of 3 percent of the prior year's assessment or the percentage change in the consumer price index. In 2008, Florida voters approved another constitutional amendment, Amendment 1, which further restricted property taxation in four important ways: (1) it allowed homeowners receiving reduced taxation under the Save Our Homes limit to "port" or transfer up to $500,000 of tax savings to another property they own anywhere in the state; (2) it expanded the homestead exemption to exempt homestead value between $50,000 and $75,000 from non-school property taxes; (3) it exempted $25,000 of tangible personal property from taxation; and (4) it imposed a 10 percent assessment cap on all non-homestead property for non-school property taxes. The estimated revenue reduction of the Save Our Homes assessment limit for 2020–2021 was $5.5 billion (Florida Revenue Estimating Conference 2020). A "recapture" provision in the Florida Administrative Code requires annual increases in assessments that are below market value by the lower of 3 percent or inflation, until the assessment reaches market value.

Florida's Truth in Millage (TRIM) statute requires cities and towns to calculate and issue notice of prior-year millage rate, proposed millage rate, and the "rollback" rate, which is the rate required to raise the same revenue as in the previous year, and to issue notice of a tentative budget hearing. Once a tentative budget and millage are approved, local governments must issue notice of and advertise the final budget and millage hearing (Bryant Miller Olive 2010).

Property Tax Relief and Incentives

Florida provides both homestead exemptions and exemptions for active military, disabled veterans, the blind and disabled, and widows and widowers. The state also offers a homestead property tax deferral program for permanent residents. Some exemptions are subject to income limits. The state has no property tax circuit breaker program (table FL-2). The estimated 2020–2021 tax revenue loss attributable to these residential tax relief programs was about $3 billion (Florida Revenue Estimating Conference 2020).

Florida exempts up to $50,000 on a homestead property. Florida exempts the first $25,000 of homestead value from all property taxes and an additional $25,000 from homes with values between $50,000 and $75,000 from non-school property taxes only. Therefore, the owner of a homestead valued at $100,000 pays no taxes on the first $25,000 of value, pays full taxes on the second $25,000 of value, pays only school taxes on the third $25,000 of value, and pays full taxes on the last $25,000 of value (Florida Department of Revenue 2021).

Economic development incentives that provide property tax benefits include an enterprise zone program that exempts up to the full value of qualifying improvements, local-option exemptions not tied to specific geographic areas, refunds for jobs created in target industries, and a tax increment finance program.

Table FL-2
Florida Property Tax Features, 2020

Feature	Florida	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxation in Florida dates back to 1830, when rates ranged from one-half cent per acre on "first-rate land" to one-eighth cent on "third-rate land." Florida's 1885 constitution called for "a uniform and equal rate of taxation." The state first enacted a homestead exemption in 1934, around the same time that the property tax transitioned from a state revenue source to a local revenue source (Florida League of Cities 2008). In 1940, Florida amended its constitution to restrict the state government from levying real or personal property taxes (Florida Revenue Estimating Conference 2020).

In 1980, Florida passed the Truth in Millage (TRIM) act, which reformed assessment administration practices and imposed full disclosure requirements (Florida Revenue Estimating Conference 2020). TRIM requires cities and towns to calculate and publish a "rollback" rate, which is the rate required to raise the same revenue as was raised the previous year. The rollback rate excludes new construction, additions, deletions, and annexation (Florida Revenue Estimating Conference 2020).

The Save Our Homes constitutional amendment, on the ballot by voter initiative, passed in 1992 and imposed limits on growth in homestead values to the lesser of 3 percent or inflation, with reassessment upon transfer (Florida Revenue Estimating Conference 2020). Florida enacted major property tax reform again in 2008, passing an amendment to the constitution (Amendment 1) that allowed homeowners relocating within the state to "port" or transfer up to $500,000 of "protected" value on their homes under Save Our Homes. Florida was the first state to enact statewide portability of assessment cap

benefits. Amendment 1 also expanded the homestead exemption, exempted up to $25,000 of personal property value, and imposed an assessment limit on non-homestead, non-agricultural property (Florida Revenue Estimating Conference 2020).

In 1995, a group of education advocates unsuccessfully challenged the state's education funding system on adequacy grounds in *Coalition for Adequacy and Fairness in School Funding v. Chiles.* After the Florida Supreme Court dismissed this case, voters amended the state constitution through the initiative and referendum process to strengthen the state's education clause (SchoolFunding.Info).

In 2009, plaintiffs claimed the state had failed to meet the requirements of the education clause in a new case, *Citizens for Strong Schools, Inc. v. Florida State Board of Education.* In May 2016, a circuit court ruled in favor of the state's board of education in *Citizens for Strong Schools*, with the judge finding the state's system adequate and constitutional. His decision stated, "The weight of the evidence shows that the State has made education a top priority both in terms of implementation of research-based education policies and reforms, as well as education funding" (Rohrer 2016). In a December 2017 decision, the First District Court of Appeals upheld the circuit court's dismissal of the case. In January 2019, the Florida Supreme Court affirmed lower-court rulings in *Citizens for Strong Schools*, rejecting the plaintiffs' demand that the court articulate "what resources and standards are necessary to provide a high-quality education to Florida students" (SchoolFunding.Info).

In November 2018, Florida voters passed two property tax amendments. Amendment 2 (House Joint Resolution 21) made permanent a 10 percent assessment cap for non-homestead property that has been in place since 2008 and was set to expire at the end of 2018. The limit does not apply to school district revenues. Amendment 5 (House Bill 7001) requires a two-thirds vote of both houses of the legislature to raise any state tax or fee. Although Florida does not have a statewide property tax, the amendment applies to a state real estate transfer tax that is based on property value.

Recent Developments

In June 2020, Florida's Second District Court of Appeals decided in *Furst v. Rebohlz* (Case No. 2D18-3323) that property assessors are not authorized to divide up a homestead for tax purposes under Florida law and a homeowner who rents out part of his homestead to tenants is entitled to the full homestead property tax exemption. In October 2020, the Sarasota County Property Appraiser filed a notice to the Florida Supreme Court to challenge the court of appeals' decision (CBS Miami 2020).

In June 2020, the Fifth District Court of Appeals issued its opinion in *Singh v. Walt Disney Parks and Resorts US, Inc.* (No. 5D18-2927, 2020 WL 3394725 (Fla. Dist. Ct. App. Aug. 7, 2020)), a property tax appeal case challenging the 2015 assessment of Disney's Yacht & Beach Club property.

In August 2020, the Florida 5th DCA issued a revised opinion in *Singh v. Walt Disney Park and Resorts* (Case No. 5D18-2927, Corrected). In its original opinion, the court ruled that a hotel valuation method used by the Orange County Property Appraiser known as "Rushmore" was illegal. The Rushmore method of hotel valuation involves hotels simply deducting franchise and management fee expenses to remove intangible personal property values of hotel operation from assessment. Upon rehearing, the court

rolled back its sweeping rejection of the Rushmore method itself as illegal and instead ruled that the Rushmore method as applied in this case was illegal because the county property appraiser improperly included the value of Disney's intangible business assets, such as Disney's brand, cash/working capital, and goodwill, in its assessment of the Disney property. The court ordered the county property appraiser to reassess the Disney property (Garcia 2020a, 2020b).

In November 2020, Florida voters approved two property tax constitutional amendments. Amendment 5 extended the period to "port" or transfer the homestead property tax benefit (the difference between a home's assessed value and its market value, known as the "Save Our Homes" benefit) on a primary residence to a new primary residence from two years to three years. Amendment 6 allows the spouse of certain veterans with permanent combat-related disabilities to continue to claim property tax exemption following the veteran's death, as long as the spouse holds the title and lives there permanently (Cassels 2020).

In May 2021, Governor Ron DeSantis signed into law House Bill 7061 (Florida's Tax Cut Package), approving a proposed constitutional amendment to provide property tax relief for home improvements made for purposes of flood mitigation. This tax relief is contingent on voters' approval on the November 2022 ballot (Florida Governor Ron DeSantis News Releases 2021).

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July 2021, data updated February 2022

Georgia

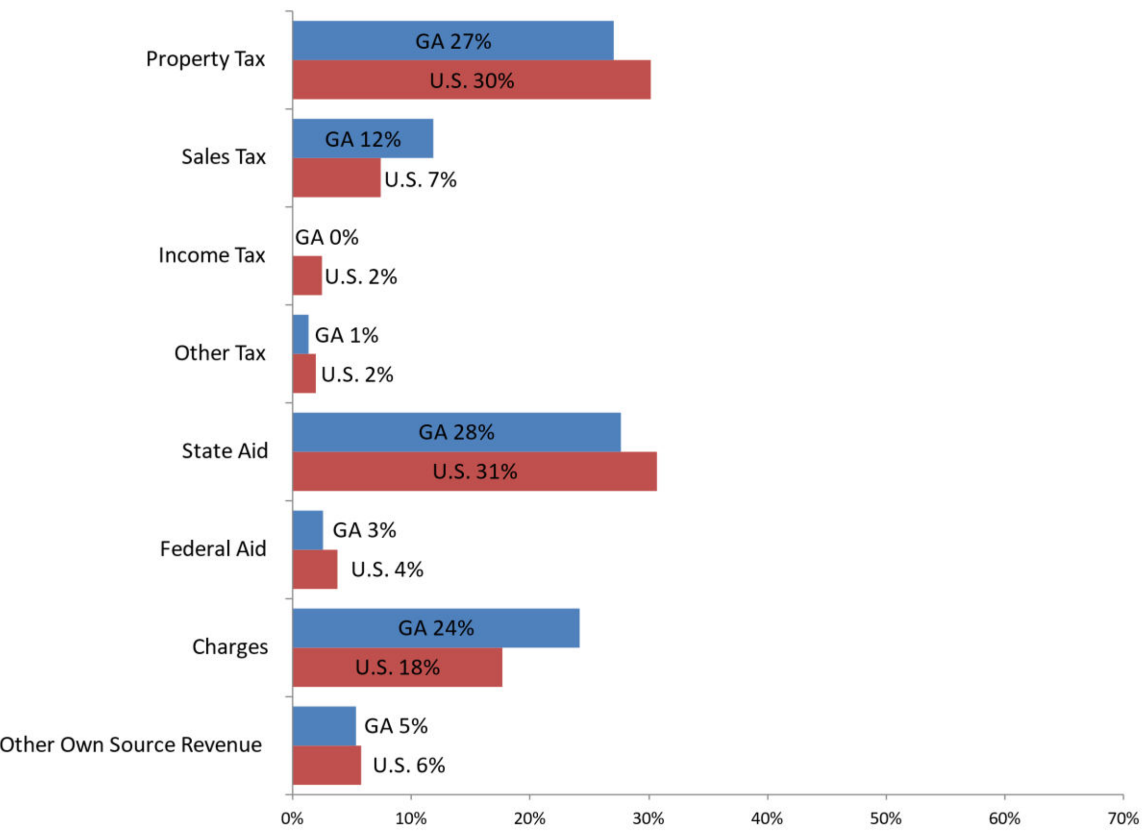
Highlights

Once the primary source of revenue for both the state and local governments in Georgia, the state general property tax was fully phased out in 2016. However, local governments remain dependent on the property tax, which accounted for 27 percent of general fund revenues in 2019 (figure GA-1).

Local governments in Georgia also derive revenue from a variety of local-option sales taxes, including special sales taxes for education, transportation, or to finance property tax homestead exemptions. In 2021, the state sales tax rate was 4 percent, and the average county sales tax rate was 3.52 percent (Sales Tax Handbook).

Georgia allows for current use assessment for certain classes of conservation property (e.g., farm and timber land), but generally property is assessed at 40 percent of fair market value. A notable recent change to property taxation in Georgia was the elimination of property taxes on motor vehicles.

Figure GA-1
Sources of Georgia Local General Revenue, 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

By most measures, property taxes in Georgia are lower than in other states. For example, Georgia ranks 33rd in per capita property taxes among the 50 states and DC (table GA-1).

Table GA-1
Selected Georgia Property Tax Statistics, 2019[1]

	Georgia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,290	$1,758	*33*
Property tax percentage of personal income	2.7%	3.1%	*32*
Total property tax as percentage of state-local revenue	16.8%	16.6%	*19*
Median owner-occupied home value[2]	$176,000	$217,500	*31*
Median real estate taxes paid for owner-occupied home[2]	$1,623	$2,471	*33*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*26*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property is assessed annually at 40 percent of fair market value, with certain exceptions as noted below. With the exception of public utility property and certain railroad and airline equipment, assessments are conducted by the county board of tax assessors in each county (table GA-2). The state tax commissioner enforces uniformity in assessment.

Preferential assessment programs are available for conservation of homestead property in areas undergoing conversion to commercial use, for historic preservation, and as an incentive for developers to clean up brownfield property.

Limits on Property Taxation

Limitations on property taxes in Georgia include rate caps on school taxes as well as limits on the rate of assessed value growth. School districts are restricted to a maximum millage rate of 20 mills, excluding amounts for debt service, unless a higher rate is approved by local referendum.

The only direct limitations on assessment growth are on a local option basis by referendum and apply at the individual parcel level to homestead property. Referred to as the Homestead Exemption Valuation Freeze, this exemption is currently offered by 36 of the state's 159 counties, in some cases with restrictions based on age or income (Georgia Department of Revenue).

The Georgia Taxpayer Bill of Rights, signed into law in 1999, may have an indirect constraining effect on assessment growth and on millage rates. First, the law strengthened property owners' rights in appealing assessment increases, placing the burden of proof on local authorities to justify increases on appeal and requiring them to pay the legal costs for owners who receive a 15 percent or larger reduction in assessment as a result of an appeal. Second, to prevent indirect tax increases, the Taxpayer Bill of Rights requires a rollback of local millage rates to offset inflationary growth of the tax base. Should the levying authority wish to set its millage rate above the rollback rate, it is first required to publicize its intent and to hold three public hearings at times and with notice requirements as specified in the law (Georgia Department of Revenue).

Property Tax Relief and Incentives

Property that is exempted from the tax includes government property and certain property of religious institutions, nonprofit hospitals, and eligible charitable and veterans' organizations. In addition, homeowners are eligible for state and local homestead exemptions on their primary residence that vary in amount by county, with additional exemptions for seniors, disabled veterans, surviving spouses of U.S. service members killed in action, and peace officers and firefighters killed in the line of duty. Finally, counties and municipalities may elect, with the approval of the voters, to exempt certain inventories of goods in process and finished goods.

One general economic development incentive is the use of qualified enterprise zones, where local governments may authorize property tax exemptions to eligible businesses for up to 10 years. Local governments are also able to offer property tax relief for economic development purposes when projects are financed through industrial development bonds and a local development authority retains legal ownership of the property (Monacell 2007). Like most states, Georgia also employs tax increment finance and the districts are called Tax Allocation Districts.

The state also provides incentives through the property tax for conservation. Under certain conditions and limits, agricultural land, forest land, and certain environmentally sensitive land can be assessed based on its current-use value rather than fair market value. Alternatively, agricultural land may be assessed at a preferential rate of 30 percent of fair market value rather than the standard 40 percent.

Table GA-2
Georgia Property Tax Features, 2020

Feature	Georgia	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Although the general property tax was adopted in 1852, and a 1913 statute, the Georgia Equalization Tax Act, created the position of state tax commissioner to enforce uniform assessments, assessment practices remained inconsistent across the state in the mid-1960s (Hart 1918). A 1965 court decision required the tax commissioner to enforce statewide uniformity in assessments, while subsequent administrative reforms in 1972 consolidated assessment authority at the county level, required minimum levels of staffing and training for assessors and appraisers, and created county and state boards of equalization to hear and adjudicate assessment appeals (Sjoquist 2008).

The state homestead exemption was adopted in 1937, and narrower statewide exemptions (e.g., the exemption for disabled veterans) were adopted at various times since 1957. The year 1999 saw passage of the Taxpayer Bill of Rights as well as the Homeowner Tax Relief Credit, which extended homestead exemptions to county and school district taxes (a 2002 law extended it further to city taxes) with reimbursement from the state to local governments through annual appropriations. Preferential assessment of agricultural property was passed in 1983. Current use assessment was passed in 1991 for agricultural, environmentally sensitive, and transitional residential property and in 2008 for forest land.

Legislation passed in 2010 phased out the quarter mill state property tax levy over five years beginning January 1, 2012. In the 2012 legislative session, House Bill 386 created a new Title Ad Valorem Tax to replace all annual state and local property taxes on motor vehicles purchased after February 2013 with a one-time tax at the time of purchase or first registration of a motor vehicle in Georgia.

Recent Developments

In 2018, Georgia voters passed a constitutional amendment and two legislatively referred referenda related to property taxation. Amendment 3 (House Resolution 51) created a new subclass for timberland property and authorized the legislature to alter the formula used to value forest land. Referendum A (House Bill 820) authorized a homestead exemption for Atlanta that would exempt taxes on any increase in value over 2.6 percent per year (Collins et al. 2019). Referendum B (House Bill 196) explicitly extended property tax exemptions to nonprofit homes for the mentally disabled even if a business corporation finances construction or renovation of a home. A 2020 ballot measure authorized the exemption of property used by charitable organizations to build or repair single family homes as long as the qualifying nonprofit provides interest-free financing to homebuyers (Referendum A of 2020).

Georgia enacted property tax legislation in 2020 and 2021 to respond to challenges presented by the Covid-19 pandemic. Senate Bill 410 adopted in 2020 allows virtual hearings for property tax appeals; the law permits the board of equalization to conduct hearings by audio or visual teleconferencing or other media. House Bill 451, enacted in 2021, allows manufacturers eligible for inventory tax exemption under the Level 1 Freeport Exemption in 2021 to claim the value of finished goods inventory as of either January 2020 or January 2021.

When a taxpayer successfully appeals an assessment, Georgia law freezes the assessment at the new value for three years (the current tax year and two subsequent years). State statute prohibits any assessment increase within this period unless “other material factors” are involved. In *Dekalb County Board of Assessors v. CWS SGAR Brookhaven and WRH Aztec, LLP*, the Georgia Court of Appeals ruled that changes in market value or real estate prices during the period do not constitute “other material factors,” upholding the three-year freeze (Miller 2020).

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. The effect of the cap was to increase the burden of state and local taxes paid (including property taxes) over $10,000. After the IRS signaled it would permit entity-level taxes that allow owners of pass-through entities to receive a credit on individual tax returns allowing them to circumvent the federal State and Local Tax (SALT) cap, Georgia enacted entity tax legislation. House Bill 149 of 2021 gives qualifying business owners the option to pay taxes on earned income at the entity level to circumvent the SALT cap.

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Hawaii

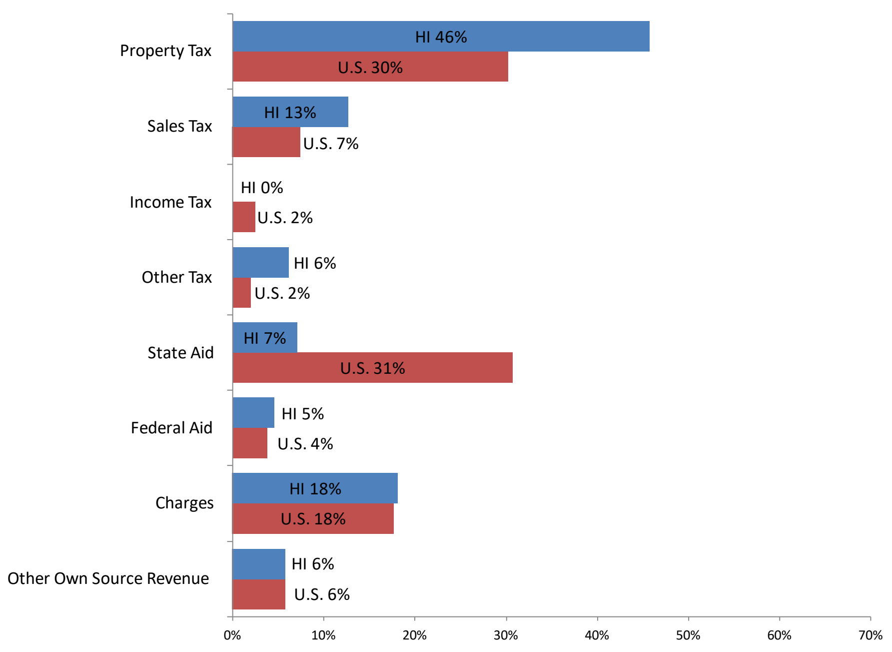
Highlights

Government in Hawaii is highly centralized, with the state government being the dominant player. Local governments comprise essentially four county governments: Hawaii County, Maui County, Kauai County, and the City and County of Honolulu. A fifth county, Kalawao, does not have fully functional county status. The Hawaii State Constitution places responsibility at the state level for the costliest functions of government, including K-12 public education, which explains why state aid makes up a much smaller share of local government general revenue in Hawaii than nationally.

Counties in Hawaii have less revenue-raising authority than local governments do in most states. With limited taxing authority, property taxes account for a much higher percentage of local government general revenue in Hawaii than nationally (figure HI-1).

Hawaii's classified property tax system has nine (Honolulu and Hawaii counties) to ten (Maui and Kauai counties) separate property classes. In this tourism-dependent state, the highest rates are levied on visitor-industry-related properties—hotel and resort properties, vacation rentals, and timeshares—to attempt to export taxes to nonresident property owners and visitors. The lowest rates are applied to owner-occupied residential properties. Just under a third of property taxes are paid by out of state property owners (Hawaii Department of Business, Economic Development, and Tourism 2017a).

Figure HI-1
Sources of Local General Revenue, Hawaii and U.S., 2019



Property Tax Reliance

Between 2015 and 2019, Hawaii ranked first among the 50 states and the District of Columbia in median owner-occupied home value but ranked last in effective tax rate on a median-value owner-occupied home (table HI-1). In 2019, per capita property taxes and property taxes as a percentage of the state's personal income were considerably lower in Hawaii than in most other states (table HI-1).

Table HI-1
Selected Hawaii Property Tax Statistics, 2019[1]

	Hawaii	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,455	$1,758	*30*
Property tax percentage of personal income	2.6%	3.1%	*35*
Total property tax as percentage of state-local revenue	11.1%	16.6%	*42*
Median owner-occupied home value[2]	$615,300	$217,500	*1*
Median real estate taxes paid for owner-occupied home[2]	$1,715	$2,471	*32*
Effective tax rate, median owner-occupied home[3]	0.3%	1.1%	*51*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Hawaii, only the four county governments use the property tax, and only real property is taxed. Each county has sole discretion on property tax administration, including what property to tax, at what rate, and who gets tax relief and how much. All taxable real property is assessed at 100 percent of fair market value, and property is valued and assessed annually. Property tax rates are also adjusted annually. For fiscal year 2021, tax rates range from zero on "public service" properties in Honolulu to 14.4 percent on timeshares in Maui County (Hawaii Department of Business, Economic Development, and Tourism 2018b; Island Sotheby's International Realty).

An unusual feature of Hawaii's residential housing market is that the state has a sizable number of leasehold properties. In leasehold housing, the homeowner owns the improvements but leases the land. For property tax purposes, the land is assessed at its fee simple (rather than its smaller leasehold value), and the semiannual tax bill, which includes both the tax on land and the tax on improvements, is paid by the homeowner (lessee) rather than the landowner (lessor) (Kwak and Mak 2011).

Limits on Property Taxation

Hawaii places no statewide limit on property tax rates and has no state-imposed limit on the rate of growth of assessed valuation, but Kauai limits growth in assessments to 3 percent for homeowners who qualify for a home exemption or a beneficial tax rate due to long-term rental.

Property Tax Relief and Incentives

The state of Hawaii delegates all property tax authority to the counties so property tax relief and incentives vary from county to county with no state oversight (table HI-2). The basic home exemption is set by the county and ranges from $40,000 in Hawaii County to $200,000 in Maui County; higher amounts apply to the elderly. To qualify for the home exemption, a property must be the owner's principal residence. Some form of circuit breaker based on income is available in Maui, Kauai, and Honolulu counties, but not in Hawaii County. The blind, the deaf, leprosy (Hansen's disease) patients, totally disabled persons, disabled veterans, low-moderate income housing, churches, charitable organizations, public utilities, schools, credit unions, historic residential properties, and land dedicated for agriculture, among others, also qualify for property tax exemption/relief.

Among other incentives for economic development, Hawaii employs enterprise zones and tax increment financing. Enterprise zones may include a property tax reduction, but the state also provides credits against state income, unemployment, and general excise taxes.

Table HI-2
Hawaii Property Tax Features, 2020

Feature	Hawaii	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Following statehood in 1959, Hawaii's state government administered the property tax. The 1978 revision of the state constitution forced the state to turn over the property tax to the counties, but the counties were not authorized to set their own property tax rates until 1989.

Between 1965 and 1977, Hawaii experimented with a statewide split-rate property tax system to encourage economic growth and land reform (Kwak and Mak 2011). Under the split-rate system, land was taxed at a higher rate than were improvements. The experiment ended partly because the system was thought to be overly complicated to administer and partly because residents no longer desired high rates of economic growth after years of stunning rates of tourism-induced economic growth following statehood.

After the property tax was transferred to the counties, some counties brought back the split-rate property tax at various times. By fiscal year 1999, three of the four counties—Maui being the exception—had brought back this tax. Between fiscal year 1989 and fiscal year 1998, accelerating land values prompted the City and County of Honolulu to provide additional tax relief to all owners of improved residential property by reducing their property tax rate on land while keeping the tax rate on improvements unchanged. This resulted in an unusual, inverted tax structure in which improvements were taxed at a higher rate than was land (Kwak and Mak 2011). In fiscal year 2006, Kauai County also adopted the inverted split-rate property tax for some property classes (Kwak and Mak 2011; Kato, Kwak, and Mak 2011).

As part of a major overhaul of the Kauai County property tax system beginning in fiscal year 2013, the county no longer produces separate assessments for land and improvements and applies a single tax rate for each property class (Schmidt 2012). Today, tax rates vary among the counties; but in all four counties, land and improvements within each class are taxed at a single rate.

In 2013, the City and County of Honolulu created the “Residential A” property classification, whereby a higher property tax rate (currently at $6 per $1,000 of assessed value versus the standard residential rate of $3.50 per $1,000 of assessed value) is applied to residential properties valued at $1 million or more that do not have a current home exemption. Ostensibly, “Residential A” classification targets second-home buyers and investors, many of them from the U.S. mainland and foreign countries (Hawaii Department of Business, Economic Development, and Tourism 2016). However, it is also affecting some local residential property owners, as property values have been rising since the end of the Great Recession. The “Residential A” property classification was appealed, with the attorney for the property owner filing the appeal arguing that “Residential A” property classification violates the equal protection clause under Hawaii and U.S. constitutions (Shikina 2015). A tax appeal judge ruled the “Residential A” property classification unconstitutional, but months later reversed the decision and let the “Residential A” property tax classification and higher tax rate stand (Cocke 2016).

Recent Developments

In Maui County, a group of timeshare owners filed a lawsuit in 2013 against the county alleging that it violated the Sunshine Law when it set the fiscal year 2014 property tax rate on timeshare properties (Perry 2013). Timeshare properties were included in the hotel and resort property tax classification in Maui until 2004, when the county created a separate real property tax classification for them. In fiscal year 2021, timeshares in Maui County were taxed at a rate of $14.40 per $1,000 net taxable assessed value, compared to 10.7 percent on hotel and resort properties (Island Sotheby’s International). In

March 2018, a circuit court judge ruled the classification for timeshares was "invalid and void" since the only difference between a timeshare property and hotel is the existence of a timeshare plan and not a difference in use, which would be required to establish a distinct class (Tanji 2018). In June 2020, the Hawaii Supreme Court vacated the orders in the case and remanded the case back to the circuit court, ruling it should have been heard the by the Tax Appeals Court. The court's decision effectively dismissed the case since the window for appealing the timeshare assessments at issue has closed (Tanji 2020).

The legislature is currently considering a bill (HB 1208) to amend the constitution and allow the state to impose a property tax. Supporters of HB 1208 and HB 1209 (which would "suspend" state income taxes on individuals and businesses) hope to achieve an income-for-property tax swap with a state property tax aimed at nonresident property owners (Dayton 2021). In 2018, a constitutional amendment to give the state authority to impose property taxes was invalidated less than a month before the election. The Hawaii Supreme Court ruled the ballot question did not comply with the requirements that the question be "clear and not misleading" (Jones 2018).

In 2019, Honolulu enacted policies aimed at taxing home-sharing rental units, such as Airbnb. The city council unanimously approved Bill 55 to create a classification for bed and breakfasts (owner-occupied short-term rentals) for taxation purposes and to treat transient vacation rental units (non-owner-occupied short-term rentals) as hotels (O'Connor 2019).

Both the Honolulu City Council and the legislature are considering proposals to tax vacant properties. Honolulu Bill 76, introduced in 2020 and re-referred in 2021, would create a new classification for "vacant residential." Meanwhile the legislature is considering HB 440 to establish a "conveyance tax vacancy surcharge." The bill cites Vancouver, British Columbia's empty homes tax that raised $30 million in revenue and reduced vacancy by 15 percent. The bill points to Hawaii's low property taxes as a factor in the willingness of investors to purchase investment properties and let them sit vacant.

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Idaho

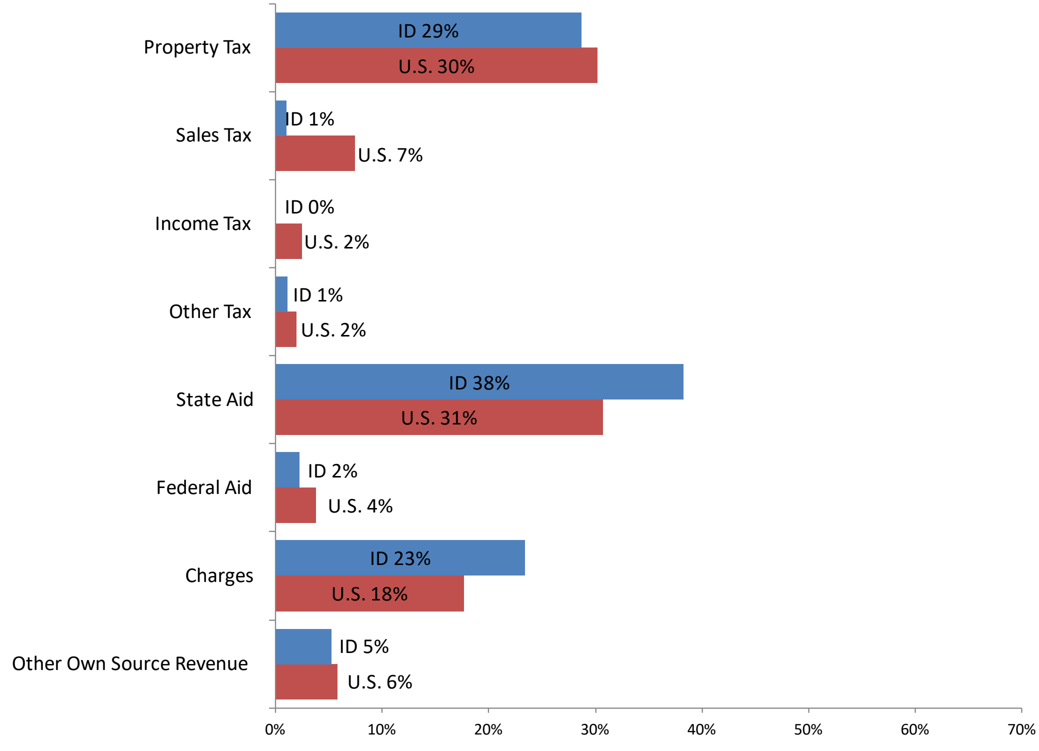
Highlights

State and local government revenue in Idaho is balanced among the three major taxes (sales, income, and property). State revenue is highly dependent on income and sales taxes, while local government revenue is highly dependent on property taxes, albeit slightly less dependent than other states on average (figure ID-1).

Historically, Idaho has relied primarily on state general fund appropriations to fund public education. Prior to a major change in fiscal year 2007, which shifted even more responsibility to the state, public schools in Idaho received 56 percent of their funding from the state with the remainder from local property taxes and federal aid. By fiscal year 2018, the percentage provided by the state had grown to 66.7 percent (National Center for Education Statistics 2020).

The Idaho Constitution has a uniformity clause that has been interpreted by the courts to preclude a classification system, so there are no varying fractional assessment ratios for different classes of property. The same section of the Idaho Constitution grants the legislature exemption authority that has been broadly construed.

Figure ID-1
Sources of Local General Revenue, Idaho and U.S., 2019



Property Tax Reliance

In 2019, property tax as a percent of state and local revenue was lower in Idaho than in most other states (table ID-1). However, the absence of significant local-option non-property taxes and the existence of more than 1,000 local taxing units of government, some of which have very limited alternate revenue sources, make the property tax a mainstay for local governments in Idaho.

Table ID-1
Selected Idaho Property Tax Statistics, 2019[1]

	Idaho	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,101	$1,758	*40*
Property tax percentage of personal income	2.4%	3.1%	*37*
Total property tax as percentage of state-local revenue	14.4%	16.6%	*28*
Median owner-occupied home value[2]	$212,300	$217,500	*25*
Median real estate taxes paid for owner-occupied home[2]	$1,456	$2,471	*37*
Effective tax rate, median owner-occupied home[3]	0.7%	1.1%	*38*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

All property in Idaho is subject to property tax unless statutorily exempt. The basis for the property tax is market value except when there are partial exemptions or specified assessment procedures.

Property taxes were levied by 964 local taxing districts out of the 1,112 that existed in Idaho in 2014 (Dornfest 2015). Local taxing districts include county governments, cities, school districts, highway districts, and special purpose districts, such as fire protection, ambulance, flood control, cemetery, community college, and library districts. In 2020, 88 percent of all property taxes were levied in support of counties, cities, schools, and highway districts (Idaho State Tax Commission 2021). Property tax payments are consolidated within counties, which bill taxpayers and distribute payments to the various taxing districts. State law prohibits a state property tax while the state sales tax is in effect.

Valuation of property subject to tax is largely a function of county government. The state has direct valuation (assessment) authority for operating property of public utilities, telecommunications companies, and certain transportation companies, including railroads, railcars, and barge lines. Except for very small railcar companies, the state apportions the values to each county and taxing district and for most taxing districts, this value is included when levies are set (Dornfest 2018b).

All property that is not exempt or otherwise subject to special statutorily provided assessment systems is assessed at 100 percent of market value. Assessments are redone annually, and locally assessed real property is physically inspected as part of required reappraisal at least once every five years. Operating property and personal property are reappraised annually.

Limits on Property Taxation

There are strict laws capping annual property tax budget increases (generally, the limit is 3 percent plus an allowance for new construction and annexation), and each district's property tax amount is subject to county and state review. Although the budget limits usually prevail, most taxing districts also have rate limits that they cannot exceed (table ID-2). For example, county rates for general purposes are limited to the greater of 2.6 mills or a rate sufficient to raise $250,000; cities are limited to 9 mills for general purposes (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program called the property tax reduction program provides general property tax relief to homeowners based on income, provided that certain criteria, including age, disability, or widow status can be met. The benefit can be a tax credit of up to $1,500 applied annually directly to a claimant's property tax bill. To qualify, income must be below $30,450. There were 26,774 approved claimants in 2019, and the average claimant received a tax credit of about $685 (Dornfest 2021). Tax credits appear on property tax bills and are subtracted before determining property taxes due from the taxpayer. Credits are not refundable. A property tax deferral program is also available provided the same status criteria are met as for the circuit breaker program (although there is a higher income ceiling), but few Idahoans take advantage of this program.

There are numerous property tax exemptions in Idaho. The state's homestead exemption provides an exemption of 50 percent of property value, up to $125,000. In addition to broad exemptions for most property owned by state and local governments, there are full exemptions for property used for educational purposes, for property owned by religious or charitable corporations and used for their religious and charitable purposes, and for agricultural equipment. There are also partial exemptions, such as for primary residences, farmland, pollution-control equipment, and personal property (nonagricultural). In 2018, Idaho enacted a property tax credit in the amount of $1,320 for veterans with 100 percent service-connected disabilities. The credit may not exceed taxes owed (House Bill 492). In 2021, the legislature increased the credit to $1,500.

In addition to exemptions, tax increment financing areas, which are present in more than half of all Idaho counties, are extensively used by the state.

Table ID-2
Idaho Property Tax Features, 2020

Feature	Idaho	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property tax has been part of government finance in Idaho since the territory was created in 1863. As other major taxes such as income (1931) and sales taxes (1965) were added to the picture, property tax ceased to be a state tax. Following major changes in school funding in fiscal year 2007, the property tax has diminished somewhat as a local tax source as well. In 1962, prior to the enactment of the sales tax, for example, property tax constituted nearly 60 percent of all state and local tax revenue in the state. By 1982, this proportion had diminished to about 35 percent due to major exemptions accompanied by replacement money derived from the sales tax and the first of many freezes and limits on property tax budget increases. In 2001, there was a major step toward reducing personal property taxes. At that time, agricultural equipment was made exempt, and the state again provided replacement money on an ongoing basis.

Effective fiscal year 2007, most school general operating funds were no longer supported by the property tax. The change was enacted during a one-day special session of the Idaho legislature, with an immediate 19 percent reduction in property taxes that would otherwise have been levied in fiscal year 2007. However, due to an increased state appropriation funded through an increase in the sales tax, the change was at first neutral to overall school funding. Over time, however, state-provided school funding proved inadequate, and use of voter-approved “supplemental” property tax levies increased significantly from fiscal year 2008 through fiscal year 2014 (Dornfest 2013).

Recent Developments

In 2013, the first broadly applicable partial personal property exemption was passed and implemented. The legislation provided for a $100,000 personal property exemption per taxpayer per county. In addition, “items” of personal property costing no more than $3,000 per item and acquired after January

1, 2013 were no longer taxable. The state provided replacement money for the $100,000 exemption ($18.9 million in 2016) and continues to do so (Dornfest 2016). In 2021, the legislature increased the personal property tax exemption to $250,000 (HO 389) and also considered, but did not pass, a bill (HB 218) to phase out business personal property taxes altogether.

In 2020, an interim legislative committee endorsed three reform proposals: imposing caps on the growth of local government budgets; limiting local governments' ability to build up reserve funds; and launching "Transparent Idaho," a website where the state would report local government budget and spending data. The committee was charged with providing a report on these recommendations to the full legislature and received a one-year extension on its work (Russell 2020). In 2021, the legislature again appointed an interim committee to study property taxation (HCR 15).

The 2021 legislative session featured major property tax reform, signed into law by Governor Brad Little on May 12, 2021. The measure expands property tax relief programs and imposed stricter limits on local property tax levies. HO 389 increased the homeowner's exemption to $125,000, increased the maximum circuit breaker benefit to $1,500, added an asset limit for circuit breaker applicants beginning in 2022, increased the veterans tax credit, and increased the personal property tax exemption to $250,000 (to be reimbursed by the state). The law also imposed stricter limits on local property tax levies. Idaho's property tax levy cap limits growth of property tax revenue (school districts excluded) to 3 percent of the highest levy over the last three years. Prior to the 2021 law, local governments could add revenue beyond the limit for new construction, land use classification changes, and annexation, and they could carry forward unused levy increases for future years. The 2021 measure limits the revenue adjustment for new construction and annexation so that the total levy increase, including new construction and annexation, may not exceed 8 percent and limits the amount of "reserved forgone moneys" that may be used for maintenance and operations.

Separate legislation passed in 2021 increased income limits for the state's property tax deferral program (HO 309).

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Illinois

Highlights

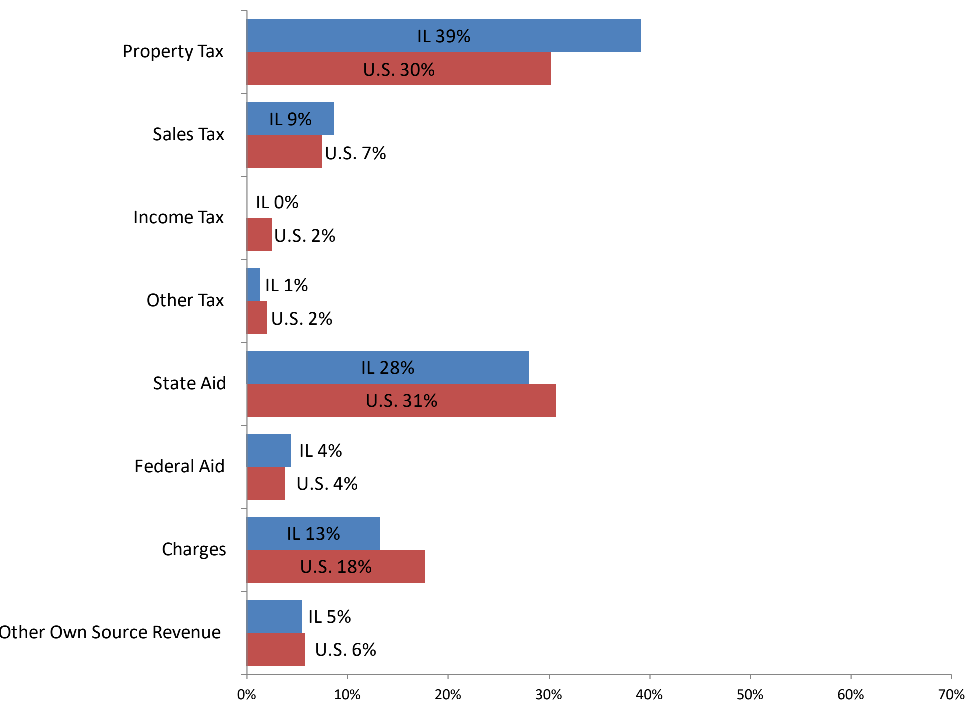
Local governments in Illinois rely on the property tax for 39 percent of local revenue, compared to 30 percent for local governments in the average state (figure IL-1).

Before major education finance reforms in 2017, state aid in Illinois accounted for the smallest share of elementary and secondary education funding in the 50 states—24.1 percent in 2016, compared to a national average of 47 percent (U.S. Department of Education 2018). The Evidence-Based Funding for Student Success Act increased state aid and targeted funds to needy school districts. By 2019, the share of elementary and secondary education from state aid had grown to 40.7 percent (U.S. Department of Education 2021).

Illinois has almost 7,000 units of local government—more than any other state—resulting in a highly fragmented property tax base with 6,000 different jurisdictions levying ad valorem taxes (Census 2017).

Illinois is one of two states, along with New York, in which property tax structures differ substantially by locality. In essence, Cook County (which includes Chicago, which accounts for about half of the county's population) has one property tax system, and the rest of Illinois has a different one.

Figure IL-1
Sources of Local General Revenue, Illinois and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Illinois ranks sixth highest among states for state and local reliance on the property tax. In 2019, property taxes accounted for 23.1 percent of state and local revenues compared to a national average of 16.6 percent. Illinois had the second-highest effective tax rate on median-value residential homesteads among the 50 states and was one of only four states in which the effective tax rate on the median-value home exceeded 2 percent of the home's value (table IL-1).

Table IL-1
Selected Illinois Property Tax Statistics, 2019[1]

	Illinois	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,338	$1,758	*10*
Property tax percentage of personal income	4.0%	3.1%	*9*
Total property tax as percentage of state-local revenue	23.1%	16.6%	*7*
Median owner-occupied home value[2]	$194,500	$217,500	*26*
Median real estate taxes paid for owner-occupied home[2]	$4,419	$2,471	*6*
Effective tax rate, median owner-occupied home[3]	2.3%	1.1%	*2*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Illinois, property taxes are levied by about 6,000 counties, townships, municipalities, independent school districts, and special districts. Assessments are conducted at township level except in counties with no township governments (table IL-2).

In Cook County, the state's largest county dominated by the City of Chicago, property is subject to classification, with 13 different classes. Commercial and industrial properties are assessed at a higher percentage of market value. Cook County is divided into three assessment districts, and one of the districts is revalued each year.

Elsewhere in Illinois, all property is assessed uniformly. All real property, except tracts of land under conservation management, is assessed at 33.33 percent of market value. Property other than farmland is reassessed every four years, and farmland is reassessed annually.

Personal property is not taxed in Illinois.

Limits on Property Taxation

Illinois has two types of tax limits: rate limits and levy limits. Property tax rate limits apply statewide and affect school districts, special districts, community college districts, townships, and all non-home rule counties and municipalities. As a home rule government, Cook County is not subject to tax rate limitations. The Property Tax Extension Limitation Law (PTELL) applies in 38 counties (including Cook County) and limits the increase in the tax levy to the lesser of 5 percent or the rate of inflation.

Property Tax Relief and Incentives

Several residential property tax relief programs provide property tax credits, exemptions, or deferrals for homeowners, the elderly, veterans, and disabled residents. The General Homestead Exemption provides an exemption from the property tax up to $6,000 for homeowners outside of Cook County and up to $10,000 for homeowners in Cook County. Illinois had a circuit breaker called the Circuit Breaker Tax Grant for Senior Citizens and Disabled for which both homeowners and renters are eligible; however, the state has not provided funding for the program since 2012. If funded, the maximum benefit is $700.

The state also has several property tax incentives for economic development including an enterprise zone program. Tax increment financing (TIF) is used extensively to fund local economic development.

Table IL-2
Illinois Property Tax Features, 2020

Feature	Illinois	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The desire for relief from local property taxes has resulted in increased use of property tax limitation measures in recent decades. The Property Tax Extension Limitation Law (PTELL) was passed in 1991 and applied at first to just the five suburban counties surrounding Cook County, which had seen rapid increases in home prices (Anderson and McGuire 2007a). PTELL was later extended to Cook County and then as a local option for all Illinois counties. The evidence suggests PTELL had the desired effect of

slowing growth in property tax collections in the affected jurisdictions (Dye, McGuire, and McMillen 2005).

The next big push to mitigate property tax burdens was Cook County's 7 percent assessment growth cap passed in 2004 (Dye, McMillen, and Merriman 2006). Though perceived as tax relief, the measure shifted property tax burdens away from homeowners with the highest growth in assessed values to commercial-industrial property owners and to homeowners with low growth in assessed values (Dye and McMillen 2007a, 2007b). In 2013, the legislature increased the General Homestead Exemption for Cook County in order to offset the expiration of the tax cap which was fully phased out after the 2013 assessment year (Illinois Department of Revenue).

Recent Developments

Plagued with chronic budget deficits and $133.5 billion in unfunded pension liability, the state has seen its credit rating erode to BBB, one level above a junk rating. S&P Global ratings has warned "If Illinois is unwilling or unable to pass a revenue increase within the next two years, absent significant expenditure cuts, we would likely lower the rating" (Reuters 2019). Governor J.B. Pritzker, who took office in 2019, proposed amending the state's constitution to permit a graduated income tax in place of the state's flat-rate income tax. In his first budget address, the governor said he favored this revenue-generating measure over budget cuts or raising the flat income tax rate because additional state cuts would result in higher local property tax increases and raising the flat tax would do nothing to stem rising local property taxes (Office of the Governor 2019). In May 2019, the legislature voted to put a constitutional amendment before voters in November 2020 to authorize a graduated income tax (Pearson, Munks, and Petrella 2019). Illinois voters rejected the graduated income tax measure at the ballot in November 2020 (Pearson 2020).

Governor Bruce Rauner signed into law a historic school funding reform package in August 2017 that substantially increased state support for education. The new "evidence-based" school funding formula increased state aid to property-poor school districts by about $350 million annually. The law also funded private school tax credits for low- and moderate-income families, allowed Chicago Public Schools (CPS) to raise property taxes, and contributed to CPS pensions (Burnette 2017).

A 2010 Illinois Supreme Court decision in *Provena Covenant Medical Center v. Department of Revenue* (925 N.E.2d 1131 (Ill. 2010)) attracted national attention when the court ruled Provena Covenant Medical Center did not provide charity care at a level sufficient to justify a charitable tax exemption based on a five-part test the court established in 1968 in *Old Peoples Home v. Korzen*. The legislature responded by passing section 15-86 designed to clarify the charity care requirements for nonprofit hospitals seeking tax exemption (35 ILCS 200/15-86). The statute established a standard that the value of charity care should equal or exceed property tax liability in order to qualify for exemption. In 2017, the Supreme Court vacated a lower court ruling that found section 15-86 unconstitutional (Collins et al. 2018). In 2018, the court ruled in *Oswald v. Hamer* (2018 IL 122203 (Ill. 2018)) that Section 15-68 does not on its face violate the constitution and that exemption claims made under this section must be evaluated according to constitutional requirements. The court left open the possibility that "while it is possible that specific future applications of section 15-86 may produce actual constitutional problems, it will be time enough to consider any such problems when they arise." In 2019, a circuit court ordered Champaign County to refund the Carle Foundation Hospital for property taxes paid between 2005 and 2011 in the latest case in Illinois's long saga of nonprofit hospital property tax exemption disputes. The court found that in those years, the hospital satisfied the statutory requirements for a charitable tax exemption in the case that dates back to 2007. Circuit Court Judge Randall Rosenbaum ordered the

county to refund $6.24 million and ordered the Illinois Department of Revenue and other local taxing districts to cover litigation costs (*Carle Foundation v. The Illinois Department of Revenue*; Pressey 2020).

In 2020, the U.S. Supreme Court let stand a circuit court decision written by Amy Comey Barrett when she served as judge in Virginia's Seventh Circuit. Judge Barrett ruled the plaintiffs could pursue their claims in federal court (*Pappas v. A.F. Moore & Associates*), finding "the taxpayers lack an adequate state court remedy." The taxpayers argued Cook County assessing methods violated the equal protection clause by applying higher tax rates to some properties; the state prevented the plaintiffs from challenging the assessment methods in state court (Hamilton 2020).

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Indiana

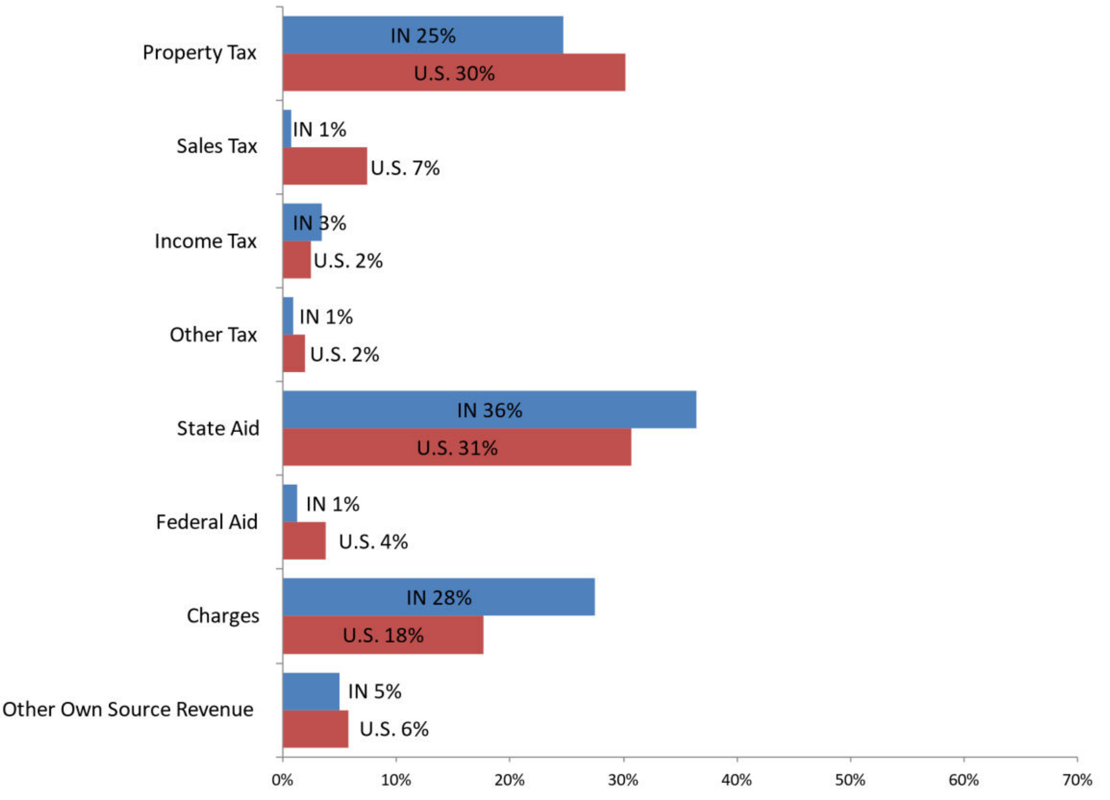
Highlights

Indiana relies less heavily on the property tax than do most other states. The property tax is the second largest component of own source tax revenue for local governments after charges (figure IN-1). Every county also makes use of an income tax, the proceeds of which are split selectively among various local government units according to statutory requirements.

Prior to a tax swap implemented in 2009, public schools relied much more heavily on the property tax. That swap eliminated property tax support for operating revenues and replaced it with a higher state sales tax whose revenues pass through the state general fund. Local property taxes for schools can still be raised to support capital facilities or through a special voter referendum.

The state makes significant use of multiple property tax limitations that restrict the size of the property tax levy and the property tax burden for individual parcels of real property.

Figure IN-1
Sources of Local General Revenue, Indiana and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Indiana is below the national average for all common metrics of property tax burden and property tax dependence (table IN-1).

Table IN-1
Selected Indiana Property Tax Statistics, 2019[1]

	Indiana	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,139	$1,758	*37*
Property tax percentage of personal income	2.3%	3.1%	*39*
Total property tax as percentage of state-local revenue	12.3%	16.6%	*36*
Median owner-occupied home value[2]	$141,700	$217,500	*46*
Median real estate taxes paid for owner-occupied home[2]	$1,207	$2,471	*44*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*30*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Indiana property taxes supply revenues for approximately 2,000 local government bodies that include counties, cities, towns, townships, school districts, and a variety of special districts.

Counties and the larger townships are responsible for property tax assessment (table IN-2), with all real property, except farmland, receiving a gross property assessment of 100 percent of market value-in-use. Market value-in-use, which is not the same as fair market value, refers to the value of "property for its current use, as reflected by the utility received by the owner or by a similar user, from the property" (State of Indiana 2011). Farmland is valued according to use-value, which is based on a number of variables related to agricultural production and profitability. Property is revalued every four years, with trending occurring between years.

Business personal property other than inventories is included in the property tax base.

Limits on Property Taxation

Property taxes are restricted by one rate limit and two levy limits. The rate limit provides that the sum of all tax rates for all political jurisdictions cannot exceed 6.67 mills if the property is inside a city or town, or 4.167 mills if it is outside a city or town, excluding debt service. One levy limit, enacted in 1973, restricts growth in property tax revenue for each tax unit, except for school districts, to the lesser of 6 percent or the average annual growth rate of Indiana non-farm personal income in the previous six years.

The newest levy limit, also known as an overall tax cap or circuit breaker, caps overall tax bills of individual parcels at a certain percentage of gross assessed value. Property tax bills cannot exceed 1 percent of gross assessed value for residential homesteads, 2 percent for residential non-homesteads, and 3 percent for all other property. The taxpayer does not pay any amount in excess of their cap limit, which consequently creates a revenue loss for the units of government. There are no provisions for coordinating the revenue shortfalls among the units of government (Ross and Dinges 2014).

Property Tax Relief and Incentives

Indiana is unusual in not employing a true property tax circuit breaker program but does provide residential relief through homestead and mortgage deductions and through exemptions and reductions for the elderly, blind, disabled, and veterans. The most common property tax relief programs for homeowners are the homestead standard deduction, the supplemental homestead deduction, and the mortgage deduction, all of which can be considered types of homestead exemptions (DeBoer 2015). The homestead standard deduction is $45,000 or 60 percent of the homestead's gross assessed value, whichever is less.

Economic development property tax incentives include an enterprise zone program, two standalone property tax abatement programs, and tax increment finance (TIF).

Table IN-2
Indiana Property Tax Features, 2020

Feature	Indiana	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The 1973 Indiana General Assembly passed a package of significant legislative reforms aimed at state and local revenues and expenditures known as the Bowen Tax Package (Faulk 2004). Included in these reforms was a reduction in property taxes funded with increases in state sales and corporate income taxes. A two-percentage-point increase in the sales tax rate funded a new property tax replacement credit (PTRC), a state grant to each taxing unit equal to 20 percent of its general property tax levy. To retain the property tax reduction effect, the revenue swap was bundled with a freeze on the rate at which the levies could grow.

In 1998, the Indiana Supreme Court declared that the administrative formula-based assessment value method was unconstitutional (*Town of St. John v. State Board of Tax Commissioners* (1998)), which ultimately resulted in the state adopting a market value-in-use practice of assessment (Krupa 2012). The market value-in-use standard became practice in 2002 after several years of considerable legislative debate and another court ruling, this time from the Tax Court in 2000, that set a deadline for adopting a constitutionally acceptable set of regulations (Krupa 2012). The resulting change in assessment was widely expected to result in a substantial shift in the property tax burden away from business and toward residential property. In 2004, Indiana voters approved a constitutional amendment that permitted the General Assembly to create exemptions for certain types of property classifications without violating the state's property tax uniformity clause.

Two important events occurred in 2007 that precipitated the creation of the property tax caps in 2008 under HEA 1001 and their constitutional codification in 2010. The first was a 100 percent deduction for the assessed value of business inventories, and the second was the statewide reassessment of 2007. These developments resulted in large shifts of the property tax burden from business property to residential property in some areas of the state (Krupa 2012). This created a significant political demand for predictability in the property tax burden, which eventually resulted in the current system that caps the property tax bill for individual parcels of real property at a fixed percentage of the property's gross assessed value.

Recent Developments

Indiana has moved away from the personal property tax in recent years. In 2014, Governor Mike Pence signed into law a tax reform package that included a local option reduction of business personal property taxes and a phased reduction of the state's corporate income tax rate. The new law allowed local governments to exempt from taxation business personal property up to a $20,000 threshold and/or new business personal property. The law allowed a designated body to establish a project-specific personal property abatement schedule of up to 20 years and established a commission to further study the state's business personal property taxes. In 2019, the legislature passed Senate Bill 233 to raise the exemption threshold to $40,000 and repeal a provision that had allowed counties to levy a $50 service fee on filers claiming the personal property tax exemption (SB 233).

Big box retailers across Indiana are increasingly appealing property tax assessments based on "dark stores" assessment theory, which supports using vacant or abandoned stores as comparable sales for valuation. In a blow to local governments, the Indiana Supreme Court in April 2017 declined to hear an appeal of a big-box tax assessment case, letting stand a lower court ruling in favor of the plaintiff, Kohl's, which had challenged its valuation based on sales of vacant stores. The retailer's case against Howard County (*Howard County Assessor v. Kohl's Indiana LP*) was the first dark stores assessment case to reach the state's highest court (Caffarini 2017; Thomas 2017). Between 2010 and 2017, Indiana localities refunded retailers over $120 million in successful big box valuation appeals (Collins et al. 2018). The legislature even considered legislation to allow affected cities and school corporations in Lake County to receive loans from the state's rainy day fund to issue court-ordered property tax refunds that affect revenues by $1 million or more. The legislation, which aimed to ease the impact of dark stores rulings, died in committee (HB 1214).

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Publication Date

May 2021, data updated February 2022

Iowa

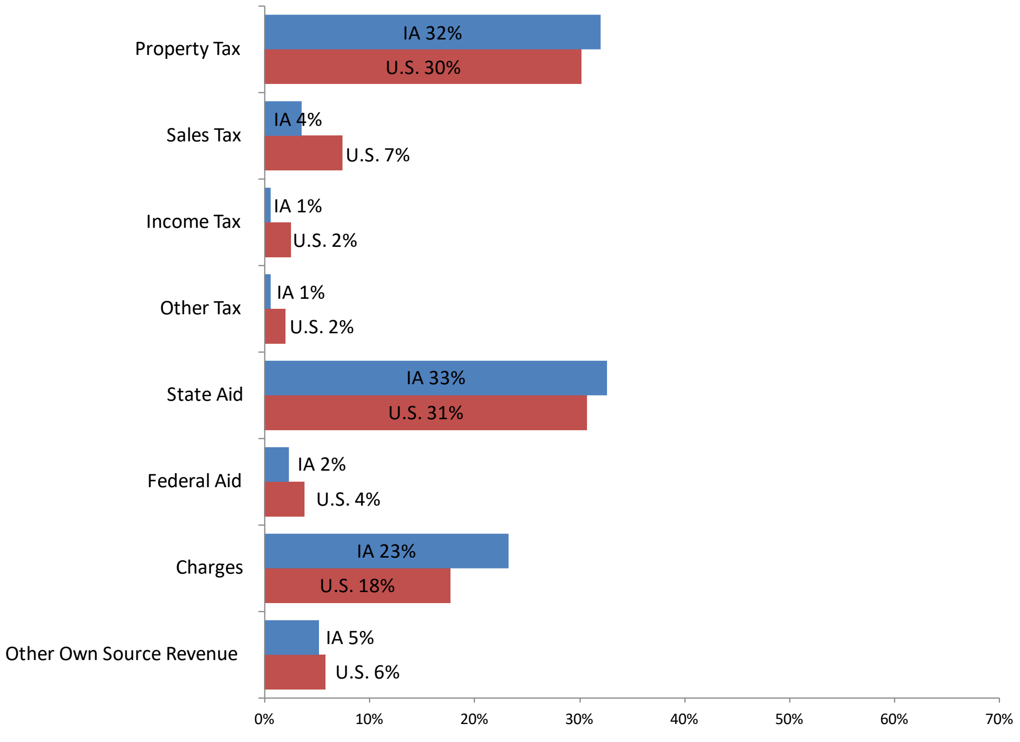
Highlights

The property tax is a major source of revenue for local governments in Iowa (figure IA-1). It would play an even bigger role if cities and counties were not able to levy a local-option sales tax and school districts could not levy a surtax on the state income tax.

Iowa imposes property tax rate limits on counties and cities and requires school districts to make minimum property tax contributions ($5.40 per $1,000 of assessed value). The state's counties and cities may have additional property tax levies to fund services specified in the Iowa Code, while school districts may have separate property tax levies for unemployment benefits, libraries, and capital expenses.

The state divides property into seven different classes and since 1978 has implemented a complex system of statewide assessment limitations, also known as rollback provisions. A historic property tax bill, Senate File 295—which was passed in 2013 and became effective July 2014—enacted substantial modifications in those rollback provisions as well as other changes.

Figure IA-1
Sources of Local General Revenue, Iowa and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property tax as a percentage of state and local revenue was close to the national average (table IA-1).

Table IA-1
Selected Iowa Property Tax Statistics, 2019[1]

	Iowa	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,775	$1,758	*17*
Property tax percentage of personal income	3.4%	3.1%	*15*
Total property tax as percentage of state-local revenue	14.9%	16.6%	*26*
Median owner-occupied home value[2]	$147,800	$217,500	*43*
Median real estate taxes paid for owner-occupied home[2]	$2,315	$2,471	*22*
Effective tax rate, median owner-occupied home[3]	1.6%	1.1%	*12*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Iowa, property taxes are levied by more than 2,000 local taxing districts, including county governments, cities, townships, school districts, and special districts such as community college districts, hospital districts, and sanitation districts (Iowa Department of Revenue). Assessments are conducted at the local level. All real property that is not tax-exempt is assessed every two years at 100 percent of market value. Personal property is not taxed.

The seven classes into which property is separated are: agricultural, residential, multiresidential, commercial, industrial, utilities, and railroads. Multiresidential includes mobile home parks, manufactured home communities, assisted living facilities, and other such properties. Assessment limits restrict the growth in assessed value of each property class to a certain percentage or set its taxable value at a certain (less than 100) percentage of assessed value, or both.

Limits on Property Taxation

Iowa places limits on property tax rates for the general funds of counties and cities ($3.50 and $8.10, respectively, per $1,000 of assessed value) (table IA-2). However, counties and cities can have supplemental levy rates for certain services.

Assessment limitations, often referred to as rollback provisions or simply rollback, were passed by the legislature to keep assessed values from rising too quickly. Rollback applies to classes of property and not to individual properties. For 2020, commercial, industrial, and railroad property taxable value was set at 90 percent of assessed value. Growth in utility assessed value is limited to 8 percent. Residential taxable values are set at 56.4094 percent of assessed value, and growth in assessed value is limited to 3 percent. Agricultural taxable value is set at 84.0305 percent of assessed value, and growth in assessed value is limited to 3 percent. Multiresidential property taxable value is set at 67.5 percent of assessed value. The Iowa Department of Revenue posts the assessment limitations by property type each year (Iowa Department of Revenue 2020a, 2020b).

Property Tax Relief and Incentives

Iowa has several property tax credit programs. The first is a homestead credit. Currently, the credit is equal to the total tax liability on the first $4,850 of taxable property value. Eligible property owners must file an Iowa income tax return and occupy the property for at least six months each calendar year. There is no income requirement. Iowa also has a property tax circuit breaker for both homeowners and renters, which is limited to households with incomes less than $23,216. In addition, Iowa offers property tax credits to agricultural landowners.

The state provides various property tax incentives for economic development, including enterprise zones and tax increment financing (TIF). In Iowa, TIF districts are called Urban Renewal Zones. In 2018, Iowa had 3,340 TIF districts, the highest number of any state in the United States (Merriman 2018).

As part of a 2013 tax law, business property tax credits totaling $125 million are divided among qualified commercial, industrial, and railway property owner-applicants each year. The state fully reimburses cities, counties, and school districts for the credits (Iowa Department of Revenue 2016).

Table IA-2
Iowa Property Tax Features, 2020

Feature	Iowa	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In a 2002 suit, a group of Iowa school districts and individuals alleged that the state's education finance system violated the state constitution on education equity (SchoolFunding.Info). The suit was later withdrawn, making Iowa one of the few states with no state court decision on the constitutionality of the state's school funding system.

School districts were funded mostly by the local property tax up until the 1960s (Winkler 1979). In 1971, the General Assembly of the Iowa Legislature passed a bill, House File 654, laying the foundation for the current education funding formula in which a guaranteed foundation level of expenditures is financed by a uniform local property tax levy rate (20 mills for fiscal year 1972) and varying state aid (Foeller 1974). Another House bill passed in 1986 established $5.40 per $1,000 of assessed value as the minimum uniform school levy rate.

The Urban Renewal Law, enacted in 1957, authorized cities to use property tax increment financing in slums or blighted areas. An amendment in 1985 allowed TIF adoptions even in the absence of slum or blight conditions. In 1991, counties were authorized to adopt TIF for industrial purposes. Beginning in 1996, TIF was also allowed for development of affordable housing for low- and moderate-income residents.

Iowa introduced rollback in 1978—the same year Proposition 13 was passed in California. A law passed in 2013 made changes to these limitation factors and allowable growth percentages.

In June 2013, Governor Terry Branstad signed into law Senate File 295, which generated Iowa's historically largest property tax cut for all property classes. Businesses received hundreds of millions of dollars in property tax credits. Taxable values for commercial and industrial properties went down to 90 percent from 100 percent of assessed value for fiscal year 2015–2016. The growth limitation for

residential and agricultural properties went down to 3 percent from 4 percent (Crowley and Duster 2015). This law created a new class of "multiresidential" properties; that is, basically converting buildings that had been treated as commercial property into properties with the same rollback as the residential property class.

Recent Developments

At the tail end of its 2019 session, the Iowa legislature passed legislation (Senate File 634) to make it more difficult for local governments to increase property tax levies. The new law signed by Republican governor Kim Reynolds in May requires a public hearing and a two-thirds vote of the local legislative body to approve property tax collections that would exceed the previous year's levy by more than 2 percent, including increases attributable to new construction, and requires a majority vote for any increase below 2 percent. Hailed as a property tax cap, the law does not strictly limit levy growth to 2 percent but requires more scrutiny and a supermajority vote to exceed this threshold. A previous version of the legislation would have capped annual growth in the levy at 3 percent (Rodriguez 2019; Walczak 2019).

Local governments in the Midwest have experienced a wave of assessment appeals from big-box stores using "dark stores" assessment theory in recent years. The dark stores approach to assessment uses a sales comparison approach with vacant or "dark" stores as comparable properties. While retailers have successful slashed their assessments in some states, Iowa courts have generally upheld values set by assessors (Polk County Assessor 2018). Indeed in 2021, the Iowa Court of Appeals upheld Johnson County's appraisal of a Lowe's store, rejecting the retailer's dark store theory argument (McLoughlin 2021). Lowe's appealed the 2017 valuation of its property in Coralville, Iowa, assessed at $11.9 million. On appeal, the Property Assessment Appeal Board rejected a $5.2 million valuation submitted by Lowe's' expert appraiser. The Iowa District Court for Johnson County upheld the appeal board ruling. In affirming the District Court ruling in February 2021, the Court of Appeals rejected Lowe's' argument that the property should be assessed as if vacant, citing a rule requiring assessors to "consider conditions existing at the time and the condition of the property in which the owner holds it" (*Lowe's Home Centers LLC v. Iowa Property Assessment Appeal Board*).

With 40 percent of property in Des Moines exempt from taxation, the City is discussing how to generate more revenue from its tax-exempt nonprofits. In the City's 2019 election, both the incumbent mayor and his challenger expressed support for a program under which the City would request voluntary payments in lieu of taxes (PILOTs) from more nonprofits. In 2019, five nonprofits made payments totaling $1.8 million, with $1.2 million coming from Des Moines Water Works. City officials have discussed approaching Grand View University and Drake University, although according to a 2020 news report, both institutions responded coolly to the idea (Cannon 2020).

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May 2021, data updated February 2022

Kansas

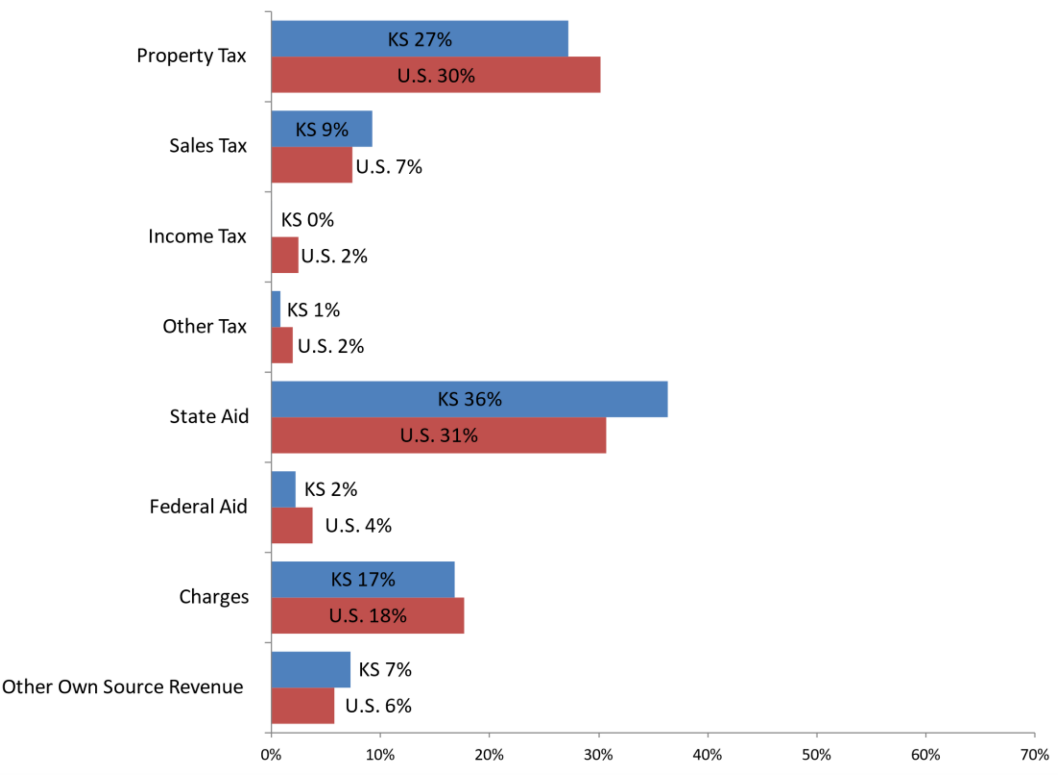
Highlights

Property taxes support expenditures by the state, counties, cities, townships, schools, and special districts. Almost three-fourths of total general property tax revenue goes to support school and county functions; the state receives only about 1 percent of the total (Kansas Department of Revenue 2020). Kansas local governments receive 27 percent of general revenue from the property tax (figure KS-1).

Property is classified into 14 different classes with different assessment ratios. Seven of these classes are for real property, and seven are for personal property. Residential property receives an assessment ratio of 11.5 percent. Thus, homeowners multiply the stated property tax rate by $11,500, if their home's market value is $100,000 ($100,000 x 0.115), to derive the tax.

Kansas does tax tangible personal property other than business inventories or household goods but has reduced its reliance on this source by exempting commercial and industrial machinery and equipment purchased or leased after 2006. A locally assessed intangible personal property tax is imposed by some counties and by a few cities, but mostly by townships.

Figure KS-1
Sources of Local General Revenue, Kansas and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Traditionally, Kansas sought to be average in national rankings of state-local taxation, and selected property tax statistics mostly confirm that preference (table KS-1).

Table KS-1
Selected Kansas Property Tax Statistics, 2019[1]

	Kansas	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,661	$1,758	*25*
Property tax percentage of personal income	3.1%	3.1%	*19*
Total property tax as percentage of state-local revenue	16.3%	16.6%	*20*
Median owner-occupied home value[2]	$151,900	$217,500	*42*
Median real estate taxes paid for owner-occupied home[2]	$2,137	$2,471	*26*
Effective tax rate, median owner-occupied home[3]	1.4%	1.1%	*15*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The Kansas Constitution requires a "uniform and equal rate of assessment and taxation," with statutes providing a definition of fair market value that county appraisers are required to follow in placing values on property. An exception to fair market value is agricultural land, which is valued on its productivity, or use value.

Each of the state's 105 counties is a separate appraisal district with responsibility for the determination of assessed valuation (and the collection of property taxes) under state oversight. Based on constitutional amendments in 1986 and 1992, real property is divided into seven subclasses (including residential property assessed at 11.5 percent and commercial and industrial property assessed at 25 percent); personal property is divided into seven subclasses.

Local appraisers are certified by the state and hired by counties and must follow state rules to ensure assessment uniformity. The statistical standards were established by a 1993 state district court case and a court-ordered consent decree.

Limits on Property Taxation

A property tax levy lid passed in 2015 provides that subject to certain exceptions, no city or county may increase the amount of ad valorem tax to be levied over the amount levied in the prior year by an amount greater than the growth in the consumer price index without a vote of the public. This lid took effect in 2017. In 2021, the property tax lid was repealed and replaced with a truth in taxation measure that requires notice to taxpayers and public hearings, but eliminates the public vote mandate.

Property Tax Relief and Incentives

The Kansas Homestead Refund Program, a type of circuit breaker enacted in 1970, provides a rebate of a portion of the property taxes paid on a Kansas resident's homestead based on the total household income (table KS-2). The maximum refund is $700. A Kansas resident for the entire year is eligible if the total household income is $36,300 (in 2020) or less;and the individual is 55 years of age or older *or* is blind or disabled *or* had a dependent child under 18 who lived there all year and was claimed as a personal exemption. Changes in 2007 excluded 50 percent of Social Security benefits from the definition of income and barred from the program any homeowners with a residence valued at $350,000 or more. In 2012, the homestead program was amended to make it available only to owners, thereby excluding renters.

Kansas Property Tax Relief for Low Income Seniors ("SAFESR") provides a refundable income tax credit of 75 percent of residential property taxes paid for homeowners 65 or older with low household income who are year-round residents. In 2020, the income limit was $20,700. An individual can claim either the Homestead refund or a SAFESR refund, but not both.

Kansas allows governmental units to exempt real and personal property, and to enter into in lieu payment arrangements to induce certain economic development activities. These programs are tied to the issuance of industrial revenue bonds, the Economic Development Exemptions program, and/or tax increment financing.

Table KS-2
Kansas Property Tax Features, 2020

Feature	Kansas	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

From 1964 to 1988, all Kansas property was assessed at 30 percent of market value. In 1986, the state moved to a property tax classification system, which was expanded and modified in 1992.

In 1997, a law was enacted allowing homesteads an exemption from the statewide school levy.

In 1998, the legislature enacted an income tax credit against property tax paid on commercial and industrial machinery and equipment. A 2006 law exempted from property taxation all commercial, industrial, telecommunications, and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 (or transported into the state after that date) for the purpose of expanding an existing business or creating a new business. In 2005, machinery accounted for 6.1 percent of statewide assessed valuation; by 2014, it accounted for 2.1 percent with the run-off of older properties continuing.

In 1999, a tight tax lid was allowed to expire and was replaced by a simple "truth in taxation" provision. This provision required a city or other taxing jurisdiction to adopt an ordinance if revenues from property taxes for the next budget year exceeded those of the prior year unless the increase was due to new improvements to real property, annexations, or certain other reasons. The law did not apply to property taxes levied for the sole purpose of repaying debt. The 1999 provision was replaced by a tighter tax lid in 2015. The new tax lid, which took effect in 2017, provides that subject to certain exceptions, no city or county may increase the amount of ad valorem tax to be levied over the amount levied in the prior year by an amount greater than the increase in the consumer price index without a vote of the public (Lefler 2016).

In March 2014, the Kansas Supreme Court issued its opinion in *Gannon v. State* (*Gannon I*) reaffirming that there is both an adequacy and equity component in determining whether the legislature has met its

constitutional obligations for funding education. In February 2016, the Kansas Supreme Court ruled in *Gannon II* that the legislature had not sufficiently complied with its prior equity order in *Gannon I*. Specifically, the court stated that state aid formulas do not provide students with "reasonably equal access to substantially similar educational opportunity through similar tax effort." In October 2017, for the fifth time in seven years, the Kansas Supreme Court ruled that the state's system for funding education fails to meet constitutional standards for both adequacy and equity. The court ordered the state to enact a new funding system before the end of April 2018. Just before the deadline, the legislature enacted a five-year, $500 million school funding increase. The Supreme Court ruled this increase would satisfy the constitution's requirements for adequacy and equity if the funding was adjusted for inflation, estimated to cost between $50 and $90 million per year, and retained jurisdiction through June 20, 2019. In April 2019, Governor Laura Kelly signed into law a bill that increased school funding by $90 million per year for four years and indexed future funding to the consumer price index. The bill also included some accountability measures. In June 2019, the Kansas Supreme Court ruled Governor Kelly's funding plan constitutional, but the court continued to oversee the case to ensure spending plans are implemented (Parton 2019; SchoolFunding Info).

Recent Developments

In May 2021, Governor Kelly signed into law House Bill 2134, fully funding K-12 schools for the third year in a row complying with the 2019 legislation to resolve the *Gannon* lawsuit over which the Kansas Supreme Court has retained jurisdiction (Hanna 2021; Kansas Office of the Governor 2021b).

The Kansas City Metro Area that spans the border between Kansas and Missouri has been the epicenter of a fierce bidding war for business since around 2009 (Hamilton 2019). About a decade later, the states agreed to a truce. Kansas Governor Laura Kelly signed Executive Order No. 19-09 on August 2, 2019, and Kansas City, Missouri passed Ordinance No. 190793 on January 30, 2020, putting an end to the bidding war.

In 2021, Senate Bill 13 repealed the property tax lid law applicable to cities and other taxing jurisdictions that took effect in 2017 and replaced it with a truth in taxation measure. The law established new requirements, such as notices to taxpayers and public hearings, for cities and counties seeking to levy increased property taxes by an amount that exceeds the increase in the consumer price index. The legislation also banned valuation increases of real property solely resulting from normal repair, replacement, or maintenance of an existing structure (Motter 2021).

Governor Laura Kelly signed into law House Bill 2313, providing for reimbursement of property taxes for certain property owners and operators who complied with forced shutdown or restriction orders by the state or local governments resulting from the Covid-19 pandemic. This provision becomes effective January 1, 2022. House Bill 2313 also extended the statewide levy on taxable tangible personal property for the school years 2021–2022 and 2022–2023 and provided for the exemption of a portion of personal property used for residential purposes, such as mobile homes, from such a levy (Chung 2021).

Kansas, like other Midwestern states, has been waging a property valuation battle against big box retailers that argue their properties should be valued using vacant or dark stores as comparable sales. In two recent cases, Home Depot and Bass Pro Shops prevailed in their property tax appeals in Riley County and Johnson County in Kansas, respectively, using the "dark store" assessment theory (Hammill 2021; Moser and Dome 2021). In 2020, to stem such property valuation challenges, the legislature proposed a bill to prohibit big box retailers from appealing country appraisers' valuation based on the dark store theory, but it failed to pass (Garcia 2020). Legislators introduced two similar bills (House Bill 2402 and Senate Bill 222) in 2021 in their continued fight to eliminate the use of dark store theory (Dome 2021).

The Governor's Council on Tax Reform, established in 2019, released its second interim report in January 2021. Among other measures, the council recommended including the sale of digital goods in the state sales and use tax base; reactivating the suspended Local Ad Valorem Property Tax Reduction Fund (LAVTRF), which requires the state to distribute some of its sales tax revenue to cities and counties each year to help reduce local property taxes; and adopting the three-legged stool approach, balancing the imposition of sales, income, and property taxes and reducing over-reliance on any single source of revenue. Governor Kelly extended the work of the council through 2021 due to the pandemic (Governor's Council on Tax Reform, Second Interim Report 2021).

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Kentucky

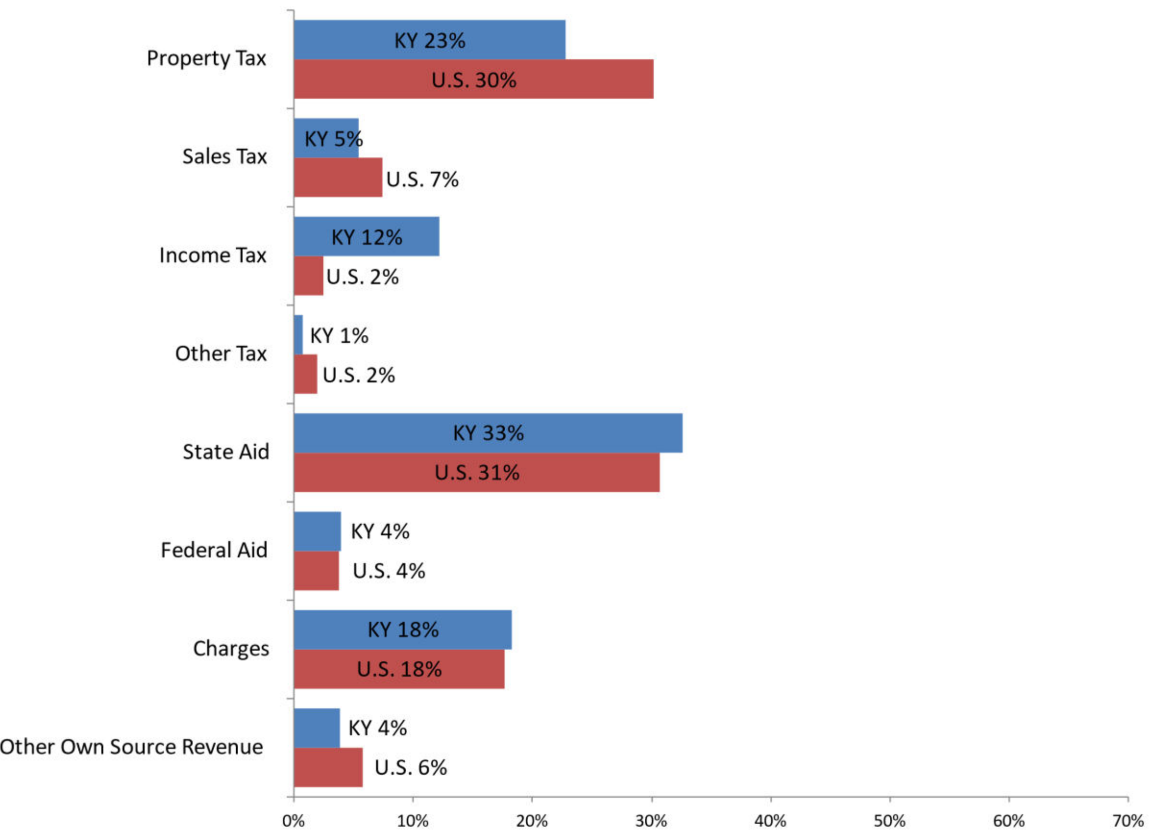
Highlights

Kentucky has a highly centralized system of government. Kentucky localities are less reliant on the property tax than localities in many other states (figure KY-1) because some cities are allowed to levy occupational license taxes and because property taxes are highly regulated. Occupational license taxes are also called occupational income taxes and are generally classified as local income taxes by the U.S. Census Bureau (Boardman 2006).

The state taxes personal property and relies more heavily on personal property taxation than do most other states. Kentucky is one of nine states still taxing most business inventories, though in 2018 it enacted an inventory tax credit which provides a credit equal to 100 percent of qualifying inventory taxes in 2021 (Cammenga 2021; Kentucky Department of Revenue, Inventory Tax Credit).

The Commonwealth of Kentucky uses a detailed system of property tax classification with over 20 different classes of property, and local governments employ 10 of those property classes.

Figure KY-1
Sources of Local General Revenue, Kentucky and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Kentucky ranks among the lowest 10 states in terms of per capita property taxes, property tax as a percentage of personal income, and as a percentage of state and local revenue (table KY-1).

Table KY-1
Selected Kentucky Property Tax Statistics, 2019[1]

	Kentucky	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$873	$1,758	*47*
Property tax percentage of personal income	2.0%	3.1%	*45*
Total property tax as percentage of state-local revenue	9.7%	16.6%	*45*
Median owner-occupied home value[2]	$141,000	$217,500	*47*
Median real estate taxes paid for owner-occupied home[2]	$1,210	$2,471	*43*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*29*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Kentucky, property taxes are levied both by the state government and by cities, counties, school districts, and special districts.

Each of the 120 Kentucky counties elects a property valuation administrator (PVA) to conduct its property tax assessment (table KY-2). Cities may use the county valuation administrator assessment but must pay a fee to do so. Section 172 of the Kentucky Constitution requires all property to be assessed at the fair cash value, defined as “the price a property would bring at a fair and voluntary sale between a willing buyer and a willing seller, with neither party under duress, given a reasonable amount of time on the market.”

The state system of property tax classification employs over 20 categories, most of which are classes of personal property. While many classes established by the state are exempt from local taxation, 10 property classes are taxed by local governments to some extent. For example, county, city, and school district governments all set local rates for residential, agricultural, and commercial land and improvements (Kentucky Department of Revenue 2020).

Limits on Property Taxation

Growth in property tax revenues is limited by House Bill 44 (HB 44), enacted in 1979. HB 44 established three options for a local government setting its property tax rates. First, the local government can set rates at the compensating rate, which is the tax rate when applied to properties on the tax list last year that yields the same amount of revenue received as in the previous year. If this rate is chosen, additional revenue would be derived only from new property. Second, if the desired tax rate exceeds the compensating rate, but total revenue from existing property increases less than 4 percent, this must be publicly advertised and a public hearing held on the matter. Third, if the desired tax rate would provide an increase in revenue from existing property of more than 4 percent, the portion of the rate exceeding 4 percent growth is subject to voter recall through a referendum process (Urban County Government 2013).

In addition, Section 157 of the Kentucky Constitution imposes a property tax rate cap that restricts county rates to $0.50 per $100 and city rates to $0.75 to $1.50 per $100 depending on the city size: cities with a population greater than 15,000 are capped at $1.50, and cities with less than 10,000 in population are capped at $0.75. All other cities are capped at $1.00. However, few places exceed these rates because of the constraints imposed by HB 44.

Property Tax Relief and Incentives

Kentucky offers a homestead exemption to seniors or people who are “totally and permanently” disabled. The exemption reduces the assessment by the amount by which it exceeds the value of the property in the first year the owner qualified and received relief, up to a maximum exemption of $39,300 in 2019 (Significant Features of the Property Tax).

According to Section 172A of the Kentucky Constitution, agricultural and horticulture land must be assessed at the property’s use value, which is determined by the income-producing ability of the land and comparable sales of agricultural land (American Farmland Trust 2014).

Kentucky has a few property tax incentives for economic development, including an exemption for new or relocating manufacturing establishments and tax increment finance.

Table KY-2
Kentucky Property Tax Features, 2020

Feature	Kentucky	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Following statehood, Kentucky established a property tax that originally provided over 80 percent of state government revenue. Prior to 1965, the majority of real and personal property was assessed well below market values, and most taxing jurisdictions set tax rates near the Section 157 constitutional limits. However, in *Russman v. Luckett* (1965) the Court of Appeals ruled that real property must be assessed at 100 percent of its real market value (Legislative Research Commission 2016).

The court ruling created worries of large assessment increases without an assurance that tax rates would be reduced. Thus, a 1965 special session enacted a law requiring local tax authorities to roll back tax rates to a rate which results in approximately the same amount of revenue that was raised in the preceding year. Increases in revenue were allowed if due to growth in the assessed tax base or if new properties were added to the base (Fayette Urban County Government 2013; Legislative Research Commission 2016).

However, in the 1970s, high inflation rates resulted in substantial increases in the assessed value. Although tax rates remained relatively constant in this period, HB 44 passed in 1979 in order to provide taxpayers with property tax relief from the rising assessments. Initially, the tax law preserved the rollback rate provision in addition to the compensating rate and 4 percent rate limitations discussed above. However, in 1990, the rollback rate was removed, but the compensating and 4 percent rate limitations were preserved (Fayette Urban County Government 2013; Legislative Research Commission 2016).

Historically, Kentucky has had substantial inequities in revenue-raising capacity across the state. Some school districts brought a lawsuit against the state. In *Rose v. Council for Better Education* (1989), the Kentucky Supreme Court declared the system of public education unconstitutional. In response to the

court, the Kentucky Education Reform Act (KERA) attempted to equalize revenue generated at a specific tax rate across districts. Districts are required to put forth a minimum amount of funding equal to 0.30 percent of assessed property value, and the state then grants each district the difference between a calculated guarantee level of funding and the required local contribution (Clark 2003).

However, despite the requirements in KERA and the requirements to assess property at 100 percent of real market value, the tax base in eastern Kentucky, in particular, remains problematic. Every two years the state sends professional appraisers to each county to randomly check assessments against fair market value. Many counties in eastern Kentucky fall below the required assessments, which often results from a lack of property sales in these counties, pressures to keep assessments low due to high poverty rates, and property tax appeals in which owners argue that the value of the property was damaged due to coal mining. In addition, many of these eastern counties have a substantially higher share of disabled or elderly residents than the average county, which results in a depleted tax base from use of the homestead exemption (Cheves 2015).

Recent Developments

Two notable cases involving the charitable tax exemption have reached the Kentucky Supreme Court in recent years. In the case of *City of Taylor Mill v. Grand Lodge of Kentucky*, *Free and Accepted Masons, et al*. (2015), a circuit court ruled that possession of a unit in a retirement community makes the owner liable for the property tax even though the community itself may be exempt as a public charity. On appeal, in 2017, the Kentucky Court of Appeals upheld the circuit court's ruling (Bingham Greenebaum Doll LLP). In 2018, the Kentucky Supreme Court denied a motion for discretionary review. In a separate case, the supreme court ruled that the state's charitable property tax exemption applies solely to property taxes, denying a refund of use taxes paid on behalf of a charity (Bingham Greenebaum Doll LLP 2018).

Although Kentucky is one of fewer than 10 states that tax inventory, the legislature passed an inventory tax credit effective for the 2018 tax year. The non-refundable, non-transferable credit may be claimed against individual or corporate or LLC entity taxes. The credit was phased in between 2018 and 2021, by 25 percent per year. In the 2021 tax year, eligible taxpayers may claim a 100 percent credit for qualifying inventory taxes (KRS 141.408; Pierzchalski 2018).

In 2019, Kentucky passed tax legislation (HB 354) that curtails tangible personal property taxes by exempting taxpayers with personal property valued up to $1,000 from filing requirements (Kentucky Department of Revenue 2019).

A 2021 executive order allows property taxpayers to file appeals without going to circuit court. Kentucky Governor Andy Beshear reinstated the Kentucky Board of Tax Appeals by executive order in 2020 and disbanded the Kentucky Claims Commission. The previous administration had replaced the Board of Tax Appeals with the Kentucky Claims Commission. In 2021, the governor signed a Republican-backed bill (SB 162) that authorizes the Board of Tax Appeals to hear special district, local, county, and state tax appeals. Prior to the law, taxpayers had to file property tax appeals in circuit court (Loricchio 2021).

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Louisiana

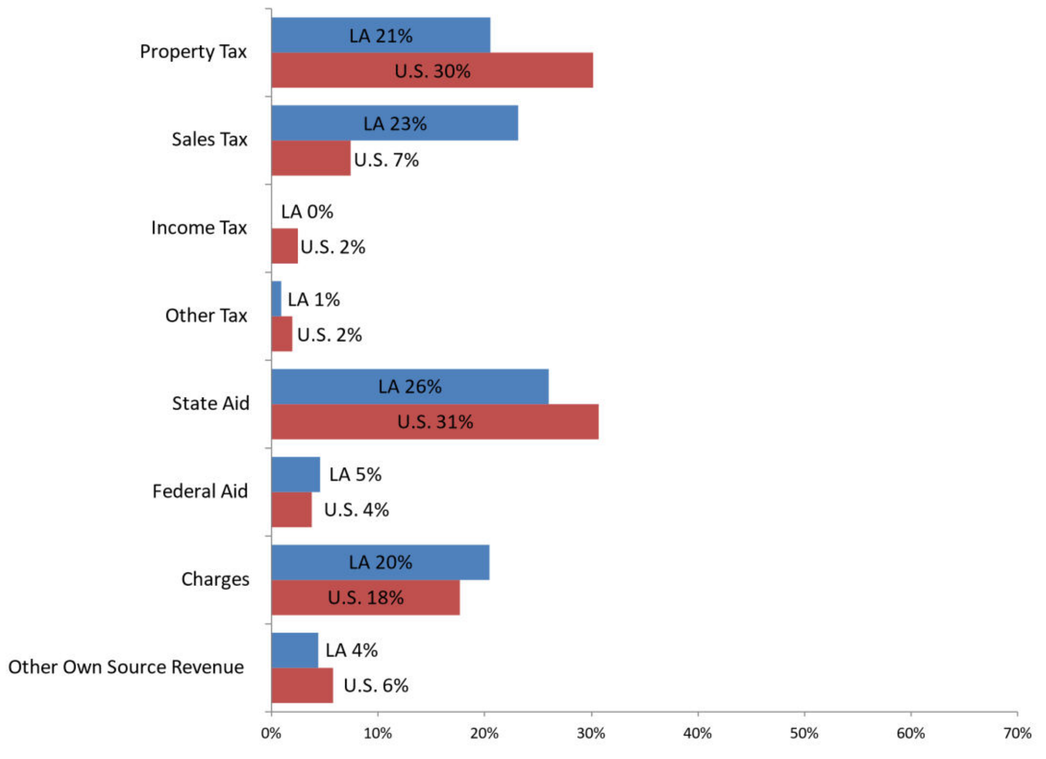
Highlights

Most property tax law in Louisiana is determined by the state constitution (Louisiana House of Representatives 2014). The constitutionally provided homestead exemption and the state's constitutional authority to provide industrial tax exemptions leave local governments with little ability to tailor the property tax to suit their needs.

Louisiana tax policy attempts to incentivize homeownership and manufacturing. This shifts the property tax burden to nonindustrial commercial properties. Moreover, local governments in Louisiana are more heavily reliant on sales taxes and less reliant on property taxes than national averages (figure LA-1).

Louisiana has a classified property tax system with five classes of property with different assessment ratios: land, residential improvements, commercial improvements, business personal property, and public service. Land and residential property are assessed at 10 percent of market value, public service properties are assessed at 25 percent, and electric cooperatives and all other property are assessed at 15 percent of market value (Louisiana Tax Commission).

Figure LA-1
Sources of Local General Revenue, Louisiana and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

One more notable feature of the Louisiana property tax is that personal property is taxed, and in particular, commercial inventories are subject to property taxation. Only eight other states tax inventories. However, since 1992, the state has provided a refundable tax credit that can be applied to either corporate or personal income taxes to reimburse businesses for the full value of property taxes paid on inventories (Cammenga 2021).

Property Tax Reliance

In 2019, only 9.5 percent of combined state and local revenue in Louisiana was raised via the property tax (table LA-1). By all measures, the property tax burden in Louisiana is low relative to other states.

Table LA-1
Selected Louisiana Property Tax Statistics, 2019[1]

	Louisiana	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$925	$1,758	*45*
Property tax percentage of personal income	2.0%	3.1%	*46*
Total property tax as percentage of state-local revenue	9.5%	16.6%	*47*
Median owner-occupied home value[2]	$163,100	$217,500	*37*
Median real estate taxes paid for owner-occupied home[2]	$890	$2,471	*48*
Effective tax rate, median owner-occupied home[3]	0.5%	1.1%	*48*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are conducted by Louisiana's 64 parishes, which are the equivalent of counties (table LA-2). With a few exceptions, such as property owned by utility companies, properties are appraised by the office of the assessor in each parish and taxes are collected by a separate office. Real property must be reappraised at least once every four years, and personal property is reassessed every year.

Property taxes are levied by parishes, cities, school districts, and special districts (such as levee districts), with each selecting its own rate. Local governments frequently have both general millages and millages dedicated to funding specific services. Which public services are funded with a dedicated millage and which are funded by parish or city general funds vary greatly across the state. In Orleans Parish, for example, there are 16 different funds that are financed with a dedicated millage—including funds

dedicated to the sewerage and water board, economic development, and the Audubon Aquarium and Zoo. Generally, the largest dedicated millage funds the local school district (Orleans Parish Assessor's Office).

The constitution allows the legislature to impose a 5.75 mill state property tax, but the state does not impose a property tax and has not done so since 1972.

Limits on Property Taxation

Louisiana places rate limits on municipal governments, parishes, and schools, but each limit can be overridden by a majority vote of the electorate. There is also a levy limit that applies after a reassessment, but this can be overridden after public notice, public hearings, and a supermajority vote of the government board.

Property Tax Relief and Incentives

There are two large exemptions from the property tax in Louisiana. A large homestead exemption covers the first $7,500 of assessed value—that is, the first $75,000 of market value—of owner-occupied residential property. Although the exemption is not extended to municipal taxes, it includes all parish taxes, taxes used for school districts, and general taxes for the combined city-parish government of New Orleans. As a result, many homeowners in Louisiana are fully exempt from parish and school taxes. The mechanics of the exemption make it progressive in that it shifts the burden from owners of smaller homes to owners of larger homes. However, it may also shift the burden from owner-occupiers to lessors and renters.

Another large exemption covers manufacturing property approved through the Industrial Tax Exemption Program (ITEP), which offers property tax abatement on new manufacturing investment (Louisiana Economic Development 2014). ITEP exempts up to 80 percent of approved manufacturing establishments and additions, including taxable capital equipment, but not the value of the land or the inventory, from property taxation for up to 10 years subject to local approval and job creation agreements (Louisiana Economic Development).

Louisiana also has tax increment financing (TIF) as an economic development tool, but in Louisiana TIFs are mostly sales tax rather than property tax based.

Table LA-2
Louisiana Property Tax Features, 2020

Feature	Louisiana	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes in Louisiana are regulated by the state constitution that was adopted in 1974. The constitution explicitly defines the homestead exemption and assessment rates and grants the state the ability to offer tax exemptions to new manufacturing property for up to 10 years.

The homestead exemption was introduced in 1934 and applied to the first $2,000 of assessed value (Bureau of Governmental Research 2010). This amount was raised to $3,000 with the passage of the 1974 state constitution and increased to $7,500 in 1979 (Richardson and Albrecht 2014). Since the homestead exemption has not been altered since, it is worth substantially less in real terms today. In 1979, approximately 70 percent of owner-occupied homes paid no property tax, but that number fell to about 40 percent in 2013 (Richardson and Albrecht 2014).

Concurrent with the introduction of the homestead exemption, the state created the Property Tax Relief Fund to offset the revenue loss that the exemption would cause. In 1972, a federal court found that manipulation of assessments and millage rates leads to unequal distribution of relief funds. The Property Tax Relief Fund was then replaced with the Revenue Sharing Fund, which was allocated $90 million annually by the 1974 constitution. At the time, this value more than compensated parishes for losses from the homestead exemption (Bureau of Governmental Research 2010). Although the homestead exemption has expanded, the relief fund has not been increased.

A group of parents and school districts filed complaints against the state in two separate cases in 1992. The courts consolidated these complaints into one case, *Charlet v. Legislature of the State of Louisiana*. The plaintiffs claimed that the state was not providing the constitutionally required minimum foundation of education to all children enrolled in public schools. To support this claim, they cited deficiencies in buildings, textbooks, teacher quality, curriculum, student achievement, and other areas.

While defending the funding system, Louisiana retained a nationally recognized education finance consultant to study the system. The consultant recommended formula changes in order to eliminate spending disparities. The revised formula, signed into law in 1992, distributed fewer state funds to high-wealth districts and more to low-wealth districts. The court concluded that the formula met its goal of reducing disparities. In 1998, the Court of Appeals granted the defendants' motion for a summary judgement in *Charlet v. Legislature of the State of Louisiana*. The court highlighted the constitution's use of the term "minimum" and concluded that the state was meeting constitutional obligations (SchoolFunding.Info 2019).

Louisiana adopted its first assessment limit in 2018 by ballot. Amendment 6 limits assessment increases of 50 percent or more following a reappraisal. The limit phases in assessment increases above the 50 percent threshold by 25 percent per year until the value is fully phased in. The threshold trigger is unique among states with phased assessment policies. The law shields properties subject to phased assessment from reappraisal during the phase-in period (Collins et al. 2019).

Recent Developments

In recent years, Louisiana has passed a series of ballot measures to expand eligibility for tax relief for military, first responders, and the elderly. First, in 2017, the state expanded the inventory tax credit to include rental centers and rental equipment used in certain industries. Also in 2017, voters approved a referendum (2017 Amendment 1) to exempt property delivered to a construction site from taxation until project completion. In 2017 and 2018, Louisiana expanded eligibility for industrial property tax incentives but reduced the exemption percentage from 100 percent to 80 percent. In 2018, voters approved Amendment 5, a constitutional amendment referred by the legislature, which expanded eligibility for property tax relief to qualifying taxpayers whose property is owned in trust (Collins et al. 2019). In 2020, Louisiana voters approved Amendment 6, a constitutional amendment to double the income limit for the special assessment for seniors, military, and disabled, from a base of $50,000 (with annual inflation adjustments) to $100,000 in 2026.

At the 2020 election, voters also approved a measure to account for oil or gas production when determining the market value of property (Amendment 2 of 2020). Voters failed to approve Amendment 5 of 2020 to allow manufacturing firms to negotiate with local governments to make payments to the taxing authority in lieu of property taxes.

Act 50 of 2020 extended the carryforward period for the inventory tax credit from 5 years to 10 years. This means businesses can apply unused inventory tax credits to future tax liability for up to 10 years.

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June 2021, data updated February 2022

Maine

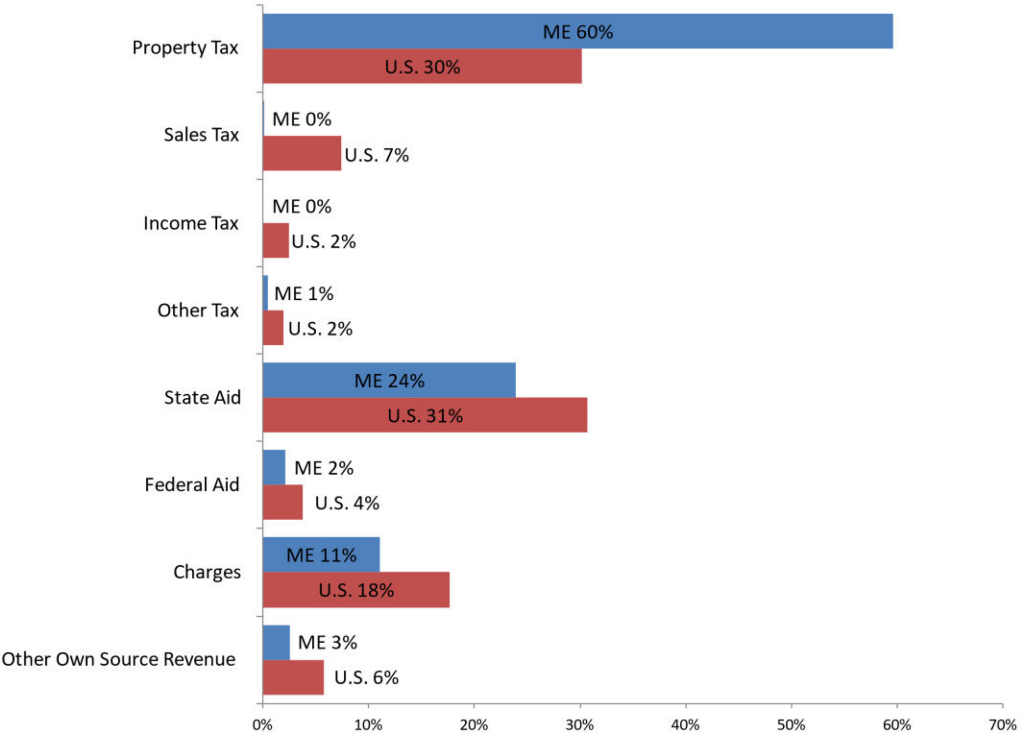
Highlights

Maine relies heavily on the property tax to fund locally provided services (figure ME-1). Local property taxes account for the majority of operating revenue for Maine's municipalities and K-12 schools.

The Maine Constitution sets minimum state reimbursements to municipalities for revenue lost as a result of such statewide property tax exemptions as the homestead exemption and the business equipment property tax exemption. The constitution also attempts to protect municipalities from unfunded state mandates by having the state provide at least 90 percent of the additional funding necessary for municipalities to implement new activities required by changes in state law.

Maine has in place a particularly broad array of state statutes intended to reduce property taxes, including a statutory minimum state contribution to local schools, a municipal revenue sharing program, a homestead exemption, business equipment property tax reimbursements and exemptions, and a property tax circuit breaker for resident homeowners and renters. However, between 2009 and 2015, state lawmakers radically reduced funding for many of these commitments.

Figure ME-1
Sources of Local General Revenue, Maine and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, Maine had the highest property tax burden in the nation as measured by percentage of state personal income. Property taxes accounted for nearly 27 percent of all state and local revenue, which ranked third highest in the nation (table ME-1).

Table ME-1
Selected Maine Property Tax Statistics, 2019[1]

	Maine	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,772	$1,758	*7*
Property tax percentage of personal income	5.5%	3.1%	*1*
Total property tax as percentage of state-local revenue	26.8%	16.6%	*3*
Median owner-occupied home value[2]	$190,400	$217,500	*28*
Median real estate taxes paid for owner-occupied home[2]	$2,585	$2,471	*19*
Effective tax rate, median owner-occupied home[3]	1.4%	1.1%	*16*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Maine has no statewide property tax, and the vast majority of property tax revenue is collected by incorporated towns and cities. Assessments are conducted by town and city assessors (table ME-2). Nonexempt real and personal property is locally assessed at “just,” or market value, as required by the state’s constitution.

Limits on Property Taxation

Since 2005, a law known as “LD 1” has limited the growth of municipal property tax revenue that is used to fund municipal operations and services, excluding property tax revenue allocated to pay county taxes and fund K-12 schools. Municipalities determine their tax levy limit every year by calculating the growth limitation factor and applying it to the prior year’s limit. The growth limitation factor is based on a formula that combines growth in the value of newly taxable property, statewide growth in real personal income, and changes in state funding to the municipality.

Property Tax Relief and Incentives

A property tax circuit breaker program called the Property Tax Fairness Credit provides property tax relief to eligible homeowners and renters with income up to $44,167 for a couple (2019). Under current law, individuals may claim a fully refundable credit on their individual income tax return equal to 50 percent of the amount by which property taxes owed or 15 percent of rent exceeds 6 percent of a taxpayer's expanded income, up to a maximum of $750 for nonelderly taxpayers and $1,200 for taxpayers over 65.

Maine offers a homestead exemption that exempts from taxation up to $20,000 of the taxable value of a resident homeowner's primary residence. The state reimburses municipalities for half of property tax revenue lost due to the exemption.

Maine's local option Municipal Property Tax Assistance program allows local governments to provide a credit to senior homeowners (62+) on their homestead in exchange for volunteer services (Significant Features of the Property Tax). In 2019, the legislation authorized localities to set additional requirements for age and residency (L.D. 811, Chapter 159, 2019).

For taxable business equipment—a form of personal property subject to property tax—Maine offers a mix of property tax exemptions and reimbursements. The Business Equipment Tax Reimbursement (BETR) provides direct payments from the state to businesses that have paid taxes on eligible equipment, and the Business Equipment Tax Exemption (BETE) exempts eligible equipment and reimburses municipalities for at least 50 percent of the lost property tax revenue.

Maine also offers a variety of smaller exemptions for the blind, veterans and veterans' widows, and children. Maine provides for hardship abatements and current-use assessment of property used for agriculture, forestry, and open space.

Under Maine law, municipalities are allowed to establish tax increment financing (TIF) districts for economic development purposes. Of Maine's $167 billion in total taxable value of land and buildings, approximately $4.8 billion is in TIF districts (Maine Revenue Services Property Tax Division 2020).

Table ME-2
Maine Property Tax Features, 2020

Feature	Maine	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state's municipal revenue sharing program began in 1972. Historically, it distributed to towns and cities 5 percent of state income and sales tax revenue, but the legislature routinely reduced revenue sharing by between 20 percent and 60 percent between 2010 and 2015. In 2016, the legislature cut the percentage of state income and sales tax revenue to be distributed to municipalities from 5 to 2 percent for fiscal years 2016 to 2019 (Maine Municipal Association 2018). The legislature increased the revenue sharing percentage to 3 percent for fiscal year 2020 and 3.75 percent for fiscal year 2021 (Me. Rev. Stat. Ann. tit. 30A, §5219-KK (in effect for 2021)).

Maine's constitution was amended in 1978 to require the state to reimburse towns and cities for at least 50 percent of the property tax revenue losses caused by property tax exemptions and credits enacted by the state, such as the homestead exemption and the business equipment tax exemption.

In 1992, Maine amended the constitution to require the state to fund 90 percent of any state mandate imposed upon a municipality by statute, order, or rule. However, mandates are still a controversial issue in the state; and in 2015, the senate president proposed a study of unfunded state mandates on towns.

The Business Equipment Property Tax Reimbursement program was established in 1995 to promote investment in manufacturing and other capital-intensive businesses. In 2004, Maine voters approved a ballot initiative to require the state to pay for 55 percent of the basic cost of K-12 education. In 2005, state lawmakers passed LD 1, which increased the homestead exemption and property tax circuit breaker and implemented spending growth limits at the municipal, county, and state levels of government. The limit does not apply to taxes raised for schools.

Recent Developments

In the wake of the Great Recession, state lawmakers balanced the state budget in part by shifting costs to property taxpayers and scaling back property tax relief programs, but in 2015, the state began taking steps to reverse this downward trend by increasing funding for property tax relief and restoring cuts to municipal revenue sharing. (Maine Center for Economic Policy 2018; Maine Municipal Association 2018; Me. Rev. Stat. Ann. tit. 30A, §5219-KK (in effect for 2021)).

In the state 2018–2019 biennial budget passed on July 4, 2017, the legislature approved, and the governor signed, a $162 million increase in general purpose aid to support schools and reduce property taxes. The budget overturned Question 2, which voters had approved in November to impose a 3 percent surcharge on income over $200,000 in order to "finally achieve 55 percent state funding of public schools." The $162 million earmarked for education represents one of the largest infusions to public schools in state history (Miller 2017).

In 2020, the legislature considered a bill that would have eliminated dark store assessment of big box retail stores by requiring assessors to base the value on current use if occupied or highest and best use if vacant. In several cases since 2015, major brick-and-mortar retailers have appealed their valuations in Maine. After lively debate, L.D. 2045 died (Davis 2020).

The legislature is currently considering a bill to impose a value-based impact fee on tax-exempt charitable nonprofits that are not making payments in lieu of taxes (PILOTs) to their host municipality. The proposed impact fee, which would apply to organizations with an annual budget of at least $50,000, would be equal to at least half of the tax that would be due if the property did not qualify for exemption. The legislation would authorize localities to impose the fee "if an agreement to make payments in lieu of taxes cannot be reached within 120 days of when the municipality first attempts to reach an agreement" (LD 659 (HP 486) of 2021).

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Publication Date

May 2021, data updated February 2022

Maryland

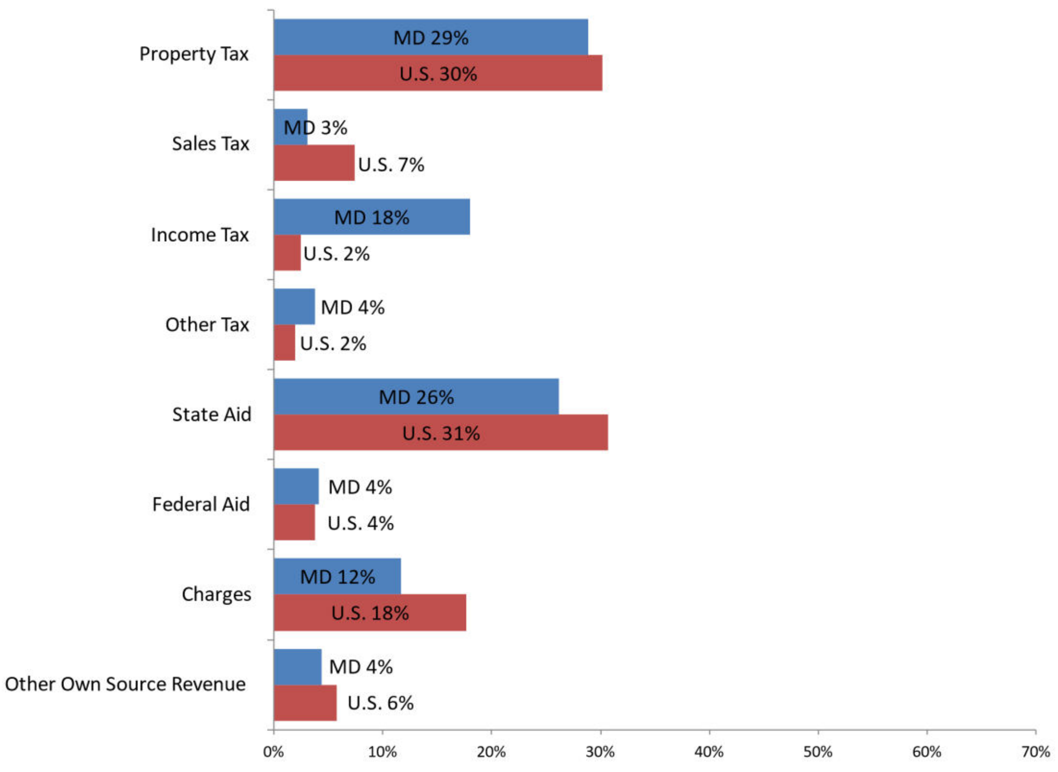
Highlights

Maryland relies less on property taxes than do many other states because county governments levy the highest local income tax per capita of any state in the nation (figure MD-1) (Significant Features of the Property Tax). Each of the state's 23 counties and the City of Baltimore collect an income tax that piggybacks on the state income tax, with rates ranging from 2.25 percent to 3.2 percent of taxable income (Comptroller of Maryland). In Maryland, counties are the dominant form of local government.

Maryland is one of only two states in which the state government is responsible for assessing all property values. The other state is Montana.

Another distinctive feature of Maryland property law is the presence of ground rent. This feature, which occurs mostly in Baltimore City and surrounding counties, involves the ownership of the land under a dwelling by a separate leaseholder. This ground rent leaseholder permits use and development of the land by the tenant in exchange for a regular rental payment.

Figure MD-1
Sources of Local General Revenue, Maryland and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Maryland is near the national average on measures of effective property tax rate on a median value owner-occupied home and property tax as a percentage of state and local revenue and below the national average for property tax as a percent of personal income (table MD-1).

Table MD-1
Selected Maryland Property Tax Statistics, 2019[1]

	Maryland	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,689	$1,758	*22*
Property tax percentage of personal income	2.6%	3.1%	*34*
Total property tax as percentage of state-local revenue	15.1%	16.6%	*23*
Median owner-occupied home value[2]	$314,800	$217,500	*8*
Median real estate taxes paid for owner-occupied home[2]	$3,430	$2,471	*10*
Effective tax rate, median owner-occupied home[3]	1.1%	1.1%	*21*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Maryland are collected principally by local governments (counties, municipalities, and municipal subunits), with 2020–2021 real property rates ranging from 0.010 percent to 2.248 percent. The state imposes a small property tax of 0.112 percent (Maryland Department of Assessments and Taxation 2020).

Assessments are conducted by the state on a rotating three-year cycle. The City of Baltimore and each county reimburse the state for the cost of real property valuations. Increases in assessed values are then phased in over the subsequent three-year cycle (Significant Features of the Property Tax).

Limits on Property Taxation

Maryland places no limit on property tax rates or levies. It does, however, limit growth in assessments via the Homestead Property Tax Assessment Freeze (table MD-2). This program provides a tax credit

that effectively limits the taxed assessed value to 110 percent of the previous year's assessment for qualified residential properties.

Property Tax Relief and Incentives

Maryland has a Homeowners' Property Tax Credit Program for applicants with income under $60,000, property value no higher than $300,000, and net worth under $200,000. Property owners who qualify for the program have their property taxes reduced by up to 100 percent depending on their income (Maryland Department of Assessments and Taxation). Maryland also offers exemptions or credits for blind individuals, low income or elderly renters, and disabled veterans.

The state has a wide array of property tax credits and other programs to promote economic development, including tax increment financing districts and enterprise zones.

Table MD-2
Maryland Property Tax Features, 2020

Feature	Maryland	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxation in Maryland dates to the Lords Baltimore of the 17th century although the state briefly eliminated property taxes in the 1830s, relying instead on corporation tax revenue and dividends from investments. Maryland imposed a state property tax in 1841 after defaulting on its debt following the collapse of financial markets (Wallis 2001). Between 1914 and 1916, Maryland enacted major reforms to its property tax system, establishing a three-member State Tax Commission in place of a single commissioner with broad authority to oversee and standardize local assessments, and requiring regular reassessment every five years (Hare and Papenfuse 2002).

The Department of Assessments and Taxation, founded in 1959, made Maryland one of the first states to centralize property assessment at the state level. By 1973, assessment was fully centralized and counties no longer exercised assessment authority.

In July 2001, property assessment was changed to reflect 100 percent of the full market value of the property (Hare and Papenfuse 2002).

In 2007, the state legislature forbade establishment of future ground rents and required that all ground rents be registered with the state by a set deadline, or the property interest in the ground would be forfeited. However, in 2011, in *Charles Muskin v. State Department of Assessments and Taxation*, the Maryland Court of Appeals found that the forfeiture of ground rent rights was unconstitutional and overturned this portion of the law (People's Law Library of Maryland).

In 2012, Maryland introduced a controversial fee for property owners to pay for stormwater runoff pollution. This fee, which applies to property owners in the 10 most populous counties in the state, has been derided in popular media as a "rain tax." Some counties charge a flat rate to all homeowners, while others charge varying amounts based on the area of nonporous surfaces on the property (Cappiella 2014). Repeal of the "rain tax" was one of the key proposals of the campaign of Governor Larry Hogan. In 2015, the new administration repealed the state mandate for the fee, but most counties have chosen to keep the fee in place (Wood and Wheeler 2015).

Recent Developments

In 2017, Governor Larry Hogan signed into law the More Jobs for Marylanders Act to provide tax incentives for new and existing manufacturing businesses, including a 100 percent state property tax credit for qualifying new manufacturers that create at least five jobs. New manufacturers can claim the credit, which does not apply to local property taxes, for up to 10 years (Maryland Office of the Governor 2017; State Tax Today 2017).

The City of Baltimore passed a $2,500 local property tax credit in 2017 for first responders who own a primary residence in the city in an effort to encourage police officers and firefighters to live in proximity to the neighborhoods in which they work with the hope of strengthening trust within the community and improving response times (Wenger and Duncan 2017).

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, Connecticut joined New York, Maryland, and New Jersey in a legal challenge to the SALT cap, arguing it interferes with state sovereignty (Civil Action No. 18-cv-6427). A federal court judge dismissed the lawsuit in September 2020, finding that "The States have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The average SALT deduction claimed by Maryland residents who itemized in tax year 2016 was $13,089 (Tax Policy Center 2017). In 2020, the IRS released regulations that permitted an entity-level tax workaround in Maryland that shields owners of pass-through businesses from the effect of the cap by offering credits against personal income taxes for entity-level taxes paid (Walczak 2020).

Montgomery County voters approved a November 2020 ballot measure that removes the limit on the amount of revenue the county can raise through property taxes and instead requires a unanimous county council vote for any increase in the county property tax rate. Under the levy

limit, the county was unable to capture revenue from growth in the tax base due to new development (Question A of 2020) (Branham 2020).

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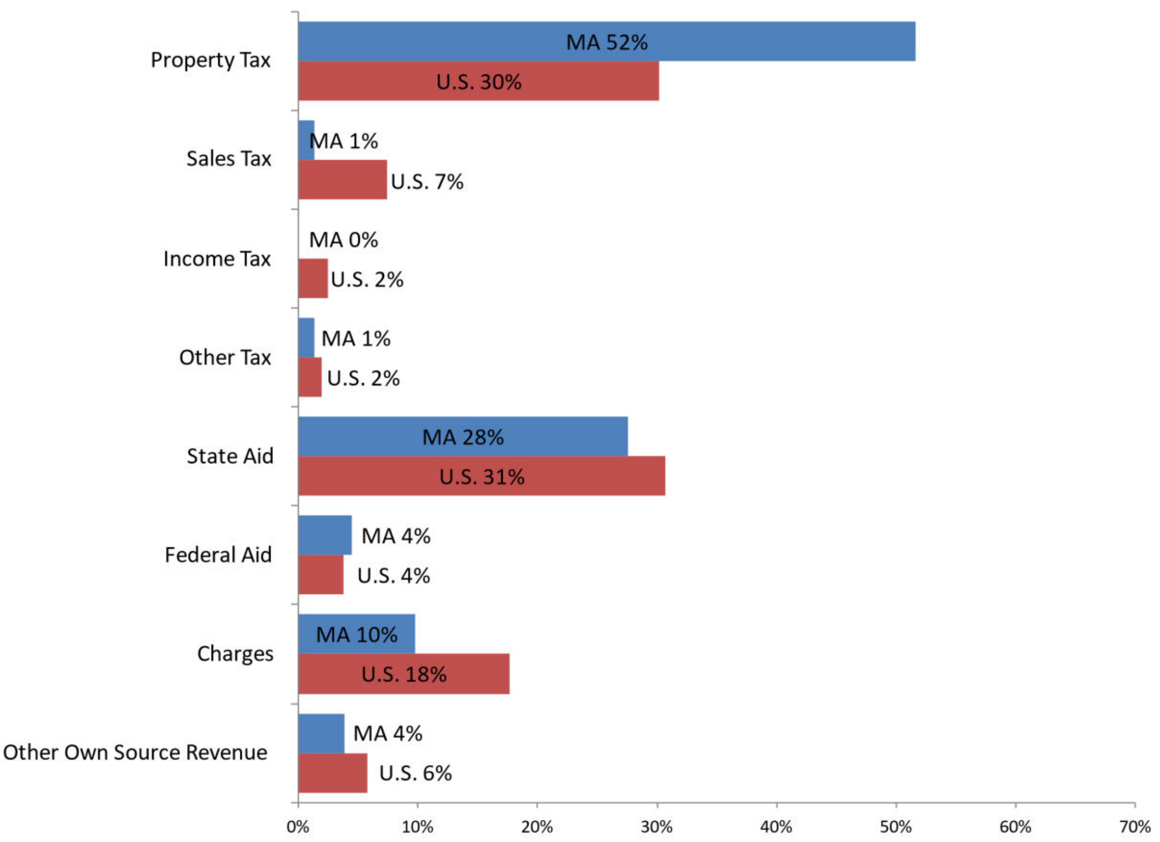
Massachusetts

Highlights

Property taxes are the primary source of revenue for funding local government services and schools in Massachusetts's 351 cities and towns (figure MA-1).

Massachusetts's tax limitation, known as Proposition 2 ½, a citizens' initiative petition, was adopted in November 1980. In addition to limiting the tax levy to 2 ½ percent of a municipality's total assessed value and annual increases of the levy to 2 ½ percent, the initiative abolished fiscal autonomy of school committees, curtailed state mandates on local governments, reduced the maximum rate for automobile excise taxes, eliminated binding arbitration for local police and firefighters' contracts, and allowed renters a deduction on their state income tax. Later amendments increased local flexibility for levy increases and ballot overrides.

Figure MA-1
Sources of Local General Revenue, Massachusetts and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Massachusetts towns can adopt classified tax rates. Certification of assessed values by the commissioner allows local officials, after a public hearing, to set different local tax rates for classes of residential, open space, commercial, and industrial property. Approximately one-third of the 351 cities and towns have adopted classified tax rates; the remainder set a single rate for all property.

Property Tax Reliance

Massachusetts's property tax burden is high relative to other states as measured per capita or as a percentage of personal income (table MA-1).

Table MA-1
Selected Massachusetts Property Tax Statistics, 2019[1]

	Massachusetts	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,590	$1,758	*8*
Property tax percentage of personal income	3.5%	3.1%	*13*
Total property tax as percentage of state-local revenue	20.8%	16.6%	*9*
Median owner-occupied home value[2]	$381,600	$217,500	*4*
Median real estate taxes paid for owner-occupied home[2]	$4,679	$2,471	*5*
Effective tax rate, median owner-occupied home[3]	1.2%	1.1%	*18*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Local officials in each city and town assess, levy, and collect property taxes for all real and personal properties subject to taxation within their municipalities.

Property is assessed at its full market value, with special provisions for agricultural, forest, and recreational land. Property valuations determined by local assessors are reviewed and certified every five years by the commissioner of revenue. Certification is a necessary prerequisite for cities and towns to exercise their local option to tax classes of real property at different rates according to their use. A residential factor, based on the percentage share the full value of each class bears to the total property value of the municipal tax base, is determined by the commissioner to establish the maximum shift that ensures that the residential property class will share at least 50 percent of its full value share of the tax

levy and that the commercial and industrial classes will pay no more than 175 percent of their full value share.

Limits on Property Taxation

The amount raised by property taxes is governed by two limits: an annual increase limit (2 ½ percent plus an amount for new construction) and an overall limit (2 ½ percent of total assessed value). Voters may override these limits at local elections (Massachusetts Division of Local Services).

Property Tax Relief and Incentives

Property tax relief includes exemptions for veterans; surviving spouses; the blind, deaf, and disabled; and the elderly, including tax deferrals and a senior property tax work-off abatement, adopted at local option. The state does offer and fund a circuit breaker program limited to elderly homeowners and renters whose property taxes exceed 10 percent of income (table MA-2). The maximum benefit is $1,100 (2019).

Massachusetts offers several property tax incentives for economic development. The state's Economic Development Incentive Program includes two local incentives: the Tax Increment Financing (TIF) exemption program and the Special Tax Assessment abatement. Unlike other states, Massachusetts defines TIF as a property tax exemption. A separate program, called District Improvement Financing (DIF), is a conventional tax increment finance program that allows for the earmarking of tax increments for public improvements and incurring of debt to fund such improvements within the designated area.

Table MA-2
Massachusetts Property Tax Features, 2020

Feature	Massachusetts	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Since 1980, local property taxation has undergone major changes as a result of judicial, legislative, and voter initiatives. Massachusetts local property taxes were among the highest in the nation and lacked equitable assessments both within and between municipalities. Legal challenges to inequitable assessments eventually culminated in the 1974 *Sudbury* decision by the Massachusetts Supreme Judicial Court, which demanded that local governments adhere to the “full and fair cash value.”

Strong local resistance resulted in slow progress until a legislative amendment to the constitution reached the ballot and was adopted in 1978, allowing differential taxation for up to four classes of property. The enabling legislation, Chapter 797 of the Acts of 1979, established a comprehensive legal and administrative framework for taxation of property, with extensive authority placed in the Massachusetts commissioner of revenue.

Although progress toward undertaking revaluations increased, local governments were reluctant to move quickly due to their taxpayers’ concern about the cost and full effects of revaluation. In response to this concern, rising property taxes, and the adoption of Proposition 13 in California, the Massachusetts electorate in November 1980 endorsed the statewide tax limitation, known as Proposition 2 ½. By limiting the amount that a city or town could raise in taxes to 2 ½ percent of the total value of its taxable property, this new law provided the necessary incentive to establish full value assessments. In 1980, many municipalities were taxing above the limit and were required to reduce their levy by 15 percent per year until the limit was achieved. When Proposition 2 ½ went into effect in fiscal year 1982, new full value assessments dramatically decreased the number of communities required to reduce their taxes (Farmer 2021).

These combined judicial, legislative, and citizen initiatives produced major changes in the property tax system in Massachusetts. Cities and towns maintain full value assessments and have discretion in establishing uniform or classified tax rates as well as in adopting exemptions. Local decisions about spending must be made within the constraints of tax levy limits. Many towns but few cities have passed overrides of the annual levy limit, particularly for school-related funding or debt exclusions for capital expenditures.

Recent Developments

Massachusetts lawmakers are considering two related bills that would authorize local governments to require payments in lieu of taxes (PILOTs) from tax-exempt charitable non-profits with property value over $15 million equal to 25 percent of what they would ordinarily pay (H.D. 3080) and require annual assessments of tax-exempt property value for property valued over $1 million (H.D. 2068) (Kingdollar 2021). Although the City of Boston has one of the most successful payment in lieu of tax (PILOT) programs in the nation, City Council President Kim Janey (who became mayor of Boston in 2021) announced in her first address as council president in January 2020 that seeking additional revenue from the city’s nonprofits would be a top priority, and announced a commission to review the city’s PILOT program (Cotter 2020; Kenyon and Langley 2016). The city’s program has 47 nonprofits, of which 35

have made regular payments; in fiscal year 2020, 10 nonprofits made lower payments than in 2019, many citing pandemic-related losses (Herman 2020).

In response to the Covid-19 pandemic, Governor Charlie Baker signed a law in April 2020 authorizing local governments to delay town meetings beyond June 30 as a result of the pandemic emergency and to extend due dates for property tax payments and applications for property tax exemptions or deferrals (Chapter 53 of the Acts of 2020).

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Michigan

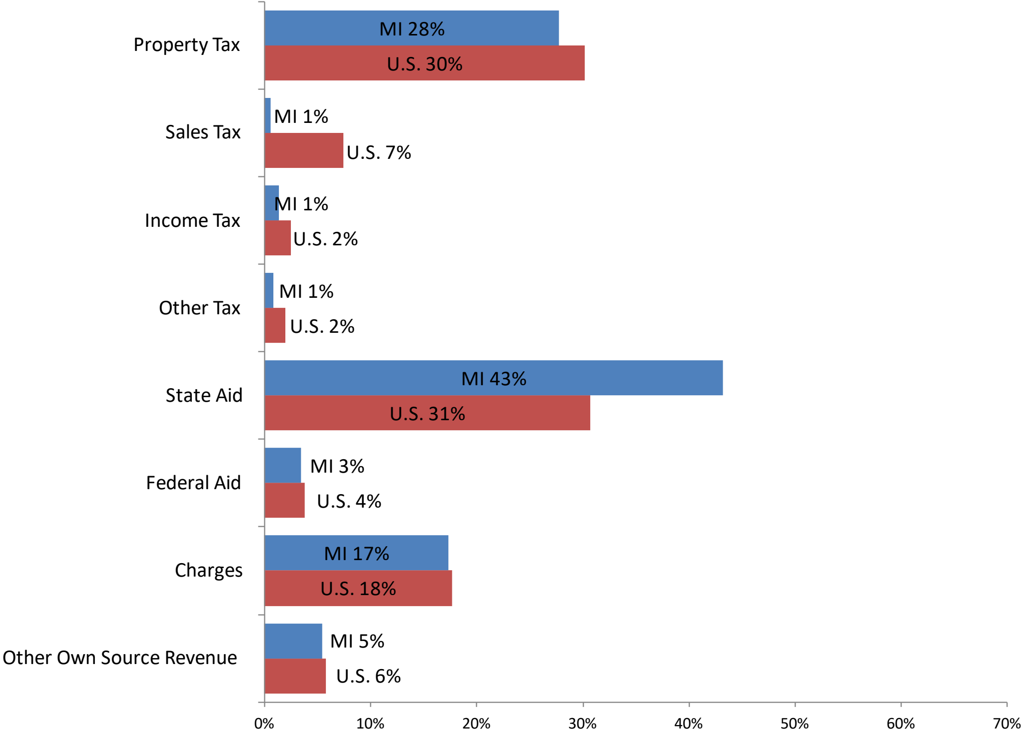
Highlights

In 1994, voters in Michigan approved Proposal A, which reduced local property taxes for schools, especially on primary residences, and substituted a higher state sales tax and a state government property tax, known as the State Education Tax. The incremental revenue from the higher sales tax and all of the state government property tax was earmarked for K-12 education.

The state government property tax is levied on all property at 6 mills and amounted to about 14 percent of total state and local property tax collections in Michigan in 2020 (Michigan Department of Treasury 2021). Local school district property taxes for operating expenses are levied only on non-homestead property at a maximum of 18 mills.

Although total property tax amounts and reliance in Michigan are relatively high, because of the importance of the State Education Tax, property taxes accounted for only 28 percent of total local general revenues in 2019, less than the U.S. average (figure MI-1). Because the State Education Tax is a property tax paid to state government, interstate comparison of local property tax reliance alone is not meaningful for Michigan.

Figure MI-1
Sources of Local General Revenue, Michigan and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property taxes as a percent of personal income were at the national average, ranking Michigan 20th highest among the states. The property tax in Michigan accounted for 16.1 percent of state and local revenue, just below the national average of 16.6 percent. The effective tax rate on a median-valued owner-occupied home was higher than the U.S. average, giving Michigan the 14th highest rank in the country (table MI-1).

Table MI-1
Selected Michigan Property Tax Statistics, 2019[1]

	Michigan	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,524	$1,758	*29*
Property tax percentage of personal income	3.1%	3.1%	*20*
Total property tax as percentage of state-local revenue	16.1%	16.6%	*21*
Median owner-occupied home value[2]	$154,900	$217,500	*41*
Median real estate taxes paid for owner-occupied home[2]	$2,381	$2,471	*21*
Effective tax rate, median owner-occupied home[3]	1.5%	1.1%	*14*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Assessment and Administration

In Michigan, there are important distinctions between assessed value, capped value, and taxable value (Hallahan 2015). Assessed value is equal to 50 percent of true cash value, which is the same as fair market value. The property owner is taxed on taxable value, which is the lesser of assessed value or capped value. Capped value is the prior year's taxable value plus the prior year's taxable value times the lesser of 5 percent or the annual inflation rate. Upon transfer, property is reassessed at 50 percent of cash value.

Assessment is carried out at the local government level, with state government oversight and equalization. Property is revalued annually. Real residential property is the largest class of property, comprising 68 percent of total real and personal assessed value. Most telecommunications and railroad property is assessed by the state government, not locally, and has a state public utility tax levied upon it, rather than the general property tax.

Michigan is in the process of phasing out its taxation of personal property by 2023.

Limits on Property Taxation

Michigan employs a levy cap, rate limit, and assessment limit on property taxation. The Headlee Amendment Levy Cap, which went into effect in 1978, requires a rate reduction if assessed values increase more than the increase in the U.S. consumer price index (CPI) in order to yield the same revenue, adjusted for changes in the CPI. New construction and improvements, as well as debt service, are excluded.

The general rate limit is 15 mills, excluding debt service, but this can be increased to 18 mills with a voter-initiative override. The city charter rate is 20 mills, but that rate limit may also be exceeded with voter approval.

The assessment limit, described above, requires that taxable value not increase in any year by more than the lesser of 5 percent or the rate of inflation measured by the CPI (table MI-2).

Property Tax Relief and Incentives

Michigan employs several residential property tax relief programs. One program exempts all principal residences from the school operating millage. Another exemption, targeted to low-income homeowners, can partially or fully exempt them from paying property taxes.

The Homestead Property Tax Credit, a type of property tax circuit breaker, is available through the state individual income tax for low-income homeowners, renters, and senior citizens. Renters may claim 23 percent of rent as property tax for the credit, which amounts to 60 percent of property tax that exceeds 3.2 percent of income except that seniors and disabled homeowners are exempt from property taxes if their total household resources are less than $60,000. The maximum benefit is $1,500. The Poverty Exemption provides up to a 100 percent property tax reduction for property owners meeting income criteria set locally at or above the federal poverty level.

The Farmland Preservation Tax Credit, equal to the amount by which farmland property taxes exceed 3.5 percent of income, is available to certain landowners who enter into a developmental rights agreement with the state. Landowners receiving this credit are also eligible for the Homestead Property Tax Credit, but they must report the value of their farmland credit in their total household resources on the application for the Homestead Property Tax Credit.

Exemption or reduction of property tax on industrial or commercial property is available for up to 12 years under specific conditions for renovation, expansion, or construction of new property if approved by a local unit of government and the State Tax Commission. Michigan authorizes tax increment financing and provides economic development tax incentives through two zone-based programs and several stand-alone property tax abatement programs for qualifying business property.

Table MI-2
Michigan Property Tax Features, 2020

Feature	Michigan	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

With the adoption of Proposal A in 1994, Michigan instituted a 6 mill state government property tax for education. Local school district property taxes for operating expenses were limited to a maximum of 18 mills on all non-homestead property. A few selected high-spending districts were permitted to collect so-called hold-harmless mills, which are levied only on homestead property in a school district and were intended to allow those districts to continue to have per-student spending above the state foundation. The annual increase in taxable value of all properties (adjusted for structural changes) was limited to the lesser of the percentage change in the CPI or 5 percent.

At the state government level, the general sales tax rate was increased from 4 to 6 percent, with all additional sales tax revenue due to the rate change earmarked for state government support of schools. Simultaneously, the state government adopted a foundation aid school financing system under which the foundation amount varied by district with the goal of establishing a minimum per-student funding level for all districts. The option for local school districts to supplement the state support with local taxes was greatly restricted.

Effectively, then, Proposal A resulted in a tax swap, such that a mix of state government taxes (sales, income, property, cigarette, real estate transfer, lottery) partially replaced the local property tax in funding K-12 education. Equally important was the fact that those state government funds were distributed to school districts in an entirely different way than they had been previously.

Not surprisingly, both property tax rates and property tax amounts decreased substantially (especially for primary residences). Another obvious immediate effect was less geographic variation in property tax rates because the new system imposed uniform property tax rates for K-12 education, with a few exceptions.

In 2014, voters approved Proposal 1, which was expected to greatly reduce the state's revenue from personal property taxation. Components of the legislation included a small taxpayer exemption, a phased-in exemption for eligible manufacturing property, and a state-imposed essential services assessment that exempted manufacturing property (but imposed it at a much lower rate). The various components of this legislation have different effective dates, but the change will not be fully phased in until 2022.

Michigan's property tax caps have reduced the ability of local governments to provide services. A recent report found that Michigan cities, excluding Detroit, saw spending decline more than 17 percent from 2008 to 2014 with declines in every service category. The Center for Budget and Policy Priorities found that local governments are relying more on alternative revenue sources to make up for declining property tax revenue (Lav and Leachman 2018).

The city of Detroit began implementing property tax reforms following its bankruptcy filing in 2013 (Sands and Skidmore 2015). In 2014, the Michigan Tax Commission began oversight of Detroit's Assessment Division "in the wake of mismanagement in Detroit's Assessment Division, widespread over-assessments and rampant tax delinquencies" (Ferretti 2017). By early 2017, every residential property had been reassessed. The city's collection rate increased steadily to 80.1 percent in fiscal year 2017 (Carter 2018). In September 2017, the Michigan Tax Commission voted to release the city from oversight (Ferretti 2017).

Recent Developments

In recent years, Michigan has been the epicenter of controversy over the "dark stores" assessment theory. This theory implies that the property of big box stores should be valued based on the sales of similar-sized properties that are vacant or abandoned, thus allowing significant reductions in assessments (Wilmath and Alesandrini 2015). Between 2010 and 2017, Michigan localities refunded retailers over $100 million in successful big box valuation appeals (Collins et al. 2018). In October 2017, the Michigan Supreme Court denied an appeal by a big-box retailer in *Menard Inc. v. City of Escanaba*, in an apparent win for local governments (Muse 2017). In recent years, legislative attempts to block the use of dark store theory to appeal assessments have failed. Senate Bill 26 (2019) would have restricted the use of vacant properties as comparable sales in valuation appeals before the Michigan Tax Tribunal.

Act 33 of 2020 authorized local governments to offer installment plans for property tax payments. Property taxes are generally paid in large lump sums. The new legislation aims to reduce delinquency by providing for smaller, more frequent payments. Milwaukee, Wisconsin has a similar program (Langley 2018).

Michigan also authorized local governments to automatically continue property tax relief for homeowners who received the poverty exemption in 2019 and/or 2020 for one to three additional years. Senate Bill 1234 eliminates the requirement for taxpayers to reapply for the program for 2021 unless the ownership or occupancy status has changed. Certain taxpayers may receive benefits through

2023 without reapplying. The poverty exemption provides tax relief up to 100 percent of the tax bill based on income (Vargas 2021).

In January 2021, Michigan Governor Gretchen Whitmer pocket vetoed two Republican-backed bills aimed at reducing property taxes for businesses. The first bill, aimed at supermarket chain Meijer, would have exempted new personal property associated with automated consumer goods handling systems in large facilities or used by a wholesaler (Senate Bill 1153; Eggert 2021). The second bill, Senate Bill 943, would have allowed businesses "that experienced economic hardship as a result of the Covid-19 pandemic" to defer payment of property taxes due in the summer of 2020 without accruing penalties and interest (Eggert 2021).

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May 2021, data updated February 2022

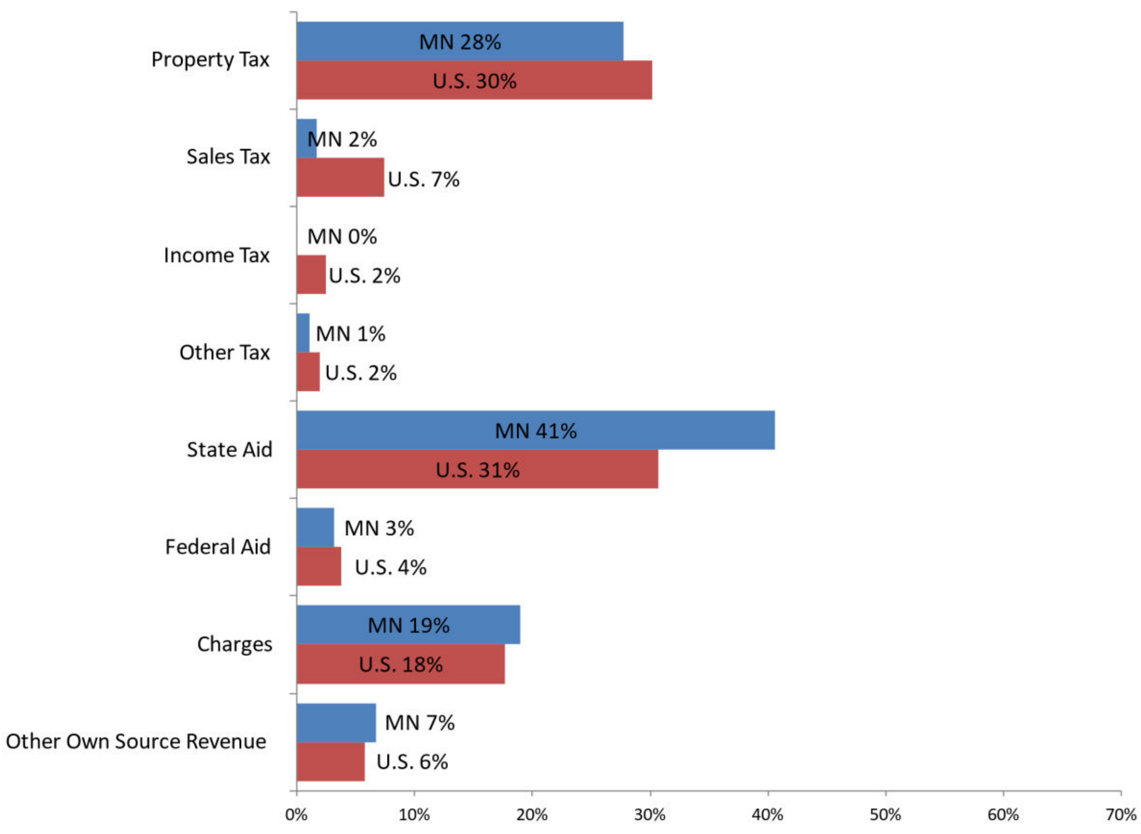
Minnesota

Highlights

Minnesota has earned a reputation for having one of the most complicated property tax systems in the nation because it uses 40 different property tax classifications based on combinations of property type and value (Minnesota Department of Revenue 2020, 17–18) (figure MN-1). In addition, the state employs a unique “tax capacity” system in which assessed values are multiplied by class rates established in statute and then summed to determine the total tax base. This system, rather than the more common practice of using assessment rate differentials, serves as a method to deliver preferential treatment to certain property types. Nine forms of credits, five types of value exclusions, three types of special valuations, and two special rate preferences further add to the complexity.

Minnesota features a major state property tax—the “state general tax”—that is levied only on businesses (95 percent of levy) and seasonal recreational properties (5 percent of levy). This state levy does not directly support education finance but remains undedicated general fund revenue.

Figure MN-1
Sources of Minnesota Local General Revenue, 2019



Source: U.S. Census via Significant Features of the Property Tax

The state is also home to the nation's longest-running experiment in regional tax base sharing. The Fiscal Disparities Program shares 40 percent of the post-1971 growth in the commercial-industrial property tax base of the seven-county Twin Cities metropolitan area. The state had established a parallel program on the Iron Range of northeastern Minnesota in 1995.

Property Tax Reliance

Minnesota's property tax burden measured either as tax per capita or as a percent of personal income is close to the U.S. average (table MN-1).

Table MN-1
Selected Minnesota Property Tax Statistics, 2019[1]

	Minnesota	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,727	$1,758	*19*
Property tax percentage of personal income	2.9%	3.1%	*23*
Total property tax as percentage of state-local revenue	15.1%	16.6%	*24*
Median owner-occupied home value[2]	$223,900	$217,500	*22*
Median real estate taxes paid for owner-occupied home[2]	$2,500	$2,471	*20*
Effective tax rate, median owner-occupied home[3]	1.1%	1.1%	*19*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

All local property tax collections are based on levies established by the local units of government and are derived by subtracting non-property tax revenues from budgeted spending.

Counties, with isolated exceptions, are responsible for assessing property. Parcels are revalued every year and are required to be reassessed through physical inspection every five years. Minnesota exempts business personal property from taxation with the exception of some utility property.

Minnesota uses classification for both the local levy and the state levy. For the local levy, assessment ratios vary from 0.45 percent for the first $50,000 of homestead property for blind and disabled to 2 percent for unmined or low-recovery iron ore. The classification system for the state levy uses varying tax rates and varying assessment ratios.

Limits on Property Taxation

The state levy, originally established in statute at $450 million, increased each year at the rate of inflation, until the state legislature eliminated the automatic annual inflator in 2017. In 2013, the state limited increases in local property tax levies to 3 percent (Minnesota Center for Fiscal Excellence 2013). Override is by a majority vote of the electorate at a referendum. Minnesota has no assessment limitations (table MN-2). All property owners receive a truth-in-taxation statement each year breaking down the total property tax burden by each levying entity and allowing year-on-year comparisons.

Property Tax Relief and Incentives

Minnesota's strong historical interest in progressive taxation is reflected in some of the most generous and broadly accessible property tax refund programs in the country. The state features an income-tested circuit breaker for all homeowners, a universal income-tested renter's credit based on estimates of rent constituting property taxes, and a special refund program to mitigate large year-on-year homeowner property tax increases. There are also two homestead exemptions: (1) all owners of homesteads or farmsteads qualify for an exclusion of 40 percent of the first $76,000 of market value, which is reduced by 9 percent of the value over $76,000 and phased out at $413,800 of market value; and (2) disabled veterans are eligible for an exemption of up to $300,000 of their home's value.

There is a wide array of incentives for economic development that include property tax abatements or earmarking of incremental property tax revenues as in tax increment finance (TIF). Minnesota has separate TIF programs for housing districts, hazardous substances subdistricts, and soils conditions districts, among others. In 2017, the state added workforce housing districts to TIF (Significant Features of the Property Tax).

Table MN-2
Minnesota Property Tax Features, 2020

Feature	Minnesota	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1971, the state embarked on a landmark buydown of local property taxes and a monumental restructuring of the state/local finance system. Known as the “Minnesota Miracle,” this series of reforms raised both corporate and individual income taxes; boosted the general sales tax rate from 3 percent to 4 percent; and increased beer, liquor, cigarette, and severance taxes. In return, the state increased its school foundation aid formula by 95 percent, eliminated the existing statewide property tax, established a new local government aid program, increased categorical aid for public welfare spending, and expanded an existing homestead credit.

Budget surpluses of the late 1990s and resurfacing property tax resentment led to further property tax reform, which this time fundamentally changed school finance in the state. In 2001, the state government eliminated the entire general education levy, replacing it with state education aid, and exempted agricultural and cabin properties from school district referendum levies. The state also significantly compressed property tax class rates, providing substantial relief to businesses, some of which was offset by a new statewide property tax on business properties. Three compressions between 1997 and 2002 substantially narrowed the gap between class rates for homestead and commercial properties (Shute 2020).

After these reforms were enacted, state support for education was buffeted by two significant recessions and intense program competition within the state general fund. This resulted in rapid growth of, and greater reliance on, school referenda levies to support general school operations. As a result, the 2001 reforms have been reconsidered by some policymakers, leading to interest in reestablishing the state general education levy in some form. In 2010, the state created a property tax working group to develop recommendations on how to make the property tax system more simple, understandable, transparent, accountable, and efficient. The final report, delivered in 2012, offered 19 separate recommendations covering all dimensions of the property tax system in support of these policy objectives (Property Tax Working Group 2012).

In 2013, the legislature passed a tax plan that aimed to provide property tax relief in the form of an expanded property tax circuit breaker program, increased state aid to local governments, and a 3 percent limit on local property tax levy increases. The 2013 tax bill increased individual and corporate income taxes, consumer and business state sales taxes, local sales taxes, cigarette and tobacco taxes, and estate taxes (Hamilton 2013; Minnesota Center for Fiscal Excellence 2013).

Recent Developments

In 2016, the Minnesota Supreme Court in *First Baptist Church of St. Paul v. City of St. Paul* overturned St. Paul’s right-of-way (ROW) fee which had been used to raise revenue from nonprofits otherwise exempt from property taxes. The court found that the ROW fee was a tax and thus unconstitutional (Collins and Ross 2016). Despite the Supreme Court ruling, in 2020 the legislature considered, but failed, to pass a bill authorizing municipalities to impose street maintenance fees on all landowners in municipal improvement districts, including nonprofits. Municipal improvement districts would have a maximum

life of 20 years (HF 1095). In June 2021, St. Paul property owners filed two new lawsuits challenging fees and assessments for seal coating and mill and overlay work (Galioto 2021).

In 2017, Minnesota enacted a package of tax cuts that included two cuts in the statewide property tax which falls mostly on business: elimination of the automatic annual inflator and introduction of an exemption of the first $100,000 of market value of commercial-industrial property (Minnesota Chamber of Commerce 2017).

In a special session in May 2019, the legislature passed a $543 million school spending bill that increased per-pupil general education spending by 2 percent and sent more aid to districts with lower property tax capacity (Phanuef 2019). The legislature also increased the School Building Bond Agricultural Credit, or Ag2School Tax Credit, from 40 percent of school debt levies to 50 percent in 2020, gradually increasing to 70 percent in 2023 (Bilek 2019). The tax credit was adopted in 2017 and took effect in 2018 (Minn. Stat. § 273.1387).

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Publication Date

July 2021, data updated 2022

Mississippi

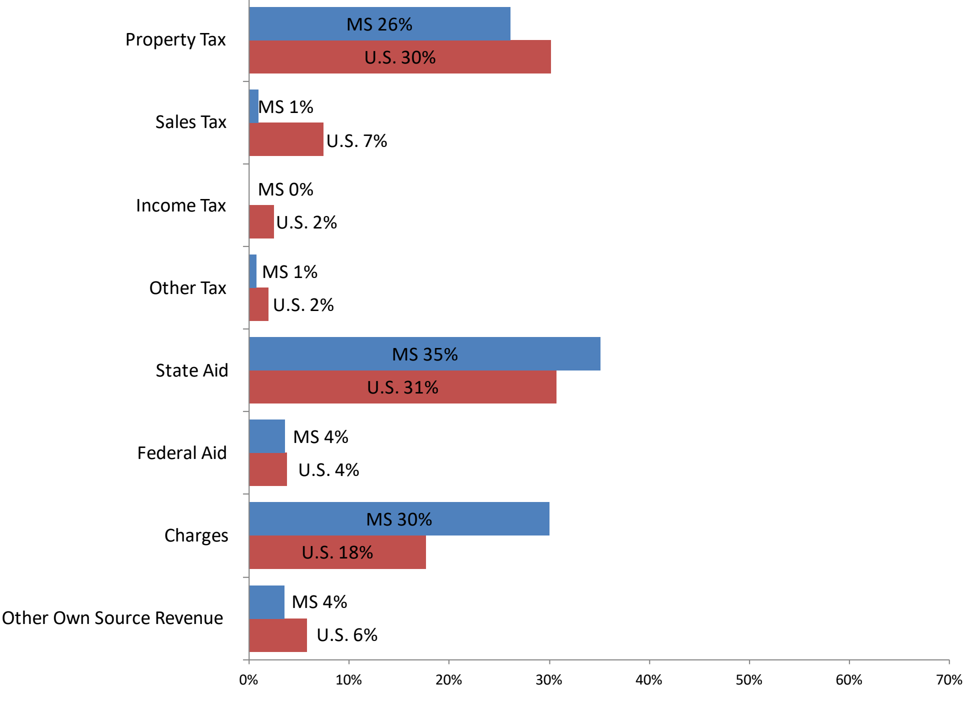
Highlights

The ad valorem tax, or property tax, comprises the primary source of revenue for each of the 82 counties within the state of Mississippi. Municipal governments and public schools (K-12) also rely on property tax collections, with schools using property taxes to fund approximately a third of their budgets. The state relies heavily on the sales tax, and municipalities receive a portion of the sales taxes generated within their city limits (figure MS-1).

Mississippi employs a property tax classification system whereby five classes of real and personal property have different assessment ratios ranging from 10 percent to 30 percent. Single-family owner-occupied residential property is assessed at 10 percent of market value. This means that a $100,000 home is assessed at $10,000.

Mississippi taxes personal property as well as real property. In 2018, personal property taxes accounted for 28.5 percent of its tax base, a higher share than any other state classifying personal property (Significant Features of the Property Tax). In 2021, Mississippi was one of only nine states that taxed most business inventories (Cammenga 2021).

Figure MS-1
Sources of Local General Revenue, Mississippi and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, Mississippi ranked in the bottom third of U.S. states in property tax per capita, total property tax as a percentage of state-local revenue, and effective tax rate for a median-value owner-occupied home (table MS-1).

Table MS-1
Selected Mississippi Property Tax Statistics, 2019[1]

	Mississippi	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	\$1,063	\$1,667	*37*
Property tax percentage of personal income	2.8%	3.1%	*26*
Total property tax as percentage of state-local revenue	11.7%	16.6%	*40*
Median owner-occupied home value[2]	\$119,000	\$217,500	*51*
Median real estate taxes paid for owner-occupied home[2]	\$958	\$2,471	*46*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*34*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Ad valorem taxes apply to five distinct classes of property. Class 1 property consists of single-family owner-occupied real estate and is assessed at 10 percent of market value. Real estate that does not meet the Class 1 definition is classified as Class 2 property and is assessed at a ratio of 15 percent. Non-real estate property falls into three other classes. Class 3 consists of personal property that is primarily furniture, fixtures, machinery, equipment, and inventory used by businesses and manufacturers. Virtually all personal property belonging to individuals is exempt from property taxes. As a caveat, mobile homes not deemed real estate are also categorized as Class 3 property. All Class 3 properties are assessed at a 15 percent ratio. The first three classes of property are assessed by the county tax assessor under the guidelines and supervision of the Mississippi Department of Revenue (DOR). State law and DOR regulations require inspection and update at least every four years, although assessments can be updated annually.

Public utility properties comprise the Class 4 category, while Class 5 is comprised of motor vehicles that are subject to an ad valorem tax. Property in classes 4 and 5 is appraised by the Mississippi Department of Revenue, and both are assessed using a 30 percent ratio.

Limits on Property Taxation

Counties and municipalities are limited to a 10 percent increase over the total property tax receipts in any of the previous three years, excluding new property. School districts are limited to a 7 percent increase over the total property tax receipts in any of the previous three years, excluding new property. Counties and municipalities can override their levy limits with a majority vote of the electorate up to five years in a row. For school districts, a three-fifths majority is required for an override (table MS-2).

Table MS-2
Mississippi Property Tax Features, 2020

Feature	Mississippi	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Property Tax Relief and Incentives

Mississippi provides property tax relief to homeowners over 65 or qualifying as disabled by exempting from property tax the first $7,500 of their homes' assessed value. Most homestead property falls into the Class 1 category and is assessed at only 10 percent of true value. Therefore, a person qualifying for a homestead exemption who owns a Class 1 property valued at $75,000 or less is wholly exempt from taxes on that parcel of property. Homestead properties exceeding the $7,500 assessed value limit incur taxes only on the net assessed value exceeding the limit.

Veterans of the United States military deemed "100 percent service connected disabled" are fully exempt from paying taxes on their homestead property regardless of value.

All other citizens of Mississippi qualifying for homestead exemption are given a specific dollar credit reduction from their homestead property tax bill, the amount of which is based on the assessed value of

the property. The maximum amount of credit subtracted from these regular homestead properties is $300.

Mississippi law contains a host of tax exemptions and incentives for industry, including ones that pertain to growth and prosperity areas, start-ups, and industrial areas. Most of these exemptions must be permitted by state law and approved by the affected local governments, and most apply only to county and city taxes and are limited to 10 years by the state constitution. Mississippi also allows tax increment financing for redevelopment project areas. In 2012, the Mississippi legislature enacted an income tax credit for ad valorem taxes paid on personal property inventory of businesses and industries.

Key Property Tax History

The property tax levy limit on counties and municipalities went into effect in 1980. The limit on school districts went into effect in 1983 and was amended in 1990.

Mississippi was ordered by state court to complete a statewide reappraisal beginning in 1980 (*State Tax Commission v. Fondren* 1980). The Mississippi Department of Revenue (DOR) was given the task to oversee and approve the assessment rolls produced by each of the 82 counties for real estate and personal property taxes (Classes 1, 2, and 3). As a result, the Mississippi DOR produced appraisal manuals, established an assessor education program, and developed a standard method of mass appraisal for Mississippi. Because of the outcry from homeowners, real estate was divided into two classes in the late 1980s. At that time, a constitutional amendment was passed allowing for the Class 1 (single family, owner occupied, residential) category to be assessed at the lower 10 percent assessment ratio.

A state property tax was repealed in 1982.

In 1997, Mississippi enacted the Mississippi Adequate Education Program (MAEP) through the bipartisan effort of lawmakers who hoped to avoid becoming the target of a school funding adequacy lawsuit like other states across the country were. The funding formula, although vetoed by Governor Kirk Fordice, garnered enough legislative support for an override. The formula was fully funded only two times between 1998 and 2017 (Dreher 2015). MAEP required local governments to contribute property tax collections at 28 mills and capped the local property tax contribution at 27 percent of total adequate education program costs (Wolfe 2014). Mississippi faced its first challenge to the constitutionality of its education funding formula in 2014 when a group of school districts sued the state for not fully funding its formula (SchoolFunding.Info).

Twenty-one Mississippi school districts represented by former governor Ronnie Musgrove sued the state in 2014 for failing to provide full funding for MAEP between 2010 and 2015. In 2016, the state contracted with EdBuild to write a new education funding formula to replace MAEP, but in the 2017 session legislators failed to act on the proposal (Center for Educational Equity; Dreher 2017). In October 2017, the Mississippi Supreme Court ruled in favor of the state, finding the legislature does not have a constitutional obligation to fully fund MAEP even though state statute calls for full funding of the formula beginning in 2007. The constitution states that the legislature “shall, by general law, provide for

the establishment, maintenance and support of free public schools upon such conditions and limitations as the Legislature may prescribe." The court said the statute cannot be interpreted as a mandate and found the plaintiff districts failed to show injury because the governor would not have been obligated to sign legislation fully funding MAEP even if the legislature had approved full funding (Center for Educational Equity; Dreher 2017). Credit rating agency Moody's Investor Services warned the ruling would negatively affect school districts' credit (Kearney 2017).

Recent Developments

A group of parents brought a lawsuit challenging the constitutionality of supporting charter schools with public funds, including local property tax revenues, in *Araujo v. Bryant*. In 2018, a Hinds County Chancery Court judge ruled that charter school funding did not violate the Mississippi constitution. The case advanced to the Mississippi Supreme Court, which affirmed the lower court ruling in 2019 (SchoolFunding.Info).

A law that took effect July 1, 2019 allows homeowners associations in Jackson to create community improvement districts and impose a tax of up to 6 mills to fund neighborhood improvements (HB 1612) (Vicory 2019).

In 2017, the Southern Poverty Law Center sued over funding disparities between schools with mostly Black students and schools with mostly white students. The U.S. District Court dismissed the lawsuit in 2019; but on appeal, in December 2020 the federal appeals court ruled the case could move forward (Associated Press 2020).

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Publication Date

June 2021, data updated February 2022

Missouri

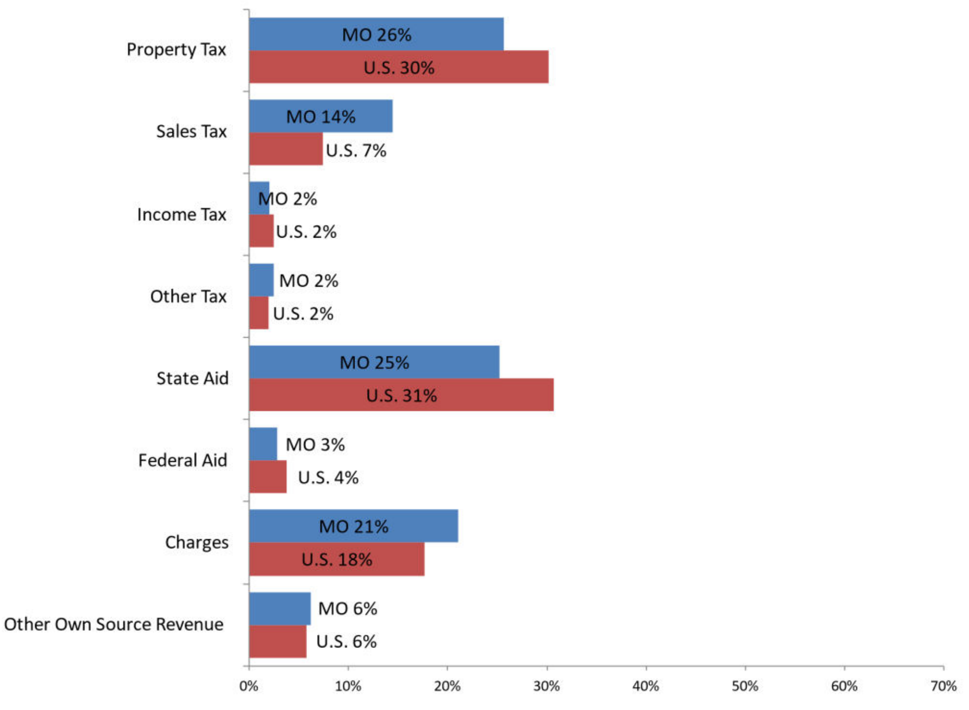
Highlights

Missouri has a large number of active local governments, many of which are authorized to levy property taxes. Property taxes represent about one quarter of local general revenue (figure MO-1), but for many local governments, this is the predominant source of funds for the most important services such as education and public safety.

The degree of reliance on property taxes varies considerably from county to county depending on their ability to impose sales taxes and other forms of charges and taxes. The tax bases of schools, libraries, and some fire districts are supported entirely by property taxes. The cities of St. Louis and Kansas City are also authorized to impose income taxes.

In 2019, Missouri's personal property taxes made up about 18 percent of the state's property tax base, one of the highest in the county (Significant Features of the Property Tax). In addition, the state has a classified property tax system, with eight different classes having varying assessment ratios. Residential property is assessed at 19 percent of market value, so a $100,000 home would be assessed at $19,000.

Figure MO-1
Sources of Local General Revenue, Missouri and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property taxes represented 13.5 percent of state and local general revenue, which was below the U.S. average (table MO-1).

Table MO-1
Selected Missouri Property Tax Statistics, 2019[1]

	Missouri	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,118	$1,758	*38*
Property tax percentage of personal income	2.3%	3.1%	*40*
Total property tax as percentage of state-local revenue	13.5%	16.6%	*34*
Median owner-occupied home value[2]	$157,200	$217,500	*39*
Median real estate taxes paid for owner-occupied home[2]	$1,526	$2,471	*35*
Effective tax rate, median owner-occupied home[3]	1.0%	1.1%	*25*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Missouri are applied to two kinds of property: real property including land and buildings for residential, agricultural, and commercial/industrial uses; and personal property including motor vehicles, boats, manufactured homes, and farm machinery.

In Missouri's classified property tax system, residential real property is assessed at 19 percent of value and commercial at 32 percent of value. Agricultural land that is being actively farmed is assessed according to its productive capability; but if the property is vacant and unused, it is assessed at 12 percent. Personal property, such as cars and boats, is assessed at 33.3 percent of value, manufactured homes at 19 percent, and farm machinery and livestock at 12 percent.

The State Tax Commission is an administrative agency under the direction of three commissioners appointed by the governor and approved by the senate, which is responsible for ensuring uniform and equitable assessment of all taxable tangible property in the state. The commission measures the accuracy of assessments in each county and works with assessors to promote an accurate and fair assessment program. It also hears taxpayer appeals from the local boards of equalization and is

responsible for the statewide assessment of the property of railroads, airlines, pipelines, electric, and telecommunications companies.

Limits on Property Taxation

The state of Missouri limits both property tax rates and property tax levies (table MO-2). The Property Tax Statutory Rate Cap limits school district property tax rates to 27.5 mills for city and town school districts or to 6.5 mills for districts not comprising cities or towns; municipal tax rates to 10 mills, with an allowance for up to 13 mills with voter approval; and county tax rates to 3.5 to 5 mills depending on total assessed value. Missouri's levy limit, known as the Hancock Amendment, restricts growth in property tax levies to the previous year's levy with a growth adjustment that is the lesser of the actual assessment growth rate, the rate of inflation, or 5 percent. Override of the levy limit requires a majority vote.

Property Tax Relief and Incentives

The Missouri Property Tax Credit Claim, a type of circuit breaker program, provides for refunds of up to $750 for renters and up to $1,100 for owner-occupiers on property taxes for residents who are 65 years of age or older or 100 percent disabled and whose total household income is below a determined threshold. Homeowners or renters who are 100 percent disabled due to military service do not need to include veteran payments and benefits as household income.

A Missouri citizen who was a prisoner of war and has a total service-connected disability is exempt from property tax on all real property used as a homestead under a 2010 constitutional amendment (Article X, Section 6).

Economic development property tax incentives in Missouri include an enhanced enterprise zone program, an abatement program for urban development corporations, and tax increment financing. The enterprise zone program provides a property tax exemption of at least 50 percent for 10 to 25 years for improvements within designated zones.

Table MO-2
Missouri Property Tax Features, 2020

Feature	Missouri	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

There is a constitutional limitation on state and local government taxation dating back to 1980, known as the Hancock Amendment (Article X). This amendment includes a formula that limits annual Missouri tax revenue to 5.6395 percent of the total personal income of its residents. If the state exceeds the limit, it must refund the money, as it did several times in the last half of the 1990s. This amendment also prevents the state from imposing on local governments any new responsibilities without providing the money needed to carry them out, and it limits local governments from levying or increasing any taxes without voter approval.

Since the amendment's enactment, there have been numerous challenges and attempts at workarounds, leading to an effort to introduce a Hancock II Amendment to further strengthen the limitations on taxation. This effort was soundly defeated in 1994.

Missouri's school funding system was declared unconstitutional in 1993 after the Committee for Educational Equality sued the state on behalf of low-wealth school districts. The state responded by overhauling their school funding mechanism with the Outstanding Schools Act of 1993. This legislation delinked local tax collections and local property wealth by implementing a new school financing formula that equalized revenues. If a school district put in the appropriate tax effort, they were guaranteed the tax revenues of a school district at the 95th percentile of property wealth. The state, however, was not able to fully fund the new formula due to housing prices rising faster than state income (Podgursky, Smith, and Springer 2008).

Fearing another lawsuit, the Missouri School Boards Association used a consulting firm to conduct a school funding adequacy study. It found large spending shortfalls and the legislature responded with Senate Bill 287 of 2005. This created a new funding formula that used the

operating spending per student from 113 successful schools to determine the state's target spending per student. This new formula did not stop a 2004 lawsuit from being reactivated and going to trial in the first months of 2007. The Committee for Educational Equality sued the state, claiming it violated the constitution through "disparities, inadequacies and inequalities of the school funding formula" (Podgursky, Smith, and Springer 2008). In 2009, the Missouri Supreme Court ruled against more than half of the state's school districts when it denied the plaintiff's claim that the school funding formula was unconstitutional (SchoolFunding.Info).

Recent Developments

The Kansas City Metro Area that spans the border between Kansas and Missouri has been the epicenter of a fierce bidding war for business since around 2009 (Hamilton 2019). According to the Hall Family Foundation (2019), Missouri has awarded $151 million in incentives over the last 10 years to lure businesses across the border from Johnson and Wyandotte Counties in Kansas, and Kansas has spent $184 million luring businesses over from Jackson County. Kansas has netted 1,200 jobs in the process. In June 2019, Missouri signed into law Senate Bill 182, prohibiting the use of tax incentives by border counties for businesses relocating over the border from Kansas, which would take effect only if Kansas were to enact comparable legislation. Kansas Governor Laura Kelly signed Executive Order No. 19-09 implementing a similar measure on August 2, 2019, and Kansas City, Missouri passed Ordinance No. 190793 on January 30, 2020, putting an end to the bidding war.

With economic development incentives costing schools and other taxing jurisdictions millions in property tax revenue, in February 2021, Kansas City adopted an ordinance that limited the property tax abatements provided to developers to 70 percent for 10 years and 30 percent for an additional five years, down from 75 percent for 10 years and 37.5 percent for an additional 15 years (Kite 2021).

In 2021, the Missouri legislature resurrected a bill (revised Senate Bill 24), which would reduce its current 33.3 percent assessment rate annually at the same rate as real property tax rates increase on a county-by-county basis (Gerber 2021). The original Senate Bill 24, rejected earlier, aimed to decrease the personal property tax assessment rate to 0.001 over a five-year period (Benevento 2021).

Spurred by sudden and, in some cases, huge property assessment hikes in Jackson County in 2019, in April 2021, a state legislator proposed a bill which would freeze property assessments at their last sale price with permitted adjustments for inflation or property improvements, a practice known as acquisition value based assessment (Kuang 2021). The bill was introduced following an investigation by state lawmakers into Jackson County's assessment practices (Gamm 2019) and a report by the Missouri state auditor that found Jackson County needs to improve its assessment practices and procedures (Missouri State Auditor Report No. 2021-001). If the bill passes, Missouri voters would need to approve a constitutional amendment to repeal the current requirement that properties be assessed at market value (Kuang 2021).

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Publication Date

June 2021, data updated February 2022

Montana

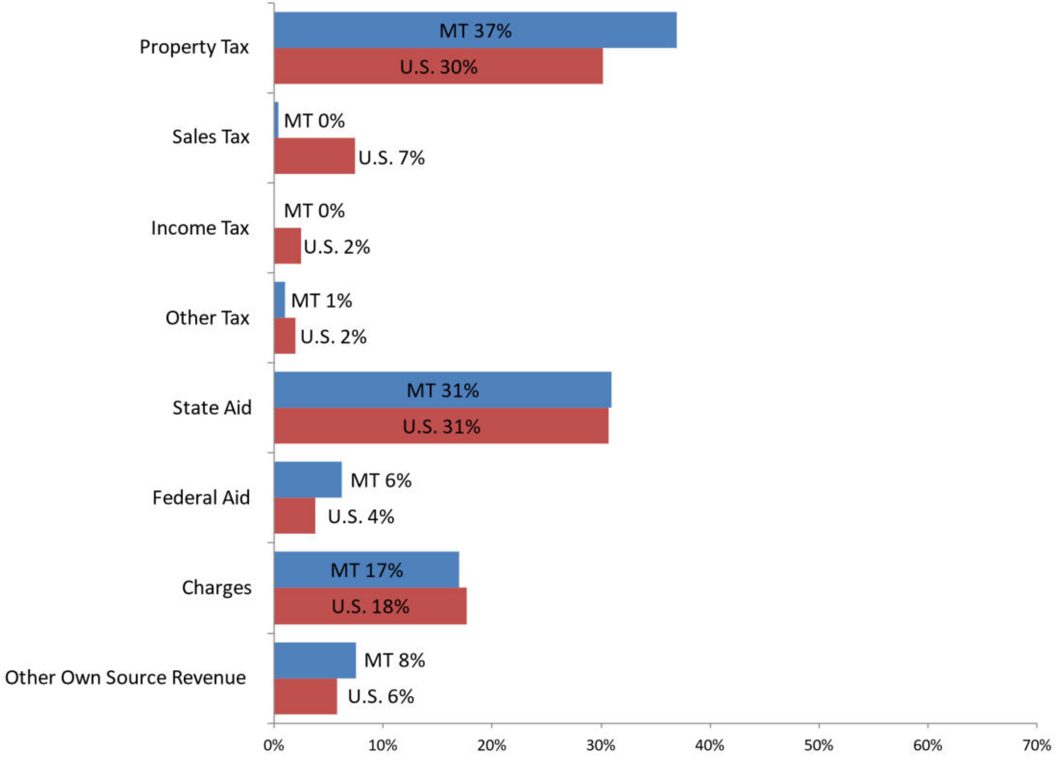
Highlights

Montana does not levy a broad-based sales tax but does levy a state personal income tax. The income tax is the primary source of state revenue, while the property tax is the primary funding source for local governments and individual school districts. As a result, local governments and school districts in Montana rely heavily on property taxes and state aid (figure MT-1).

Property is appraised at the state level by the state department of revenue instead of by local governments, an arrangement that only Maryland and Montana employ. The state sends the certified values to the counties, which determine the appropriate tax rate to levy and then collect and distribute tax revenue.

Montana employs a complex system of classification, with 17 different classes. Assessment tax rates (sometimes called tax rates but equivalent to assessment ratios in other states) range from 100 percent for net proceeds of mines (Class 1) to 0.37 percent for forest land (Class 10). Class 4 includes residential, commercial, and industrial property; the assessment ratio is 1.35 percent for most residential property and 1.89 percent for most commercial and industrial property (Montana Department of Revenue 2020, 220-221).

Figure MT-1
Sources of Local General Revenue, Montana and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although income taxes are the primary source of state government funding in Montana, the state does levy a statewide property tax (table MT-1). State property tax revenue accounts for about 18 percent of total statewide property tax collections (Montana Budget & Policy Center 2019).

Table MT-1
Selected Montana Property Tax Statistics, 2019[1]

	Montana	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,717	$1,758	*20*
Property tax percentage of personal income	3.5%	3.1%	*14*
Total property tax as percentage of state-local revenue	18.0%	16.6%	*16*
Median owner-occupied home value[2]	$230,600	$217,500	*19*
Median real estate taxes paid for owner-occupied home[2]	$1,928	$2,471	*27*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*32*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The state levies 95 statewide mills for local school equalization purposes and 6 statewide mills for university funding. Other than the state levies, generally the rates are determined by calculating the jurisdiction's budget need divided by the total taxable value in the jurisdiction.

Property tax rates for schools are established by determining the budget need of an individual school district within the parameters of a school funding formula defined by the state legislature. District funding levels are driven primarily by the number of students, the number of teachers, and the size of the district. Total rates for school districts may "float" as high as is needed to meet the budgetary requirements of the district, so long as the district's budget is in compliance with the law. The state also helps fund poorer districts though the use of a modified guaranteed tax base aid program.

Property is classified into 17 broad categories, and the portion of the market value that is taxable is based on which tax class the property is in. There is a great deal of variation among these classes in the rates of assessment, from 100 percent to 1.35 percent for residential property (Class 4) (although the portion of a residential dwelling in excess of $1.5 million has an assessment rate of 1.89 percent). Most classes of property are assessed annually, although residential and commercial properties (which make up approximately two-thirds of the property tax base) are assessed biennially. The tax base for agricultural property is productive value, not market value.

Taxes for a property are determined by multiplying the taxable value (assessed value minus exemptions multiplied by the assessment rate) by the sum of all the rates of the jurisdictions that have taxing

authority over the property. In tax year 2020, the statewide average millage rate was equal to 594.79 mills for all classes of property (Montana Department of Revenue 2020).

Limits on Property Taxation

The formula prescribed in the Montana Code Annotated limits allowable rate levies for all non-school district taxing jurisdictions. The code states that the maximum allowable rate a jurisdiction may levy is equal to the amount assessed in the prior year (adjusted for inflation) divided by the current year's taxable value, less any newly constructed or newly taxable property. The total rate is then applied to all properties, including newly constructed and newly taxable property.

Property Tax Relief and Incentives

Montana has three circuit breaker programs. The Property Tax Assistance Program (PTAP) reduces property taxes for low-income households by reducing a property's taxable value (table MT-2). The program reduces the Class 4 tax rate by 80 percent, 50 percent, or 30 percent depending on the income of the owners. For tax year 2019, eligibility was limited to homeowners with household income below $22,711 for one qualified homeowner, or below $30,281 for multiple qualified owners. An additional qualification stipulates that homeowners must reside in their home for seven months out of the year. PTAP applies to the first $200,000 of the appraised value of residential property and up to five acres of residential land (Significant Features of the Property Tax).

The Disabled American Veterans program (DAV) lowers property taxes for disabled veterans by reducing the Class 4 tax rate by 100 percent, 80 percent, 70 percent, or 50 percent depending on their income. It applies to residential improvements and up to five acres of land. To qualify, the property must be the primary residence of a veteran who was honorably discharged and paid at the 100 percent disabled rate by the Department of Veterans Affairs for a service-connected disability. The spouse of a veteran killed while on active duty or who died from a service-connected disability qualifies for DAV benefits as well (Significant Features of the Property Tax).

Taxpayers who are age 65 or older and have a household income of less than $45,000 may be eligible for the elderly homeowner/renter income tax credit. This credit provides a subsidy for older taxpayers who own their home and whose income is no longer proportional to the value of their home and is designed to enable them to stay in their homes. For older taxpayers who rent, it subsidizes the rent they pay. The credit refunds part or all of the property tax a homeowner pays directly, or a renter pays indirectly, that is more than a certain percentage of household income. For a household with income between $12,000 and $44,999, this amount is 5 percent. For households with lower incomes, the credit refunds part or all of property taxes that are more than a smaller percentage of income. For taxpayers with income up to $1,999, the credit refunds part or all of property taxes that are more than 0.6 percent of income. The credit is limited to a maximum of $1,000 per household, and it phases out for households with income between $35,000 and $45,000 (Significant Features of the Property Tax).

The energy production or development tax abatement provides a 50 percent rate reduction on a qualified energy production or development facility and equipment. The taxable value reduction may be

in effect during the construction period and the first 15 years after the facility commences operation but may not exceed a total of 19 years. Currently, properties using this abatement are in Class 14 and Class 15, both of which are normally assessed at 3 percent. This program changes the assessment ratio to 1.5 percent for these properties (Significant Features of the Property Tax).

Montana allows local governments to grant tax abatements of up to 50 percent to new and expanding industries. The abatement reduces a taxpayer's taxable value by 50 percent for the first five years and is then phased out in years six through ten. These locally approved abatements do not apply to state levies. Montana also has a tax increment finance (TIF) program (Significant Features of the Property Tax).

Table MT-2
Montana Property Tax Features, 2020

Feature	Montana	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Under the 1889 Montana Constitution, real property was generally valued at less than market value and property was appraised by county assessors (Powell 2009). The state was assigned the appraisal role by the 1972 state constitution to ensure uniform valuation of similar properties. In 1975, the legislature set a five-year appraisal cycle, requiring that at least 20 percent of the property in each county be revalued each year. From 1975 to 2009, the legislature changed the reappraisal cycle five times, ending with a six-year reappraisal cycle which remained in place until 2015. When the six-year cycle was in force, new values for each property were phased in over the six-year cycle through a complicated formula.

Montana began using a foundation program to distribute state aid to public schools with the Foundation Program Act of 1949 (McCracken 2016). In *Helena Elementary School District No. 1 v. State* (1985), the Montana Supreme Court declared that the education finance system violated the education clause of the state's constitution and affirmed that spending disparities among school districts deny equality of educational opportunity. The state legislature responded by adopting a foundation program with higher

payments to local districts (SchoolFunding.Info). However, a lawsuit filed in 1992 claimed that the adjustments to the foundation aid failed to fix funding disparities. The following year, the state legislature replaced the foundation program with a funding formula centered around base amounts for school equity (BASE) budgets (McCracken 2016).

In *Columbia Falls Public Schools v. State* (2002), schools, districts, and individuals from across the state claimed that declining funding led to program and staff cuts, inability to hire and retain teachers, and inability to comply with state standards. The district court held that the school funding system failed to provide adequate funding for public schools and that the state did not pay its share of the cost of public schools. In a 2005 special session called by the governor, the legislature raised state funding from 9 to 10 percent (SchoolFunding.Info). A second lawsuit, *Columbia Falls II*, claimed that these changes were insufficient. In his 2008 decision, Judge Jeffrey Sherlock refused to award supplemental relief, but commented on the state's ongoing effort to support the constitutional commitment to education (Montana Legislature, Legislative Services Division 2016).

Recent Developments

In its 2019 session, the legislature passed House Joint Resolution No. 35 calling for a study of Montana's state and local tax system with recommendations for a tax structure that will stabilize revenues, promote long-term economic prosperity, reflect principles of sound tax policy, and allow Montana to be competitive with other states. In its final report, the HJ 35 Tax Study Committee recommended two property tax related bills to the Revenue Interim Committee, one of which the committee recommended to the legislature. The first recommendation was to allow taxing jurisdictions to use the full inflation rate to calculate maximum mill levies and the second was to replace the existing circuit breakers with a circuit breaker income tax credit. The Interim Revenue Committee recommended the circuit breaker bill to the 2021 legislature. Introduced as Senate Bill 10, the legislation died in committee. The bill would have replaced Montana's three existing circuit breaker programs with a multiple-threshold circuit breaker income tax credit.

In May 2021, Montana Governor Greg Gianforte signed the Business Investment Grows (BIG) Jobs Act (House Bill 303 of 2021) into law. The act doubles the state's business personal property tax exemption from $100,000 to $200,000. The higher exemption will reduce by half the number of businesses paying personal property taxes in Montana.

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Publication Date

May 2021, data updated February 2022

Nebraska

Highlights

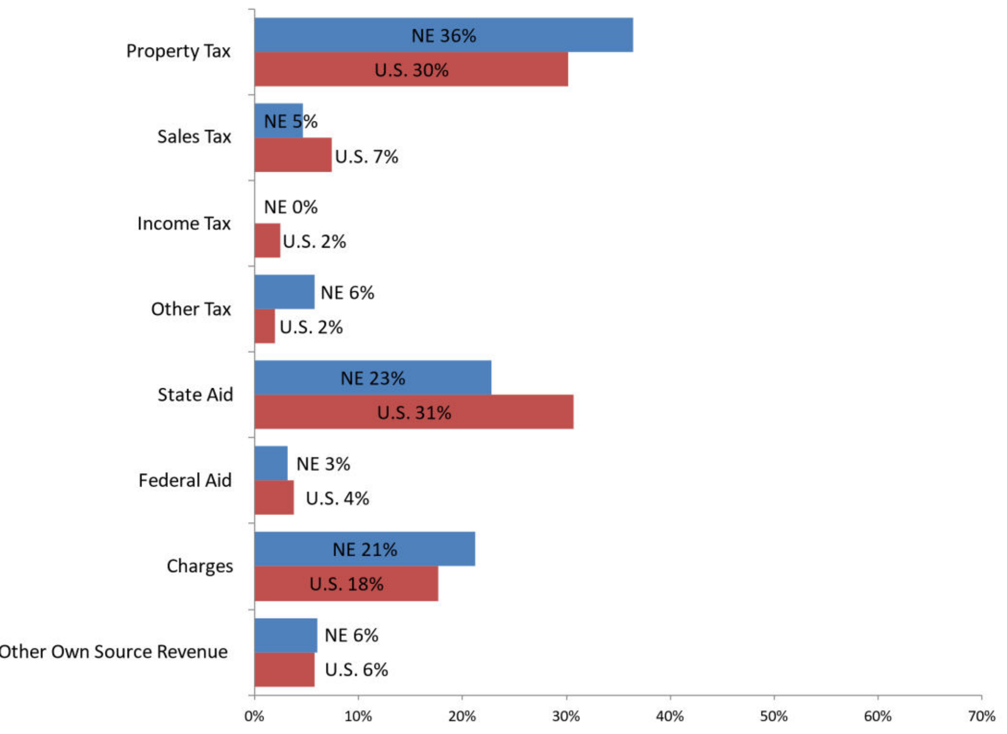
Nebraska local governments rely on the property tax for 36 percent of local general revenue, compared to a 23 percent share from state aid (figure NE-1).

Nebraska has a classified property tax system that treats agricultural property differently from all other property types. Agricultural property is assessed at 75 percent of market value, while all other types of property are assessed at full market value.

As a general rule, assessed values are based on market values. This valuation method is unusual among agriculturally oriented states that generally value agricultural land in its current agricultural use, not its highest and best use. Nebraska allows this kind of use-value assessment for agricultural land only in relatively urbanized counties.

Nebraska has three types of property tax limitations: tax rate caps, which vary by type of government; revenue and expenditure limitations; and local-option levy limits. In 2019, Nebraska enacted a truth-in-taxation measure.

Figure NE-1
Sources of Nebraska Local General Revenue, 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although property taxes accounted for 20 percent of total general revenue for the state and local governments in Nebraska (table NE-1), that overall figure masks the importance of the property tax for local governments. The property tax is the largest source of general revenue for Nebraska local governments.

Table NE-1
Selected Nebraska Property Tax Statistics, 2019[1]

	Nebraska	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,013	$1,758	*14*
Property tax percentage of personal income	3.7%	3.1%	*11*
Total property tax as percentage of state-local revenue	20.4%	16.6%	*10*
Median owner-occupied home value[2]	$155,800	$217,500	*40*
Median real estate taxes paid for owner-occupied home[2]	$2,689	$2,471	*18*
Effective tax rate, median owner-occupied home[3]	1.7%	1.1%	*8*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The state's 93 counties assess all property at full market value except for agricultural property, which is assessed at 75 percent of market value. In 2019, agricultural property accounted for 38 percent of the property tax base (Significant Features of the Property Tax). Valuation of taxable property is conducted annually.

Tangible personal property used by business, other than inventories, is taxed. This property is also taxed at full market value, but the first $10,000 of valuation for each taxpayer is exempt.

Limits on Property Taxation

Local governments are subject to a property tax rate cap that limits rates to a range from 4.5 mills to 10.5 mills depending on the locality (table NE-2). Currently, school systems are limited to 10 mills. Cities, counties, community colleges, natural resource districts, and sanitary improvement districts can also be subject to levy limits upon a petition signed by 10 percent of registered voters. In 2019, the state

enacted a truth in taxation measure that requires localities to reduce tax rates when valuations rise so that the property tax levy cannot increase over the prior year without a vote of the governing body. Finally, cities, counties, and political subdivisions are subject to revenue and expenditure limits. The maximum growth rate for school districts for the 2019–2020 school year was 2 percent (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Nebraska provides residential tax relief through property tax circuit breaker programs for the elderly, disabled, and veterans. For elderly households in 2019, income cannot exceed $54,501 for married homeowners and $46,801 for single homeowners (Significant Features of the Property Tax). There is also a state-funded real property tax credit for all properties, including centrally assessed railroads and public services. The real property tax credit for 2020 is 102.21 mills (122.64 for agricultural and horticultural land).

In 2020, the state established a refundable income or franchise tax credit for property taxes paid by individuals and businesses that pay school property taxes. In 2020, the credit is 6 percent of school property taxes paid, excluding debt service or override levies (LB 1107 of 2020).

The state provides property tax incentives for economic development through two programs: (1) ImagiNE Nebraska Act incentives, which are not targeted by geographic area; and (2) tax increment financing for community redevelopment, which does target specific geographic locations that must fit the definition of a blighted area or a substandard area to qualify.

Table NE-2
Nebraska Property Tax Features, 2020

Feature	Nebraska	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state of Nebraska levied a property tax in its first year of statehood in 1867 and continued to levy the tax until 1966. In that year, voters approved a constitutional amendment abolishing the state property tax and authorizing a state income tax (Patent 2015).

In 1979, the first major change to the local property tax was an increase in the assessment level from 35 percent to 100 percent.

In the 1980s, the farm crisis hit Nebraska and other farm-oriented states, depressing agricultural land values and reducing the share of property taxes derived from agricultural land. That situation brought about changes in the state's approach to property taxation. An important Supreme Court case in 1984, *Kearney Convention Center Inc. v. Board of Equalization*, held that the state constitution's uniformity requirement demanded that agricultural land be assessed similarly to other classes of property, which were assessed at full market value. Nebraska then adopted an amendment to the constitution permitting a classified property tax system. A later amendment and legislation put in place the current system under which agricultural land is valued at 75 percent of market value. The basis for assessment of agricultural land was originally income-based, but this changed to market value in 2006.

Education finance was reformed in 1990 with legislation to increase the state sales tax rate permanently and the state income tax rate temporarily to fund the Tax Equity and Educational Opportunities Support Act. That act shifted public school funding substantially from the local level to the state with the implementation of a new school aid formula distributing aid on an equalized basis. The state expanded the tax base of school districts by giving them a portion of the state income tax revenue collected in their districts and by increasing funding of the state equalization aid formula through an increase in the state sales tax rate. It also reduced the maximum school district levy from a former high of $3.50 to a new limit of $1.10.

In the early 1990s, Nebraska experienced a personal property crisis. The crisis began when the railroads questioned whether Nebraska was complying with the federal Railroad Revitalization and Regulatory Reform Act of 1976 (the so-called 4-R Act). That act was intended to save railroads from financial collapse and contained a provision that prohibited imposition of any discriminatory tax on railroads. In 1988, the U.S. Court of Appeals in the *Trailer Train v. Leuenberger* case held that Nebraska discriminated against railroads because the state provided exemptions for agricultural and business inventories, livestock, and farm machinery that were not available to railroads with no such property. The state was prevented from collecting personal property tax from the railroads. Further complicating the situation, the Nebraska Supreme Court ruled in the *Northern Gas v. State Board of Equalization* case that the state constitution required pipelines, telephone companies, and other centrally assessed entities to be treated equally and have their property equalized to that of the railroads, which were paying no tax. Later, in the 1991 case *of MAPCO Ammonia Pipeline v. State Board of Equalization,* the Supreme Court ruled that all prior personal property exemptions were unconstitutional, thus reversing earlier cases.

In response, the legislature placed a constitutional amendment on the ballot in 1992, which passed, that separated real and personal property in the uniformity clause of the state constitution, permitted personal property exemptions, allowed legislation to revise assessment methods applied to personal property, and created a distinct class of railroad personal property.

Levy limits were introduced in 1998 with a cap of $2.19 per $100 of property value. However, taxpayers often pay more than this limit because it does not apply to levies for bond issues. The limits vary over time, and currently range from $0.015 for educational service units to $2.19 for local governments. The result of changes to Nebraska's property tax system in the 1980s and 1990s was a larger share of the property tax derived from residential property. The residential share was about 40 percent in 1980, whereas in 2013 it was 47 percent (Anderson and Thompson 2014). Recent dramatic increases in agricultural land values are changing this situation, however. Average farmland values increased 252 percent between 2007 and 2017, peaking in 2014 and declining somewhat from 2015 to 2017 according to the survey data collected by the University of Nebraska-Lincoln Department of Agricultural Economics (2017).

Recent Developments

Nebraska Governor Pete Ricketts has made property tax relief a central focus of his administration. In 2019, he won increased funding for the property tax credit relief fund but failed to win legislative support for other property tax measures, notably a 3 percent cap on growth in local property tax levies via a constitutional amendment (Office of Governor Pete Ricketts 2019). In 2019, the legislature did enact a truth in taxation measure (LB 103) that requires local taxing districts to reduce property tax rates when valuations increase so that the total property tax levy does not automatically increase over the prior year without a public hearing and vote (Walton 2019). In 2021, the governor again backed a 3 percent levy limit via a 2022 constitutional amendment, but the legislature failed to pass LB 408.

In 2020, Nebraska enacted legislation to provide both a property tax break for businesses and property tax relief to homeowners. The Property Tax Incentive Act (LB 1007) backed by the governor established a refundable property tax credit (6 percent in 2020) against income or franchise taxes for property taxes paid by individuals and by businesses that pay school property taxes (LB 1107 of 2020). The bill also eliminated the Personal Property Tax Relief Credit and replaced it with the ImagiNE Nebraska Act, which included personal property tax exemptions for qualifying businesses and projects. The legislature had blocked passage of similar legislation in 2019 (Stoddard 2019).

The 2022–2023 biennial budget (LB 380) approved in April 2021 included $1.45 billion for property tax relief including $627 for the new Property Tax Incentive Act tax credits; $613 million for the state-funded property tax relief fund; and $214 million to reimburse local governments for revenue loss from the homestead exemption.

In 2020, Nebraska expanded incentives for redevelopment in two ways. First, Nebraskans amended the constitution to extend the TIF financing term from 15 years to 20 years for TIF districts with a large share

of blighted properties (Amendment 2 of 2020). Second, the legislature enacted LB 1021 to expedite the review process for certain redevelopment projects involving old structures in blighted areas.

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Nevada

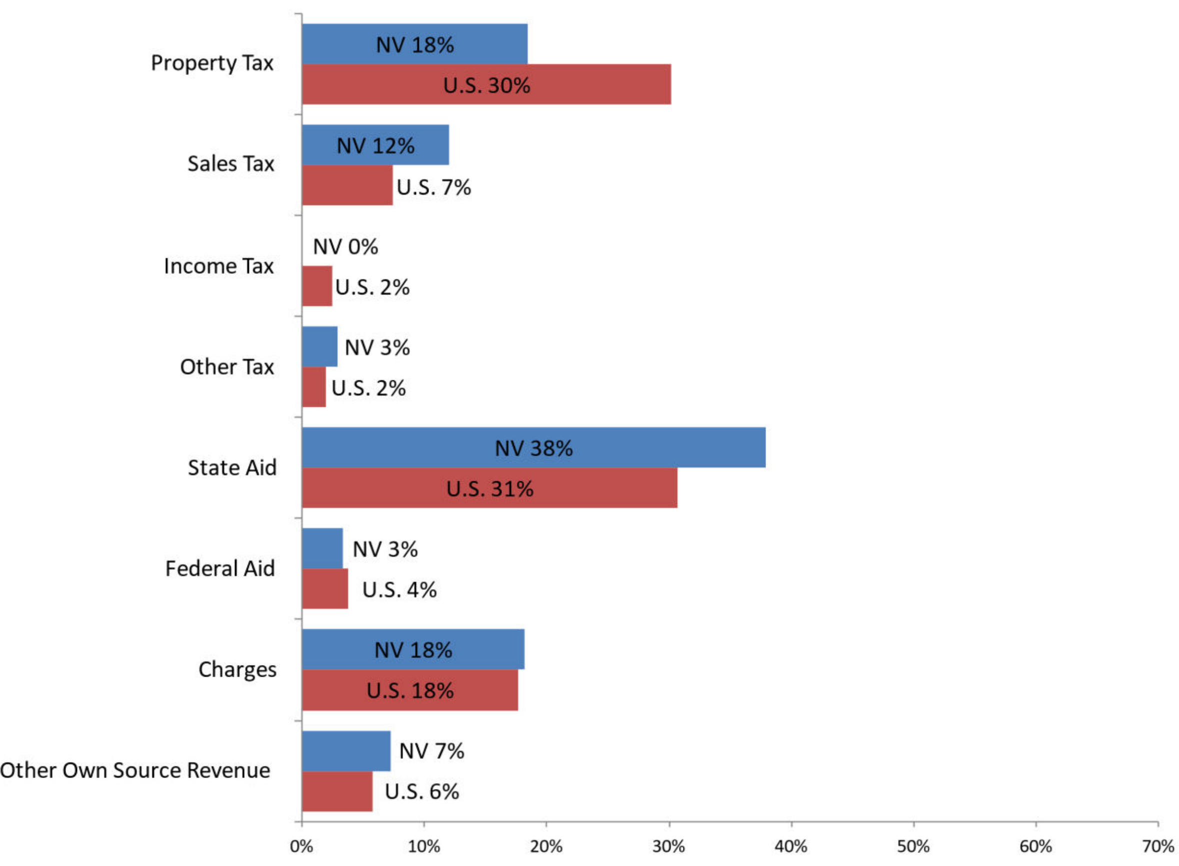
Highlights

Nevada has no personal or corporate income tax. Local governments in Nevada rely more heavily on state aid and the sales tax and less on the property tax than the U.S. average (figure NV-1).

The method of property valuation in Nevada is different than that used in any other state. Rather than assessing property on the basis of market value, Nevada's property tax system uses market value for land but values most improvements to real property based on replacement cost minus depreciation as set by state law (American Bar Association 2018). This concept is known as taxable value.

Nevada imposes limits on property tax rates, and its residential levy limit (called the partial property tax abatement) provides a 3 percent (or sometimes lower) cap on the annual increase in the residential property tax bill.

Figure NV-1
Sources of Local General Revenue, Nevada and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property taxes as a percentage of state and local revenue were lower in Nevada than the U.S. average, as were other measures such as property tax per capita, property tax as percentage of total state personal income, median real estate taxes paid on an owner-occupied home, and the effective property tax rate for a median-value owner-occupied home (table NV-1). These statistics all point to lower than average property tax reliance and tax burden in Nevada.

Table NV-1
Selected Nevada Property Tax Statistics, 2019[1]

	Nevada	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,041	$1,758	*42*
Property tax percentage of personal income	2.0%	3.1%	*44*
Total property tax as percentage of state-local revenue	12.2%	16.6%	*37*
Median owner-occupied home value[2]	$267,900	$217,500	*15*
Median real estate taxes paid for owner-occupied home[2]	$1,614	$2,471	*34*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*31*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Nevada taxes both real and personal property. Property taxes are levied by the state, county, city, town, school district, and special district governments. The government agencies responsible for the administration of the property tax are the Nevada Tax Commission; the Nevada Department of Taxation; county assessors, treasurers, and commissioners; the state and county boards of equalization; the Committee on Local Government Finance; and the Appraiser Certification Board. Property assessments are undertaken by elected county assessors, who identify all taxable property (table NV-2). There is no property classification system. The Department of Taxation and the Nevada Tax Commission play regulatory and supervisory roles in the administration of the property tax. Real property must be reappraised at least once every five years.

All property that is not subject to any exemption is assessed at 35 percent of the taxable value. For real property, taxable value is the full cash value of the land plus the replacement cost less depreciation of the structures on land. For personal property, taxable value is the replacement cost less depreciation of the property. The tax rate is set at no more than $3.64 per $100 of assessed value of the property, with

an additional 2 cent rate for state debt for capital projects, which brings the total maximum tax rate to $3.66 per $100 of assessed value (Significant Features of the Property Tax).

Limits on Property Taxation

Legislation in 1979 and 1981 brought significant limits on the property tax. The tax rate cap was reduced from $5.00 to $3.64 in 1979, and the value used in the assessment process changed from market value to taxable value in 1981.

The legislature imposed a further cap on the increase in property tax bills in 2005. The cap on all property is set annually at the greater of the average percentage change in assessed value in the county over the last 10 years or twice the increase in the consumer price index, but no more than 8 percent. In most cases, an additional 3 percent levy limit applies to increases in residential property tax bills. However, if the general levy cap drops lower than 3 percent, the residential cap no longer applies and residential property taxes are subject to the same percentage as other property types (American Bar Association 2016; Bancroft and McKean 2016). Properties that experience an increase in assessed value that leads to an increase in the property tax bill that is greater than the aforementioned limits are subject to property tax abatement.

Section 5 of Article 10 of the Nevada Constitution allows for a tax on the “net proceeds of all minerals, including oil, gas and other hydrocarbons, extracted in the state,” and further notes “no other tax may be imposed upon a mineral or its proceeds until the identity of the proceeds as such is lost.” This provision limits property taxes levied on mining.

Property Tax Relief and Incentives

Nevada adopted a property tax circuit breaker program in 1973 in the form of the Senior Citizens Property Tax Assistance Program. This program provided tax relief to state residents age 62 years and older. The program was progressive in nature, as it provided more tax relief to lower-income residents and capped the tax relief at an income of $15,100 (Ebel 1990; Legislative Counsel Bureau 2009). The Department of Health and Human Services ended the Senior Citizens Property Tax Assistance Program in 2011 in response to revenue shortfalls (Nevada Legislative Counsel Bureau 2016).

Nevada’s Community Redevelopment Law (Chapter 279 of NRS) established in 1959 allowed local governments to create redevelopment areas and related agencies. The same law also enabled the use of tax increment financing for redevelopment and elimination of blight in local areas.

Table NV-2
Nevada Property Tax Features, 2020

Feature	Nevada	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The property tax was the dominant source of revenue during the early part of Nevada's history both as a territory and as a new state. The property tax system was highly decentralized in that early period, and county assessors were heavily relied upon (Adams 1918; Nevada Department of Taxation 2019). The tax system became more centralized with the creation of such state agencies as the State Board of Assessors and the Department of Taxation.

Nevada passed legislation in 1975 that led to the transfer of property tax responsibilities from the Nevada Tax Commission to the newly created Department of Taxation. A new standardized parceling system was also adopted, the goal of which was to describe all the land in the state with a complete set of maps to be used by the assessors.

In response to California's passage of Proposition 13, SB 204 was passed in 1979 to reduce the property tax rate cap from $5.00 to $3.64 per $100 of assessed value, a cut that reduced funds paid to school districts, the Distributive School Fund, and a Medicaid levy.

SB 69, enacted in 1981, changed how improvements to real property were valued, moving away from market value to taxable value which is Nevada's current standard of valuation. The taxable value of land is the full cash value of land in its actual use; the taxable value of improvements is the replacement cost less depreciation. The changes in 1981 led to a 50 percent decrease in property tax collections and drove local governments to rely more on sales taxes (Nevada Department of Taxation 2019).

In 2005, the state legislature placed a complex cap on the increase in a residential property tax bill and a separate cap on the increase in property tax bills for other property. However, this cap does not apply to new parcels or to new construction. When a residential parcel is sold and the new owners confirm that the property will be their primary residence, they qualify to continue under the tax cap and to pay no more than 3 percent above the tax from the previous year. The cap applies only to the actual tax bill; the assessor is still responsible for annual appraisal of the property (Washoe County Assessor).

Recent Developments

In recent years, the levy caps imposed by the legislature have placed severe constraints on growth in property tax revenue. For example, because growth in assessed value and in consumer prices has been very low, two Nevada property tax experts predicted that the levy cap for Clark County (the most populous county in Nevada) will limit property tax bills "to an increase of no more than 0.2 percent from the tax paid in the prior year" (Bancroft and McKean 2016). Because of the property tax revenue foregone and its effects on local government budgets, some city and county officials have pushed for reform of the state's property tax caps (Monzon 2016). The Nevada legislature considered property tax reform in its 2017 session, including AB 43, which would have established a 3 percent floor for the caps on both residential and commercial property tax increases. However, the legislature adjourned without enacting significant property tax reform (Jones 2017).

Nevada's Commission on School Funding made preliminary recommendations to the governor and legislature in April 2021. The commission identified property taxes and sales taxes as potential revenue sources for achieving adequate and equitable funding, finding the property tax "offers the most promising, predictable, and sufficient funding source available" (Nevada Commission on School Funding 2021, 3). The commission recommended the legislature consider phasing out or eliminating the levy limit ("abatements"); modernizing the assessment system by capping, phasing out, or eliminating the depreciation factor; moving toward market value assessment for improvements; reforming the property tax rate cap; or some combination of these actions (Nevada Commission on School Funding 2021).

While more than half of states had made up Covid-19 pandemic-related revenue losses by February 2021, Nevada was among the 18 states still experiencing revenue losses. Tax collections between March 2020 and February 2021 were down 10.8 percent (Rosewicz, Theal, and Fall 2021). Nevada's hospitality-reliant economy was battered by the pandemic. The state's unemployment rate soared from 3.6 percent in January 2020 to 30.1 percent in April 2020. Governor Steve Sisolak presented a revised fiscal year 2021 budget, proposing widespread cuts to address an estimated $1.2 billion pandemic-induced shortfall (Hamilton 2021). A special legislative session in July proposed three constitutional amendments to raise the state cap on mining taxes; if approved by the legislature in 2021, these measures will appear on the 2022 ballot (AJR 1; SJR 1; AJR 2). Though Nevada's recovery has been slow compared to other states, in May 2021, an analysis by the Pew Charitable Trusts predicted Nevada would finish 2021 "with some of the fastest economic growth in the nation" (Rosewicz, Theal, and Fall 2021). Indeed, in May 2021, the state's Economic Forum reported that "Nevada's economy is proving to be on a track toward recovery" (Office of the Governor, State of Nevada 2021).

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May 2021, data update February 2022

New Hampshire

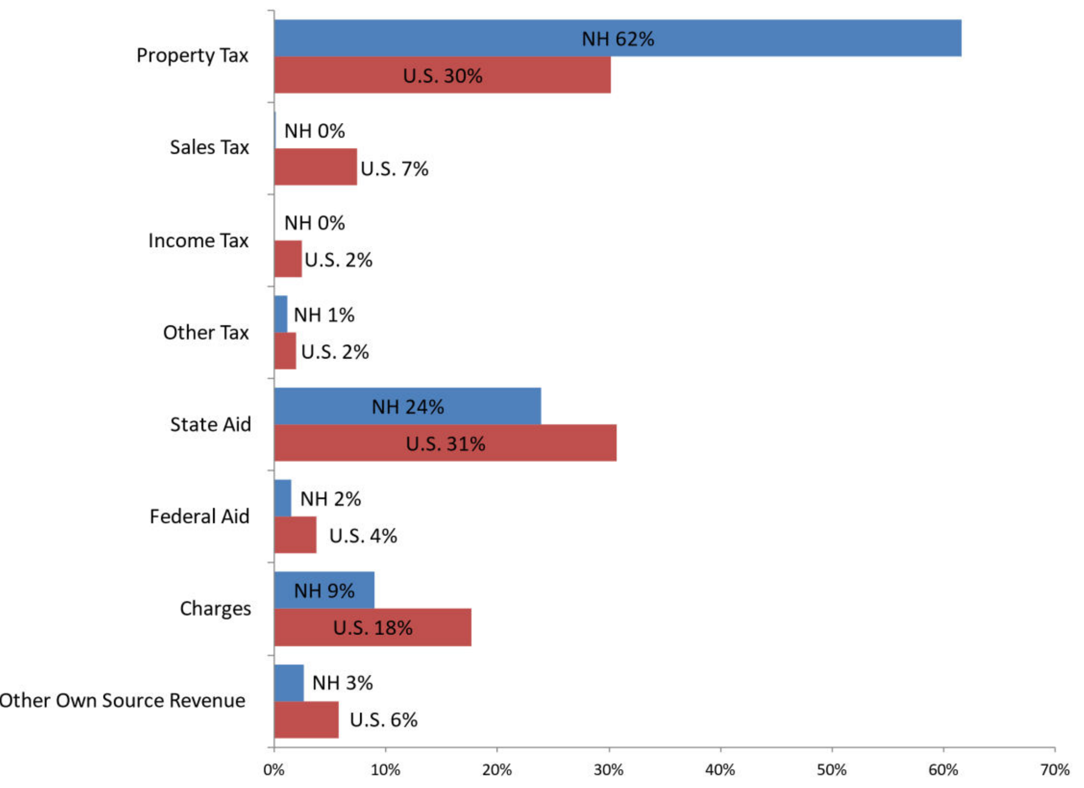
Highlights

New Hampshire levies neither a broad-based personal income tax nor a sales tax (Alaska is the only other state to do without both taxes). As a result, New Hampshire relies very heavily on the property tax (figure NH-1).

Historically, New Hampshire relied primarily on local property taxes to fund public education, with state aid accounting for a small share of total education funding. New Hampshire adopted a statewide property tax as part of a package of education funding reforms enacted in 1999.

New Hampshire makes extensive use of current use assessment for farms, forests, and wetlands. A constitutional amendment enacted in 1968 provides for assessment of eligible rural lands below market value (Anderson and England 2014). In 2019, more than 50 percent of the Granite State's land area was enrolled in the state's current use assessment program (New Hampshire Department of Revenue Administration 2020).

Figure NH-1
Sources of Local General Revenue, New Hampshire and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property tax as a percentage of state and local revenue was higher in New Hampshire than in any other state. New Hampshire ranks in the top three states along all common measures of property tax burden (table NH-1).

Table NH-1
Selected New Hampshire Property Tax Statistics, 2019[1]

	New Hampshire	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,246	$1,758	*3*
Property tax percentage of personal income	5.1%	3.1%	*3*
Total property tax as percentage of state-local revenue	36.5%	16.6%	*1*
Median owner-occupied home value[2]	$261,700	$217,500	*17*
Median real estate taxes paid for owner-occupied home[2]	$5,701	$2,471	*3*
Effective tax rate, median owner-occupied home[3]	2.2%	1.1%	*3*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In New Hampshire, property taxes are levied by the state government and by hundreds of local taxing districts, including county governments, cities, towns, independent school districts, and special districts (State of New Hampshire 2020). Assessments are conducted at the local level (table NH-2). All property that is not tax-exempt or enrolled in the current use program is assessed at 100 percent of market value (Delay, Barrick, and Norton 2012).

Limits on Property Taxation

New Hampshire places no statewide limit on property tax rates or levies and has no statewide revenue limit or expenditure limit (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program called the Low and Moderate Income Homeowner's Property Tax Relief program provides relief to homeowners based on income for their statewide education property

tax liability only. Individuals with income below $20,000 and married people or heads of household with household incomes below $40,000 are eligible for a refund of up to 100 percent of the statewide education property tax paid on $100,000 of assessed value.

New Hampshire provides only two property tax incentives for economic development, relying instead on its overall low tax burden to promote economic development. The first incentive is a tax increment financing program called the Municipal Economic Development and Revitalization Districts program. The second program, called the Community Revitalization Tax Relief Incentive, allows municipalities to offer a property tax incentive for rehabilitation or replacement of historic structures and existing residential or business structures in qualifying areas, such as town centers. This incentive applies broadly to residential and historic structures as well as to business properties.

Table NH-2
New Hampshire Property Tax Features, 2020

Feature	New Hampshire	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

From 1993 to 2008, a series of state court cases, which came to be known as the *Claremont* decisions, led to an overhaul of the public school funding system and reform of local property tax administration. Before then, state aid for education in New Hampshire provided only 8 percent of K-12 revenue, the lowest level in the nation (England 2008; Kenyon 2007a). Underassessment of property was widespread; and in many communities, property revaluations were infrequent despite a constitutional requirement to revalue property every five years (England 2008).

In the decision known as *Claremont II*, the New Hampshire Supreme Court mandated that the state "define a constitutionally adequate education; determine the cost of such an education; fund an adequate education throughout the state; and ensure its delivery through an accountability system" (SchoolFunding.Info). Furthermore, *Claremont II* (1997) ruled that the state "must fund an adequate education with proportional and reasonable taxes" (Kenyon 2007a), and the *Sirrell* decision (2001)

mandated that the state enforce the constitutional requirement that municipalities reassess properties every five years.

In 1999, New Hampshire imposed a statewide property tax and a motor vehicle rental tax and increased its business profits tax, business enterprise tax, and real estate transfer taxes in order to increase state education aid (Kenyon 2007a; England 2008). However, the new statewide property tax was collected locally, and most of the funding was retained locally. The Department of Revenue Administration and two new state boards were given power to regulate local property tax assessments (England 2008). The New Hampshire Supreme Court terminated its jurisdiction in these school finance matters in 2008, when it dismissed *Londonderry School District v. State.*

In August 2015, the city of Dover, represented by the attorney for the *Claremont I* plaintiffs, sued the state over an 8 percent cap on year-to-year increases in state aid under the state's education funding formula which had been in place since 2011 (Moon 2015; SchoolFunding.Info). In September 2016, Sullivan County Court Judge Brian Tucker ruled in favor of the plaintiffs, finding that the cap violated the state's "exclusive obligation to fund a constitutionally adequate education." Although the court ruling prohibited the state from withholding funds under the cap, it did not order the state to pay back funds for prior fiscal years (SchoolFunding.Info).

In early 2019, a handful of New Hampshire school districts filed a suit, *Contoocook Valley School District v. State of New Hampshire*, claiming that the state had failed to fulfill its constitutional obligation to provide an adequate education. They argued that the base aid amount of $3,562.71 per student that was calculated by the legislature in 2008 was not enough to cover the cost of education in any New Hampshire school district (Associated Press 2019). The case is ongoing.

Since 2011, two of New Hampshire's largest electric utilities have sought property tax abatements from 64 towns on the grounds that their property tax assessments were too high. Apparently, municipal property tax assessments for these utilities have been higher than the state government's assessments under the state's utility property tax. However, on June 2, 2017, the New Hampshire Supreme Court ruled against the electric utilities and in favor of the municipalities (Ramer 2017).

Recent Developments

Nonprofit tax exemptions have come under scrutiny in recent years. In September 2018, the New Hampshire Supreme Court upheld the tax-exempt status of Camp Marist, a 50-year-old, co-ed Catholic camp in Effingham, ending a dispute that spanned three decades. After the town's first attempt to tax the camp in 1987 and a subsequent appeal, the parties negotiated a 25-year PILOT agreement, but after the agreement lapsed and the town refused to grant the camp tax-exempt status or renegotiate the agreement, the camp sued. The Carroll County Superior Court ruled the camp did not meet the criteria for a charitable exemption and the camp appealed to the state's high court. The camp's counsel hailed the decision as a victory for youth camps across the state (Seamans 2019). The legislature considered a bill to require charitable nonprofits to make an annual filing with municipalities in order to receive a property tax exemption, but the bill died in committee.

In June 2019, Superior Court Judge David Ruoff ruled the state's school funding formula unconstitutional in *Contoocook Valley School District v. State of New Hampshire*. While the court found that the base aid amount was inadequate, they did not offer an alternative amount and left the decision to legislators (Associated Press 2019). The New Hampshire Supreme Court heard an appeal of the case in September 2020 and remanded the case to the county superior court for a full trial (Hayward 2021).

In 2019, Governor Chris Sununu signed a two-year budget that increased state funding for education by nearly $140 million. The budget restored stabilization grants and provided additional funding to poor districts (Ernst and Gibson 2019). The 2020–2021 budget created the New Hampshire Commission to Study School Funding, which released its final recommendations in December 2020. Among its recommendations, "The current public school funding system should be reformed to include increased state budget funds that are directed to communities that have greater student needs, which will also result in greater taxpayer equity by reducing disproportionate burdens on poorer towns" (Commission to Study School Funding 2020, 11). The commission also recommended expanded targeted property tax relief for homeowners and renters and a property tax deferral program (Commission to Study School Funding 2020; Landrigan 2020). New Hampshire enacted a fiscal year 2022 and fiscal year 2023 budget that cut spending, lowered the statewide education property tax by $100 million, lowered business taxes, eliminated the state's interest and dividends tax, and instituted Education Freedom Accounts, a state-funded school choice voucher program (Cline 2021; House Bills 1 and 2 of 2021).

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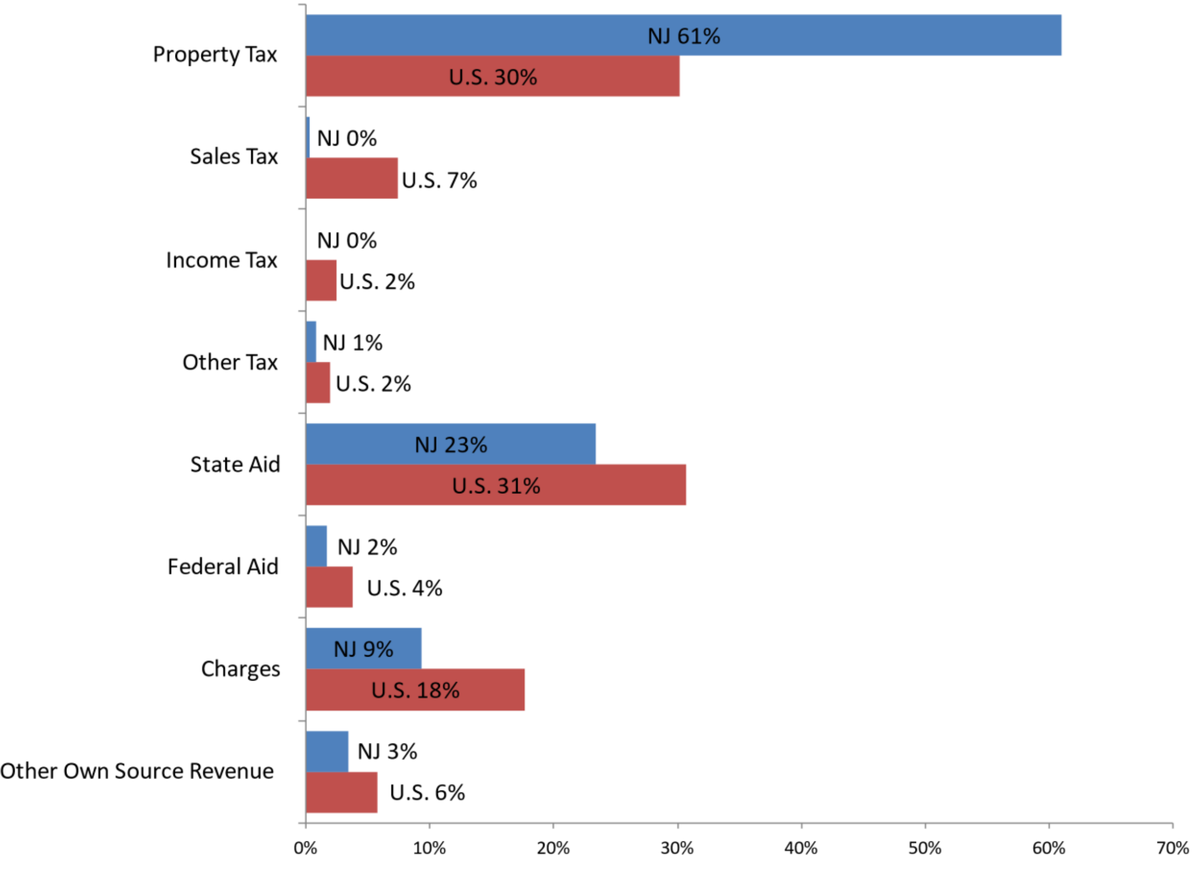
New Jersey

Highlights

New Jersey levies three primary taxes: a state-overseen but locally administered property tax, a broad-based personal income tax that is constitutionally designated for property tax relief to individuals and local governments, and a sales tax used to support state government operations.

The property tax is the only tax authorized for New Jersey's local taxing districts and is their principal source of funding. New Jersey local governments rely twice as heavily on property taxes as a source of general revenue as do U.S. local governments on average (figure NJ-1).

Figure NJ-1
Sources of Local General Revenue, New Jersey and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, New Jersey's property tax as a percentage of state and local revenue was the second highest in the country, second only to New Hampshire. New Jersey ranks second among the states for property taxes per capita, fourth among the states for property tax as a percentage of personal income, and first for the effective tax rate on a median value owner-occupied home (table NJ-1).

Table NJ-1
Selected New Jersey Property Tax Statistics, 2019[1]

	New Jersey	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,513	$1,758	*2*
Property tax percentage of personal income	5.0%	3.1%	*4*
Total property tax as percentage of state-local revenue	28.7%	16.6%	*2*
Median owner-occupied home value[2]	$335,600	$217,500	*7*
Median real estate taxes paid for owner-occupied home[2]	$8,362	$2,471	*1*
Effective tax rate, median owner-occupied home[3]	2.5%	1.1%	*1*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

New Jersey's property taxes are levied by its municipalities, counties, K-12 boards of education, and some 180 special-purpose fire districts. Property values are set by a municipally appointed assessor in each municipality (table NJ-2). Municipal assessors report to a state-appointed county tax board that hears value appeals, calculates tax rates and apportionment ratios, and prepares county-wide assessment reports.

Assessors and county boards are overseen by the local property section of the State Division of Taxation. The division provides a range of administrative and data processing activities. The state's constitution is the basis for several policies that control property tax administration, the primary elements of which are that "property shall be assessed for taxation under general laws and by uniform rules" and "all real property…shall be assessed according to the same standard of value." In practice, the uniformity requirement means that properties are assessed without regard to differential tax rates or class-based assessment ratios.

The state constitution provides for several exceptions to the uniformity rule. One allows for farmland assessment that evaluates productive farmlands, horticultural properties, and woodlands in excess of five acres that meet specific criteria in terms of their value as farmland. The constitution and related enabling laws also provide for tax exemptions for a wide range of properties, including government, religious, and not-for-profit entities.

Property tax collection is administered at the municipal level by a municipal tax collector. Once annual tax rates (set at a rate per $100 of assessed value) are set by the county board of taxation (based on levies adopted by the budgets of each applicable taxing district each spring), the collector produces tax bills for all parcels.

There is very limited taxation of personal property. Personal property of petroleum refineries is generally taxable; and business tangible personal property, except for inventories, that is used for local exchange telephone systems is also taxable.

Limits on Property Taxation

Taxing districts are subject to two limits on property taxation. The first, the appropriation cap in effect since 1977, is a type of revenue/expenditure limit. Under this cap, counties and municipalities are prohibited from increasing their budgets by more than 2.5 percent over those of the prior year or by the increase in the cost of living, whichever is less. Override is by a referendum, up to a 3.5 percent increase.

The second limit is a property tax levy cap. County and municipal government property tax levies and property tax levies for school district general funds can increase by no more than 2 percent over the prior year. Spending in excess of the limit requires 60 percent voter approval. Waivers for certain extraordinary costs may be authorized by the local finance board in the state's Department of Community Affairs.

For municipalities, the levy cap is in addition to the appropriation cap; while for counties, the limit is the lower of the levy cap and the appropriation cap.

Property Tax Relief and Incentives

The New Jersey Property Tax Reimbursement (Senior Freeze) Program refunds eligible senior citizens' and disabled persons' property taxes or mobile home park site fee increases on their principal residence over a base year (the year in which the applicant first applies). Eligibility is generally restricted to households in which the owner is 65 years or older, has lived in New Jersey for 10 consecutive years, has owned and lived in the subject home for the previous three years, has paid his or her property taxes in full, and did not exceed the program's income limits ($89,013 in 2018).

The Homestead Benefit Program provides property tax relief to eligible homeowners and tenants. To receive a 2018 homestead benefit, a household's New Jersey gross income could not have exceeded the following limits: (1) $150,000 for homeowners who are 65 or older, blind, or disabled; or (2) $75,000 for homeowners under 65 who are neither blind nor disabled. The owner must have paid his or her

property taxes for the year in which the application was made, and the house must be the homeowner's principal residence.

An income property tax deduction/credit allows homeowners and tenants who pay property taxes (either directly or through their rent) on their New Jersey principal residence to possibly qualify for either a deduction or a refundable credit on their state resident income tax return. Homeowners and tenants may be eligible for a deduction or credit even if they are not eligible for the Homestead Benefit Program. The tax benefit varies depending on the homeowners'/tenants' taxable income, the amount of their property taxes or rent, and their filing status. For tenants, 18 percent of rent paid during the year is considered property taxes paid.

The state constitution currently provides a deduction on the property tax bill for income-eligible senior citizens and veterans. The deduction is reimbursed to the municipality by the state.

Businesses in designated redevelopment areas are permitted to ask the municipality to make site-based improvements and to pledge the property's incremental property tax value to pay for the capital costs (redevelopment area development financing). A separate program parallels a state economic development incentive program and pledges property tax increments for businesses that expand employment or relocate to a municipality in need of economic development. Neither program is widely used. Another economic development provision allows short-term tax abatements and long-term exemptions (accompanied by a payment in lieu of taxes) for blighted property as part of municipally determined redevelopment or rehabilitation districts.

Table NJ-2
New Jersey Property Tax Features, 2020

Feature	New Jersey	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

New Jersey's reliance on the local property tax dates back to colonial days; and for most taxing districts, property taxation remains the primary source of funding municipal and county services. For K-12 boards of education, however, the story is different. Consistent with court challenges in other states, a series of state constitutional challenges concluded that the reliance on property taxes to fund local education violated the constitutional requirement (dating back to the 1870s) that the state provide a system of "thorough and efficient education."

Known as the *Abbott* line of cases, this litigation spans four decades and is still an issue today. The initial findings in the mid-70s led to the imposition of the personal income tax and the constitutional requirement that the collections be used for property tax relief.

Stemming from school funding litigation and the creation of the income tax in 1977, legislation imposed appropriation caps on municipalities and schools and a levy cap on counties. The caps were initially based on a fixed percentage. Over time, they were modified to a variable percentage, then back to a fixed percentage; they were also subject to changes in exemptions.

In 2007, as part of the state's response to the Great Recession, a more or less uniform property tax levy cap was imposed on all taxing districts. In this case, it was a 4 percent cap, subject to some 14 exceptions. This was modified in 2010 to a 2 percent cap with the number of exceptions reduced to four. The cap limits increases in general fund levies to a 2 percent increase over the prior year's budget with adjustments for school districts based on enrollment. Voters may override the limit with a 60 percent majority (Significant Features of the Property Tax).

In 2008, New Jersey enacted the School Funding Reform Act of 2008, which increased state aid to every district with increases ranging from 2 percent to 20 percent. In 2009, the New Jersey Supreme Court ruled the new education funding system satisfied the state's constitutional requirement that the state provide "a thorough and efficient education." In 2011, the *Abbott* plaintiffs asked the court to block education aid cuts passed as part of the state's 2010–2011 budget. In 2011, the court demanded the state provide full funding for the *Abbott* districts in fiscal year 2012. In 2017, the court subsequently denied Governor Chris Christie's request to freeze state aid to allow the state to develop a new school funding formula (SchoolFunding.Info). In July 2018, New Jersey enacted compromise legislation to overhaul the School Funding Reform Act of 2008, which increased state aid by over $1 billion over seven years and shifted aid to school districts with growing student populations and higher shares of needy students. While most districts saw funding increase under the plan, aid reductions to "overfunded" districts where student population had declined or property tax bases had grown were to be phased in over seven years. Some districts, including former *Abbott* districts, were granted authority to exceed the 2 percent levy limit in order to backfill state aid reductions (Racioppi and Pugliese 2018).

There have been two important recent New Jersey cases regarding property tax exemption of nonprofits. In 2015, in *Morristown Memorial Hospital v. Town of Morristown*, New Jersey Tax Court Judge Vito L. Bianco ruled that Morristown Hospital failed to qualify for property tax exemption

"because the 'subject Property [was] being used substantially for profit'" (Collins and Ross 2017). This case led to a wave of litigation and efforts, so far unsuccessful, to resolve the issue in the state legislature (Gialanella 2017). A second 2015 lawsuit, *Fields v. Trustees of Princeton University*, challenged the tax-exempt status of Princeton University. This case was settled out of court. "…[B]ecause Princeton chose to settle, the underlying issue of the nonprofit status of large research universities with extensive revenue generation capabilities remains unresolved in New Jersey" (Collins and Ross 2017).

Recent Developments

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, New Jersey joined Connecticut, Maryland, and New York in a legal challenge to the SALT cap, arguing it interfered with state sovereignty and harmed the plaintiff states. The federal government asked the court to dismiss the lawsuit (Civil Action No. 18-cv-6427). A federal court judge dismissed the lawsuit in September 2020, finding that "the states have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The average amount of the deduction claimed by New Jersey taxpayers in 2015 was $18,092–80 percent higher than the new limit (Tax Policy Center 2017). Governor Phil Murphy signed a law in 2018 to permit local governments to create charitable funds to which taxpayers could donate and receive a 90 percent tax credit against their property tax liability, which was thwarted by IRS rules (IR 2018-172) (Rosenthal and Yang 2018). In 2019, legislators attempted to pass legislation to shield owners of pass-through businesses from the effect of the cap by reclassifying income tax payments by those business owners as "elective entity-level taxes," which are deductible since the cap does not apply to businesses (Levinsky 2019). In 2020, the IRS issued proposed rules to permit such an arrangement (Walczak 2020).

The New Jersey Economic Recovery Act of 2020, signed into law by Governor Phil Murphy in January 2021, established several new economic development incentives including a new property tax credit to encourage historic reinvestment. Under the Historic Property Reinvestment Program, qualifying projects can receive a credit worth up to 40 percent of total project costs up to $4 million. The Act authorized $14 billion for economic development as part of the state's strategy for Covid-19 economic recovery (Office of the Governor 2021; Tully 2020).

On May 12, 2021, Governor Phil Murphy signed Assembly Bill 4806 into law, authorizing New Jersey municipalities to establish an innovative business-funded residential property tax incentive program for taxpayers who shop locally. Some municipalities had programs in place before the law was passed. In these localities, homeowners are awarded for shopping at local retailers. They can receive a reduction in their property tax bill or even a rebate check in the case of shoppers who live in a different locality. Under one such program in Marlboro, New Jersey, businesses can offer a property tax reward equal to between 1 and 12 percent of each purchase (Marcus 2021).

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New Mexico

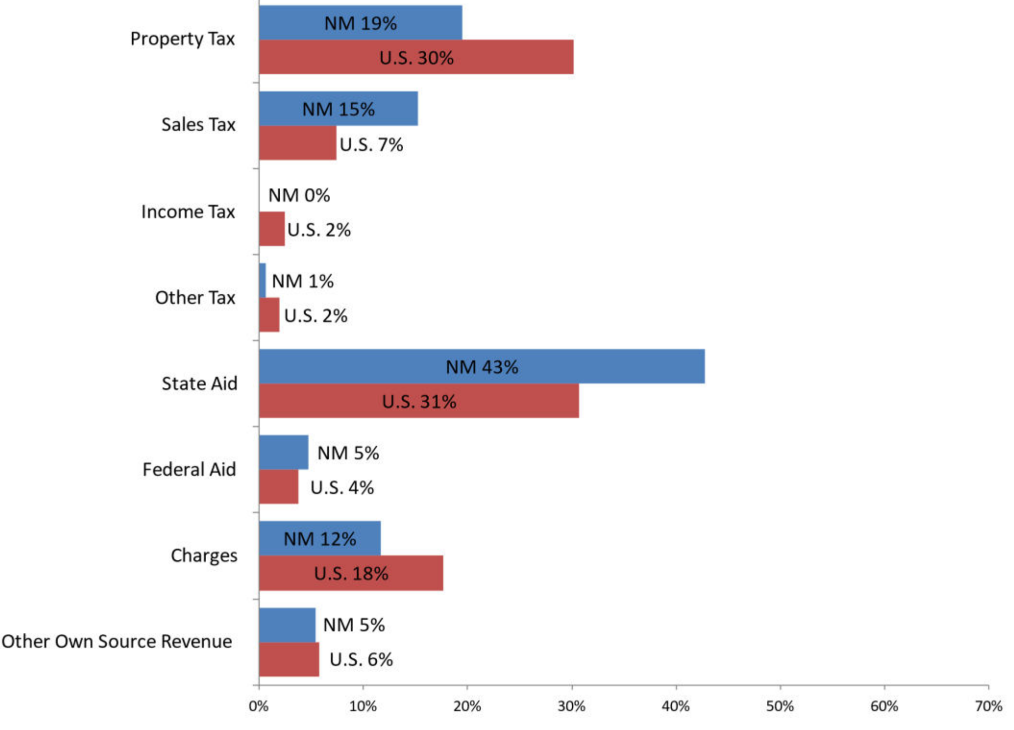
Highlights

Local governments in New Mexico rely less heavily on property taxes than do most other states (figure NM-1). This is because both the state and local governments greatly depend on a broad-based sales tax (known as the gross receipts tax), there is a large amount of untaxable land, and the school finance system is very centralized. In 2019, New Mexico had the third-highest percentage of K-12 revenue from state sources, at 70 percent. Only Vermont and Hawaii were higher (NCES 2020).

New Mexico has a classified property tax system with three classes of property. Taxable value is 33 1/3 percent of market value.

The state makes use of a unique property tax levy cap, known as yield control. The growth in property tax revenues may not exceed the lesser of a calculated growth factor or 5 percent from the previous year, plus new property. The levy limit is calculated separately for residential and nonresidential properties, which results in different tax rates for each property type. The Department of Finance and Administration sets the rates for each of the local government entities for residential and nonresidential property within each county.

Figure NM-1
Sources of Local General Revenue, New Mexico and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property tax as a percent of state and local revenue was second lowest in New Mexico compared to any other state (table NM-1).

Table NM-1
Selected New Mexico Property Tax Statistics, 2019[1]

	New Mexico	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$884	$1,758	*46*
Property tax percentage of personal income	2.0%	3.1%	*43*
Total property tax as percentage of state-local revenue	7.3%	16.6%	*50*
Median owner-occupied home value[2]	$171,400	$217,500	*34*
Median real estate taxes paid for owner-occupied home[2]	$1,371	$2,471	*40*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*35*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Historically, New Mexico relied primarily on local property taxes to fund public school capital expenditures; provide municipal and county capital and operating funds; and to supply funding for community colleges, county hospitals, and other special taxing districts. For counties, the property tax on average is their largest source of revenue; for municipalities, it is on average the second-largest source of revenue. The state gets almost no revenue from the current property tax system.

New Mexico imposes its property tax on real and personal property but exempts tangible personal property of individuals.

Starting in 1979, in a period of significant underassessment and broad reassessment efforts, New Mexico created a statutory provision to reduce or increase imposed mill rates formulaically in an effort to limit tax yields when valuation growth and reassessment cause taxable values to increase. Conversely, the formula (known as "yield control" but never actually called that in law) also provides for mill rates to be raised when tax yields are not keeping up with rising government costs. The formula provides for some inflationary growth using the price deflator index for state and local government purchases of goods and services. Yield control does not apply to debt service impositions or to property subject to

one of four special or in-lieu property taxes, such as the Oil and Gas Production Equipment Ad Valorem Tax.

In 1978, the agency responsible for overseeing statewide property tax administration became the Property Tax Division (PTD) of the newly-created Taxation and Revenue Department (TRD). The Department of Finance and Administration (DFA) and Office of the State Engineer have roles in setting the tax rates each year.

Only certain centrally assessed properties are directly assessed by the Property Tax Division, whereas most commercial and residential property is valued and assessed by counties. The assessors carry the bulk of the valuation burden. County treasurers bill and collect property taxes based on the tax schedule prepared by the county assessors, with input from the PTD on state-valued properties.

Article VIII, Sec. 1 of the state constitution requires that taxes generally shall be equal and uniform for the same class. A 1971 amendment provided that different methods of valuation are allowed for different kinds of property, and a 1998 amendment ordered the legislature to limit the annual increase in valuation of residential property based on owner occupancy, age, or income.

Properties producing oil or natural gas have been taxed since 1959 under the Oil and Gas Ad Valorem Production Tax, not the Property Tax Code.

Under the present regime, residential properties should be valued at current and correct values; however, increases in taxable value for primary residences are limited to 3 percent per year pursuant to legislation following the 1998 amendment (table NM-2).

Limits on Property Taxation

Since 1933, the New Mexico Constitution has limited the combined operating levies of the four principal units of government (state, counties, municipalities, school districts), at first to twenty dollars per thousand dollars of net taxable value ($20/$1,000). The state determines the allocation of the split limit among governmental bodies, and the allocations have changed over the years. The state stopped levying its own operating rate in 1980. Since 1986, the split has been $11.85/$1,000 for counties, $7.65/$1,000 for municipalities, and $0.50/$1,000 for school districts.

In addition to the rate limit described above, New Mexico has a levy limit known as yield control and an assessment limit. The assessment limit limits the increase in taxable value for residential property to the greater of: (1) 3 percent more than the taxable value in the prior year; or (2) 6.1 percent more than the taxable value of the property two years prior.

Property Tax Relief and Incentives

New Mexico provides several forms of property tax relief. For 2009 and later, an assessment freeze is granted for low-income disabled or elderly homeowners under which the property's valuation is frozen at its 2009 value, or the value in the tax year in which the owner's 65th birthday occurs if that is after 2009. The state also offers several exemptions: heads of families are allowed a $2,000 exemption of the

taxable value of the property, veterans are allowed a $4,000 exemption, and disabled veterans are allowed a full exemption from the property tax. Finally, there is a state-funded circuit breaker for low-income elderly who are either renters or owners, with a local option and an additional county option property tax rebate for low-income taxpayers.

Property tax incentives for economic development include enterprise zone and tax increment financing programs.

Table NM-2
New Mexico Property Tax Features, 2020

Feature	New Mexico	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state still operates under the Property Tax Code enacted by the legislature in 1973. In the early 1970s, the state took responsibility for funding operations of all public schools through the school funding formula. A few years later, the state also relieved the school districts of their no-longer-necessary authority to levy property taxes for operating purposes, except for a $0.50/$1,000 levy. School districts continue to levy taxes for capital improvement.

In 1977, the legislature placed a 10 percent limit on the year-to-year increase in the valuation of residences. The valuation-increase limitation was repealed in 1979 and replaced with “yield control,” which is a statutory formula designed to unlink tax increases from valuation increases. By controlling the increase in revenue (the yield) hitherto connected with valuation increases, homeowners collectively would not be punished by a jump in taxes as a result of periodic equalization of valuations. Valuation of undervalued individual properties, however, could rise dramatically. Because yield control originally applied to nonresidential as well as residential property in a taxing jurisdiction, its rate-reducing impact was diluted.

In 1981, residential property began to be classified separately. Yield control was amended to apply only to residential property, thus concentrating all the tax-suppression benefits on residential property

owners. (Somewhat later, yield control was extended separately to nonresidential property.) That same year, the legislature also enacted a special method for valuation of residential property. Essentially all residential property valuations had to be rolled back to 1975 price levels.

In 1983, the special method for valuing residential property was adjusted to require 1975 price level valuation for tax years 1982 through 1985 and a 1980 level for tax years 1986 through 1990. Yield control was expected to defuse the 1986 valuation bump.

In 1985, the legislature tired of trying to legislate valuations and repealed the special method, allowing the general "current and correct" standard to prevail. By regulation, "current and correct" value for the current year means, for properties acquired (newly constructed or purchase of an existing structure) in the year before the current year, the property's market value in the year of acquisition. For a property that did not change ownership, it means the property's market value in the prior year; or if the county is using a two-year reappraisal cycle, two years prior.

Several attempts were made during the 1990s to introduce a California-style acquisition value system in New Mexico. Generally, this valuation regime assesses a property at its market value in the year it was built or purchased. Because basing a residence's value on its acquisition value was clearly contrary to Article VIII, Sec. 1 of the state constitution, that section was amended in 1998 to *require* that annual increases in valuations of residential property be limited. The limit, which may be conditional, is to be applied either statewide or county by county to classes of residential property taxpayers based on owner occupancy, age, or income.

In 2000, two statutory limitations were enacted to meet the new constitutional mandate. The narrower limitation provides a 0 percent limit on the year-to-year valuation increase for owner-occupied single-family housing belonging to a person aged 65 or older whose modified gross income is $18,000 or less. In 2003, blind or permanently disabled owner-occupants of the same income level also became eligible, and the income ceiling was indexed for inflation. In 2008, the income ceiling was boosted to $32,000 (and adjusted for inflation in succeeding years) for both the elderly and the disabled.

The more general limitation caps annual increases in taxable value to no more than 3 percent. The limitation does not apply to residences in the first year of valuation or to valuation changes from physical improvements of the property or from zoning changes. Valuation reverts to its current and correct value when the property changes hands.

In 2014, the New Mexico Supreme Court upheld the acquisition-value assessment component of New Mexico's assessment limitation that requires revaluation at market value when a property changes hands (McKay 2014). The plaintiffs and other critics of the law refer to this mechanism as "tax lightning" because it can produce sudden property tax spikes for new buyers (Kiehne 2014). Three homeowners who purchased property in Bernalillo County in 2007 brought the challenge, arguing it violated the uniformity clause of the state constitution. The Supreme Court upheld the legislature's "authority to draw lines which would include the power to impose the cap but with certain conditions" (Zhao v. Montoya 2014; McKay 2014). The legislature rejected legislation to remove acquisition value assessment in the 2015 and 2016 sessions (New Mexico Legislature).

Recent Developments

In 2019, the state enacted school funding legislation in response to an order from the New Mexico District Court in a case that consolidates litigation brought against the state in 2014: *Yazzie v. State of New Mexico* and *Martinez v. State of New Mexico* (*Yazzi and Martinez v. State of New Mexico*). Both lawsuits claim the state's funding is inadequate and inequitable. The consolidated case went to trial in 2017 after the state court denied the state's motion to dismiss the cases. In a July 2018 ruling, New Mexico District Court Judge Sarah Singleton found the state's education finance system in violation of New Mexico's constitution and gave the state a deadline of April 15, 2019 to take "immediate steps to ensure that New Mexico schools have the resources necessary to give at-risk students the opportunity to obtain a uniform and sufficient education that prepares them for college and career" (SchoolFunding.Info). The legislature met the deadline passing legislation that raises teacher salaries and provides funding for under-performing schools and at-risk students. The state lauded the reforms, but plaintiffs believe the reforms fall short (Associated Press 2019).

In April 2021, New Mexico passed the Tax Fairness Reform Bill (HB 290). The bill expands income tax credits for low-income and working families. An earlier version of the legislation would have removed a property tax exemption for second homes to help offset the cost of the expansion.

New Mexico's legislature considered a bill to put a measure on the ballot to increase the veterans' property tax exemption from $4,000 to $6,000 effective 2023. Ultimately, HJR 3 died in chamber. The exemption amount has not been adjusted since 2005 and changing the amount requires a constitutional amendment.

While more than half of states had made up pandemic-related revenue losses by February 2021, New Mexico was among the 18 states still experiencing revenue losses. Tax collections were down 2.5 percent from March 2020 to February 2021 (Rosewicz, Theal, and Fall 2021).

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New York

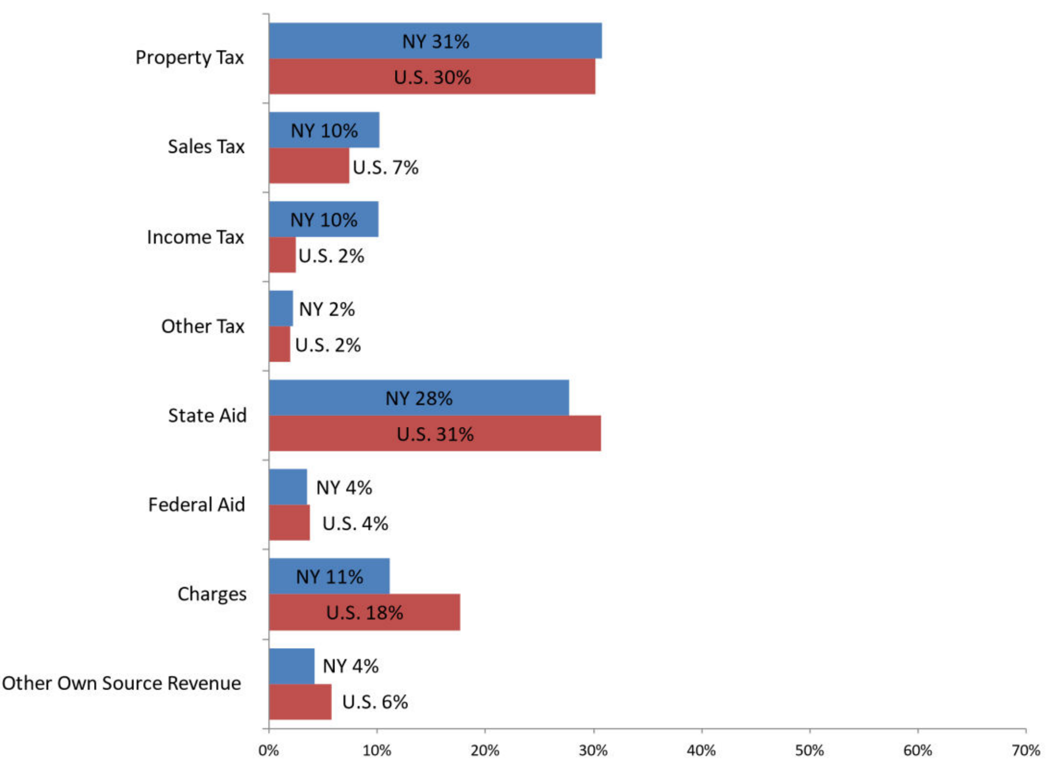
Highlights

The property tax is the foundation of New York State's local revenue system. It is the main local source of revenue for public schools in New York and for many other local services, such as police and fire. In 2019, the property tax provided 31 percent of local general revenue (figure NY-1). In the case of public elementary and secondary schools, in 2018 the property tax comprised 56 percent of local education revenue and New York spent $24,040 per pupil on education, more than any other state (U.S. Census 2018).

New York State has a particularly sizeable homestead exemption, called the School Tax Relief (STAR) Program, which provides relief from a portion of school taxes for all homeowners. The state then compensates school districts for the revenue they lose because of this exemption.

New York is one of two states, along with Illinois, in which property tax structures differ substantially by locality. New York City and Nassau County, a suburban county on Long Island, have property tax systems that are substantially different from those in the rest of the state.

Figure NY-1
Sources of New York Local General Revenue, 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

New York's property taxes per capita rank fifth in the nation, and property tax as a percentage of personal income ranks seventh (table NY-1).

Table NY-1
Selected New York Property Tax Statistics, 2019[1]

	New York	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,180	$1,758	*5*
Property tax percentage of personal income	4.4%	3.1%	*7*
Total property tax as percentage of state-local revenue	18.9%	16.6%	*12*
Median owner-occupied home value[2]	$313,700	$217,500	*9*
Median real estate taxes paid for owner-occupied home[2]	$5,407	$2,471	*4*
Effective tax rate, median owner-occupied home[3]	1.7%	1.1%	*9*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Local governments are responsible for assessing property (table NY-2), and there are more than 1,450 different assessing units in the state. Special assessing units, defined as those units with a population of one million or more, include only New York City and Nassau County, with the remaining units considered "non-special" (Strom 2015).

Most assessing units do not employ property tax classification. Both New York City and Nassau County have classification systems with four different classes, in which both assessment ratios and tax rates vary. In New York City, for example, Class 1, which comprises residential real property except for cooperatives and condominiums, has an assessment ratio of 6 percent and a tax rate of 21.045 percent for the 2020–2021 tax year (City of New York). Certain non-special assessing units have the option of using different tax rates for homestead and non-homestead properties.

The state government has attempted to improve the quality of assessments by tying funding to assessment standards. Its latest program, the Cyclical Reassessment Aid Program, requires a participating municipality to submit a plan for a reassessment cycle that must include a complete reappraisal at least once every four years. However, according to Nicely et al. (2014), "some jurisdictions

revalue annually, while others have not reassessed in many decades." Personal property is not subject to the property tax in New York.

Limits on Property Taxation

New York law authorizes several limits on property taxation, including restrictions on both local property tax levies and on certain assessments (Paquin 2015). The local property tax cap, a type of levy limit, which was implemented in 2011, restricts the increase in any local government's property tax levy to 2 percent per year. In practice, however, a jurisdiction's limit may deviate from 2 percent because of adjustments for new property, capital spending, payments in lieu of taxes, and a few other things. The levy limit can be exceeded with the support of 60 percent of voters. In 2019, the state's property tax cap was made permanent (New York State Office of the Governor 2019). New York also limits increases in base assessed value for agricultural property to 10 percent per year.

A separate assessment limit restricts growth in property values only in New York City and Nassau County; these limits vary by property class. For example, for Class 1, residential properties, assessments cannot increase more than 6 percent from the prior year or more than 20 percent over a five-year period.

Property Tax Relief and Incentives

New York provides several residential property tax relief programs, including a property tax circuit breaker program, a senior homestead exemption, and a school property tax exemption. New York's School Tax Relief (STAR) program provides relief from school property taxes for owner-occupied primary residences in the form of an income tax credit. For 2019, the basic exemption amount was $30,000 for Basic STAR. All homeowners with incomes less than $500,000 are eligible for Basic STAR. Enhanced STAR provides larger exemptions to elderly homeowners with incomes less than $86,300. Exemptions are subject to adjustments based on local housing prices and vary considerably among localities. STAR exemptions for individual homeowners are limited to a 2 percent annual increase per year (Significant Features of the Property Tax).

The Real Property Tax Credit for Homeowners and Renters is an income-tested circuit breaker program that provides a refundable credit against property taxes paid for claimants with household income up to $18,000. The maximum benefit was $375 in 2017. Under the Senior Citizen Homestead Exemption, local governments are permitted to exempt up to 50 percent of homestead value from taxation for elderly homeowners with incomes up to $29,000.

Both the system of property tax classification and the rules for valuing condominiums and cooperatives in New York City provide a substantial benefit to homeowners and owners of condominiums and cooperatives (Youngman 2016).

There is a wide array of property tax abatements for business property that are authorized by New York State. In 2019, New York had 28 programs with property tax incentives for economic development,

some of which applied only to properties in New York City. One of those is a tax increment financing program (Significant Features of the Property Tax).

Table NY-2
New York Property Tax Features, 2020

Feature	New York	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes in New York State go back to at least 1654 and the Dutch New York Colony. By 1800, the property tax had become a state tax (with a hiatus during 1828 and 1842 when the Erie Canal was providing extensive revenue) and did not shift to the local level until 1928. Property taxes are now collected by all local governments (New York State Office of Real Property Services 2007).

The state has a long history of controversy surrounding assessment at less than full value and assessment inequality. The Assessment Improvement Law of 1970 provided some aid to improve assessment quality, encouraged state assistance with assessing complex properties, and encouraged localities to move from elected to appointed assessors. *Hellerstein v. Assessor, Town of Islip* (1975) challenged the long-standing practice of ignoring the statutory requirement to value property at its full market value. In 1981, the legislature repealed the statutory requirement of valuation at full market value and substituted a requirement that property be assessed at a uniform percentage of value. It also instituted property tax classification for New York City and Nassau County (New York State Office of Real Property Services 2007; Quart 2015).

New York enacted its School Tax Relief (STAR) program in 1997 and has modified the program several times. STAR has conflicting impacts on property tax equity: it lowers the tax burden the most for the homeowners with the least valuable housing but does not provide any relief to renters and gives a higher exemption to homeowners in wealthier counties (Yinger 2014).

Recent Developments

Part of the 2017 state budget made the property tax cap stronger. The budget tied county funding for juvenile justice reform to whether the county exceeded the property tax cap, providing state funding for juvenile justice reform only if the county remained under the tax cap or was able to prove financial hardship (Campbell 2017).

The property tax system in Nassau County has recently been a subject of great controversy. An 18-month investigation by *Newsday* "documented a shift of $1.7 billion in taxes over the past seven years from the roughly 61 percent of property owners who won assessment appeals to the 39 percent who haven't" (Clark 2017a). Following the publication of *Newsday*'s findings, a record number of property owners filed property tax appeals (Clark 2017b). In 2019, a group of minority communities sued the county alleging that the tax assessment system employed by Edward Mangano, who was county executive from 2010 to 2017, was discriminatory, with the tax shift concentrated in low-income minority communities (Ferrette 2019).

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, New York joined Connecticut, Maryland, and New Jersey in a legal challenge to the SALT cap, arguing it interfered with state sovereignty and harmed the plaintiff states. A federal court judge dismissed the lawsuit in September 2020, finding that "the states have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The average amount of the deduction claimed by New York taxpayers in 2015 was $21,779, more than double the new limit (Tax Policy Center 2017). New York lawmakers devised policies such as charitable deductions for taxes paid and a payroll tax under which employees would pay state and local taxes on behalf of employees to shield taxpayers from the effects of the cap, but the IRS issued rules to block these workarounds (Davison 2019). In 2020, the IRS released regulations that permitted an entity-level tax workaround that shields owners of pass-through businesses from the effect of the cap by reclassifying income tax payments by those business owners as entity-level taxes which are deductible (Walczak 2020).

In the first six months of the Covid-19 pandemic, growth in property tax revenue helped to offset pandemic-related sales tax revenue declines; however, by January 2021, the devastating effect of the pandemic on city property values was casting a shadow on property tax revenues (Braun 2020). New York City property values declined as a result of the pandemic, by over 20 percent in some sectors. In the city's annual tentative assessment roll released in January 2021, citywide market value was down 5.2 percent compared to fiscal year 2021. While the market value of Class 1 (one- to three-family homes) rose slightly (0.8 percent), the market value of Class 2 property (co-ops, condos, and apartments) declined 8 percent, and market value of Class 4 (commercial properties) declined 15.7 percent, with office buildings (15.6 percent), retail (21.1 percent) and hotel properties (22.4 percent) suffering the largest market value declines. Property tax revenue is predicted to decline 4.3 percent overall for fiscal year 2022. Expected growth in personal income tax revenue and business tax revenue and federal assistance were expected to offset the projected property tax revenue losses (New York City Comptroller Scott M. Stringer 2021). Governor Andrew Cuomo's proposed fiscal year 2022 includes a proposal to reduce the state reimbursement to school districts for STAR benefits (Arbetter 2021).

In a January 2021 executive order, Governor Andrew Cuomo permitted local governments to renew property tax exemptions instead of requiring recipients to reapply in person (Executive Order No. 202.83 of 2021).

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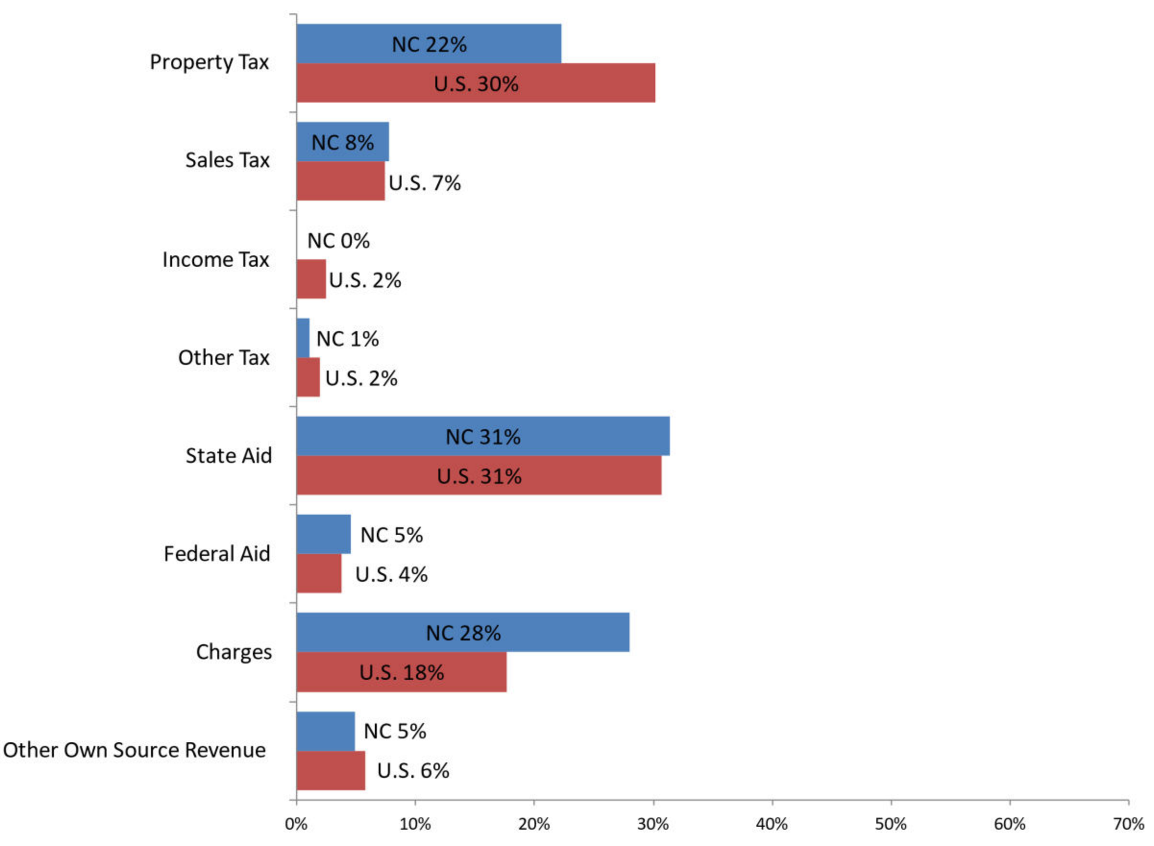
North Carolina

Highlights

North Carolina trends close to U.S. averages for most revenue sources, with somewhat higher use of charges and below-average reliance on property tax revenue (figure NC-1). Since 1971, local governments have been able to levy local sales taxes. In 2019, the average local sales tax rate in North Carolina was 2.22 percent on top of a state rate of 4.75 percent (Cammenga 2019).

Since 2009, North Carolina has provided a property tax circuit breaker that is unique in that it defers rather than forgives property taxes for those eligible taxpayers whose property tax burden exceeds a certain percentage of their income.

Figure NC-1
Sources of Local General Revenue, North Carolina and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property tax amounts, as well as the effective tax rate on a median-value owner-occupied home in North Carolina, were below average and at times ranked in the bottom quartile of U.S. states (table NC-1).

Table NC-1
Selected North Carolina Property Tax Statistics, 2019[1]

	North Carolina	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,047	$1,758	*41*
Property tax percentage of personal income	2.2%	3.1%	*42*
Total property tax as percentage of state-local revenue	11.8%	16.6%	*39*
Median owner-occupied home value[2]	$172,500	$217,500	*32*
Median real estate taxes paid for owner-occupied home[2]	$1,454	$2,471	*38*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*31*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In North Carolina, all property tax administration is guided by the 1971 Machinery Act. The act derives its name from its stated purpose “to provide the machinery for the listing, appraisal, and assessment of property and the levy and collection of taxes on property by counties and municipalities.”

Assessments are conducted at the county level (table NC-2), and property value reappraisals must occur at least once every eight years, but state law does not require physical re-inspection (Significant Features of the Property Tax).

Most real property is assessed based on a property’s market value as if sold in an arm’s length transaction. However, as in most states, certain property is exempt from property taxation. In addition, real property designated as historic property by local ordinance is assessed at 50 percent of market value.

Tangible personal property owned by business, except for inventories, is subject to property taxation.

Limits on Property Taxation

New Carolina places a statutory limit of 1.5 percent (15 mills) on the combined property tax rate for county and municipal general administration and public services; but the state allows for exceptions for schools and jails, and voters may approve tax rates in excess of 1.5 percent (Significant Features of the Property Tax). In practice, no county or municipality has met or exceeded this limit.

Property Tax Relief and Incentives

There are three residential property tax relief programs, the most popular of which is the homestead exemption. Taxpayers can participate in only one of these three programs.

The homestead exemption reduces the taxable value of a residence by up to 50 percent (or $25,000, whichever is greater) for elderly or disabled owners with income of $30,200 (2019 application year) or less. Another exemption includes a reduction to the first $45,000 in the taxable value of homes for disabled veterans. The final property tax relief program is the circuit breaker deferred tax, which permits seniors or disabled taxpayers to cap current taxes as a percentage of their income and defer the excess. For taxpayers who earn less than $30,200, taxes in excess of 4 percent of their income can be deferred. For taxpayers with income above $30,200 and below $45,300, taxes in excess of 5 percent of their income can be deferred. The last three years of deferred taxes become payable with interest if a disqualifying event, such as transfer of the property, occurs.

The Machinery Act includes tax reductions for certain properties. Counties assess buildings equipped with solar energy heating or cooling systems the same way they would assess buildings equipped with conventional heating or cooling systems and “no additional value shall be assigned for the difference in cost between a solar energy heating or cooling system and a conventional system typically found in the county” (North Carolina General Assembly, Chapter 105). Since solar energy heating and cooling systems are more expensive than conventional equipment, maintaining the same value for tax purposes should be appealing to residents and businesses that want to be more environmentally conscious. The Machinery Act also classifies farm products as a special class of property, and the valuation of these products for tax purposes will “be reduced by the amount of any unpaid loan or advance made or granted” (North Carolina General Assembly, Chapter 105). This reduction in property value decreases tax bills and is a way the state of North Carolina incentivizes agricultural investment.

North Carolina employs tax increment finance, and the districts are called development financing districts.

Table NC-2
North Carolina Property Tax Features, 2020

Feature	North Carolina	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In colonial times, North Carolina taxed property by quantity rather than by value. However, in 1868, North Carolina changed its property tax laws so that property taxation was based on value. Through the Revenue Act of 1921, the North Carolina General Assembly replaced its statewide property tax with state-administered personal and corporation income taxes. Since 1921, the state of North Carolina has authorized local jurisdictions to levy and administrate property taxes (Sawyers 2006). Until 1972, the property tax represented over 90 percent of total local-level taxes collected in North Carolina. In 1971, the state legislature allowed local governments to levy a local sales tax (Sawyers 2006).

In 1971, the North Carolina General Assembly established the Machinery Act, which set the rules for the taxation of real and personal property. It formally gives the counties of North Carolina the power to tax properties. The Machinery Act also made it very difficult to change the property tax.

Recent Developments

North Carolina is one state in which big box stores have appealed property assessments based on "dark stores" assessment theory, which argues that vacant or abandoned big box stores are the best comparable properties for determining value. In one prominent case, Lowe's Home Centers, LLC challenged the assessment of a property in Kernersville, North Carolina. In 2013, using the cost approach to value, Forsyth County assessed the property at $16 million; the home improvement giant argued that the assessment should be $6 million using an income and sales comparison approach to value. The Property Tax Commission upheld the county's assessment and objected to Lowe's use of dark stores with deed restrictions as comparable properties. On appeal, in 2018, the North Carolina Court of Appeals reversed the decision based on the county's failure to consider the income approach to value in determining the assessed value (Matter of Lowe's Home Centers LLC, COA17-220, (N.C. Ct. App. 2018)).

The case was remanded but the county and Lowe's reached a settlement under which the assessment would fall about midway between the county value and the Lowe's value (Badgett 2019).

The effects of the Covid-19 pandemic on local revenues in North Carolina were uneven, but in most cases short-lived. Property taxes fared well, especially compared to sales tax revenues. In Charlotte, the collections rate (percent of property taxes due that were collected) was down .6 percentage points from 99.5 percent to 98.9 percent. Sales tax revenues plunged but recovered faster than anticipated. Most local officials expect growth in property taxes in 2021 and expect sales tax revenues to be level or higher than in 2020. According to the state treasurer, rural areas face the toughest sales tax revenue recovery. Food and tourism industries saw the largest declines. Utility revenue took a hit when the state prohibited utilities from shutting off service for delinquent utility customers. Federal stimulus funds to individuals aided the recovery of sales tax revenues and state and local relief funds aided local governments in their recovery (Broraks 2021). Federal aid more than offset the initial fiscal shock to North Carolina state general fund revenues. An analysis by Moody Analytics placed North Carolina among the 10 states with the lowest magnitude of fiscal stress after accounting for federal aid and reserves (White, Mandel, and Seitz 2021).

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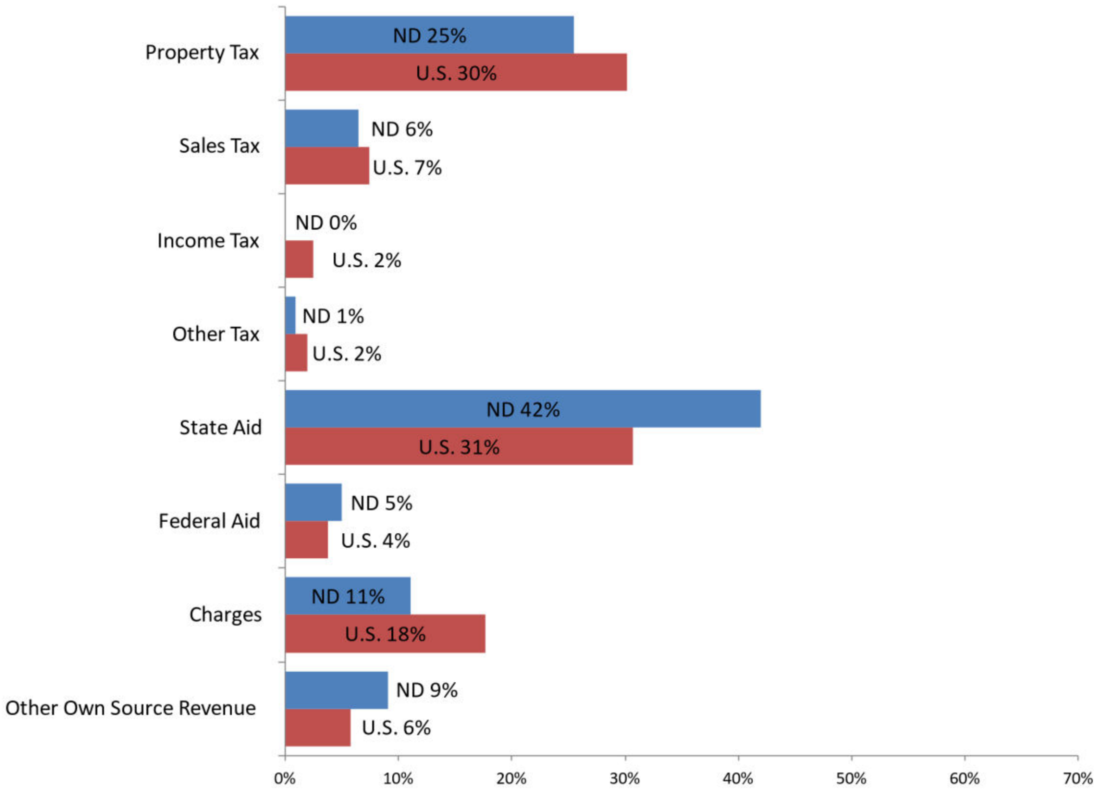
North Dakota

Highlights

North Dakota is unusual in its ability to derive revenue from severance taxes. During the oil boom that peaked in 2012, the state realized significant increases in two oil and gas severance taxes: a 6.5 percent extraction tax (changed to 5 percent in 2015) and a 5 percent production tax, levied as a substitute for local property taxes. Much of this revenue is used to help local governments with their finances. As a result, North Dakota's local governments rely heavily on state transfer payments (figure ND-1).

Historically, North Dakota relied primarily on local property taxes to fund public education, with state aid accounting for approximately 40 percent of total education funding. Today, the state of North Dakota covers nearly 77 percent of the cost of education (North Dakota Department of Public Instruction 2020).

Figure ND-1
Sources of Local General Revenue, North Dakota and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

The state employs a system of property tax classification whereby six different classes of property have different assessment ratios ranging from 1.5 percent for certain wind turbine electric generation units to

10 percent for three different classes, including commercial property. The assessment ratio for residential property is 9 percent. In North Dakota, assessed value is 50 percent of true and full value (market value), so under the state's unusual assessing system, a home with a market value of $200,000 has an assessed value of $100,000 and a taxable value of $9,000 after applying the classification ratio.

Property Tax Reliance

Property tax as a percentage of state and local revenue was lower in North Dakota than the national average and ranked 43rd in 2019 (table ND-1). The effective tax rate on the median owner-occupied home is slightly below the U.S. average.

Table ND-1
Selected North Dakota Property Tax Statistics, 2019[1]

	North Dakota	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,586	$1,758	*27*
Property tax percentage of personal income	2.8%	3.1%	*29*
Total property tax as percentage of state-local revenue	10.8%	16.6%	*43*
Median owner-occupied home value[2]	$193,900	$217,500	*27*
Median real estate taxes paid for owner-occupied home[2]	$1,906	$2,471	*29*
Effective tax rate, median owner-occupied home[3]	1.0%	1.1%	*22*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

All real property that is not specifically exempted is subject to a property tax. Values for most property are determined by local assessors at the city and township levels. Property is assessed at 50 percent of true and full value (market value). The county administers and collects the tax and distributes the revenue to the county, cities, townships, school districts, and other taxing districts. With rare exceptions, such as personal property owned by utilities and railroads, personal property is not included in the property tax base. Business inventories are not taxed.

Some industries in the state are not assessed local property taxes, but rather pay a gross receipts tax (telecommunications) or production tax in lieu of property taxes (oil and gas production). North Dakota

is one of several states that do not rely on property taxation on oil and gas production but rely on production taxes instead.

North Dakota has a classified property tax system, with six different classes that have varying assessment ratios. Wind turbines receive the lowest assessment ratios, at either 1.5 or 3 percent, followed by residential property with no more than three units, including mobile homes, at 9 percent. These ratios are applied to the assessed value (50 percent of market value) to arrive at a property's taxable value.

North Dakota uses a productivity-based formula for assessing agricultural lands. The computations are made by North Dakota State University and are based on the capitalized average gross return on the land.

Limits on Property Taxation

The state of North Dakota imposes property tax rate limits for counties (60 mills), cities (105 mills), townships (18 mills), and school districts (70 mills) (table ND-2). Rate limits for all jurisdictions exclude debt service. The state also imposes a levy limit on school districts so that the property tax for the general fund may not exceed the amount for the prior year plus 12 percent. This limit excludes debt service.

Property Tax Relief and Incentives

North Dakota has several property tax relief programs, including for those who are disabled, disabled veterans, or elderly. The state's circuit breaker program, called a Homestead Credit, is limited to those with incomes under $42,000 who are either elderly or disabled.

The state provides several tax incentives to promote economic development, including tax increment financing for development or renewal areas and property tax exemptions within Renaissance Zones.

Table ND-2
North Carolina Property Tax Features, 2020

Feature	North Dakota	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In the 1980s and 1990s, North Dakota imposed statewide limits on property tax increases. The limits were generally in the range of 2 percent to 4 percent per year.

In 1994, the North Dakota Supreme Court ruled on a school funding equity case, *Bismarck Public School District No. 1 v. State,* in which the plaintiff argued that disparities in revenue among school districts caused disparities in educational uniformity and opportunity (North Dakota Legislature 2013). Despite three out of five justices ruling that the school finance system violated the equal protection provision, the court could not rule the system unconstitutional without a supermajority (SchoolFunding.Info 2019).

A decade after the *Bismarck* decision, plaintiffs in *Williston Public School District v. State* (2006) claimed that the education finance system's widely disparate funding, inadequate educational opportunities, and unequal and inequitable tax burdens violated two provisions of the state constitution, the education and equal protection provisions (North Dakota Legislature 2013). The plaintiffs dismissed the action when the executive budget included an additional $60 million in school funding and the governor created the North Dakota Commission on Education Improvement.

North Dakota introduced a new school funding formula in 2007 that targeted aid by establishing new weighting factors for specific categories of students and for different school district sizes (North Dakota Legislature 2013). The state repealed the mill levy equalization factor and supplemental payments, but required equity payments to support districts with low taxable valuations. The formula reduced funding for districts with very low tax rates (North Dakota Legislature 2013).

The North Dakota legislature has invested a significant amount of time, effort, and state money in its initiatives to reform the property tax system and lower property tax bills for North Dakotans. Legislative efforts to lower the property tax burden began in 2007. Senate Bill 2032 created a homestead income

tax credit program, providing an income tax credit equal to 10 percent of property taxes paid, up to $500 per taxpayer per year or up to $1,000 for a married couple.

In the 2009 session, the legislature took a different approach by creating a new school district mill levy reduction grant program. The program used $295 million from oil taxes and distributed the money through the school funding formula. The allocation of mill levy reduction grants directly reduced the amount of money a school district needed to raise locally through property taxes and required a dollar-for-dollar reduction in local taxes.

In June of 2012, a constitutional amendment to eliminate the property tax in North Dakota was put to a vote of the people. Estimates of the fiscal impact were $750 million per year (Forum of Fargo-Moorhead). More than 76 percent voted "no," and the current property tax system was retained (Ellis and Smith 2012).

In 2013, the mill levy reduction program was replaced with a new integrated school funding formula that incorporated both property tax relief and a new methodology for funding K-12 education. Caps were put in place to limit school district levy authority, and the state assumed a greater percentage of the cost of education. School district general fund levies were reduced from a maximum of 185 mills to a maximum of 60 mills. In addition, a new state-paid property tax credit program was created through which the state paid 12 percent of the total due on all property tax bills in the state. Total property tax relief provided for the 2013-2015 biennium was over $900 million.

In 2017, Governor Doug Burgum's first State of the State address called on the legislature to move away from the 12 percent state tax credit and instead provide "long-term" property tax relief in the form of lower local government costs (North Dakota Office of the Governor 2017). During the 2017 session, the legislature eliminated the 12 percent buy down which the state had difficulty funding due to oil price declines. In its place, lawmakers enacted a less costly two-year pilot program which shifted the cost of state-mandated social services from counties to the state, suspending county authority to levy up to 20 mills for social services (Ban 2017; Hageman 2017). Separate legislation passed in 2017 allowed counties and school districts to opt out of city-authorized property tax breaks with a duration longer than five years, including TIF and renaissance zone incentives. Senate Bill 2166 also required letters of support from counties and school districts for renaissance zone creation or renewal (North Dakota League of Cities 2017).

Recent Developments

School funding reform passed in 2019 (SB 2265) bases funding on current student enrollment instead of prior year enrollment, a change phased in over several years. The law increased per-pupil payments by 2 percent per year for the first two years and allowed school districts to opt for funding according to the state formula or the 2017–2018 per pupil spending level, to be gradually be reduced. The legislature also ordered a study of the state's school funding formula (Emerson 2019).

In 2019, North Dakota modified its property tax exemption for farm residences and structures. To qualify for the exemption, claimants must receive at least 66 percent of their income from farming

activities, up from 50 percent. The new law removes a $40,000 non-farm income ceiling, a disqualifying factor for many applicants. According to a state survey, over 11,756 residences benefitted from the program in 2018. Most counties did not request documentation of income but a new law requires documentation of farm income every two years (Springer 2019).

In a case involving the valuation of apartment buildings and hotels, in 2020 the North Dakota Supreme Court ruled against the local board of commissioners and reversed a decision to deny a property tax abatement to the plaintiff (*RFM-TREI Jefferson Apartments LLC v. Stark County Board of Commissioners*). North Dakota's high court found the Stark County Board of Commissioners "acted arbitrarily and unreasonably" in 2016 when it denied abatements for the plaintiff's two apartment complexes and two hotels for taxes based on inaccurate valuations (McLoughlin 2020). The value of the properties had declined as a result of the impact of declining oil prices on the local commercial real estate market, with no corresponding adjustment to valuations. The court affirmed that assessors' valuations of commercial properties cannot exceed market value and cited a state statute that requires correction, abatement, and refund for assessments exceeding market value (North Dakota Century Code, Section 57-23-01).

North Dakota's oil-dependent economy was battered by the Covid-19 pandemic. While more than half of states had recovered pandemic-related revenue losses by February 2021, North Dakota was among the 18 states continuing to experience revenue losses. Tax collections were still down 10.9 percent by February 2021 (Rosewicz, Theal, and Fall 2021). In September 2020, amid its second Covid-19 wave, 80 percent of the state's oil rigs were not operating. Months of low oil prices, including a drop into negative territory in the spring of 2020, ravaged production (Romm 2020).

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Ohio

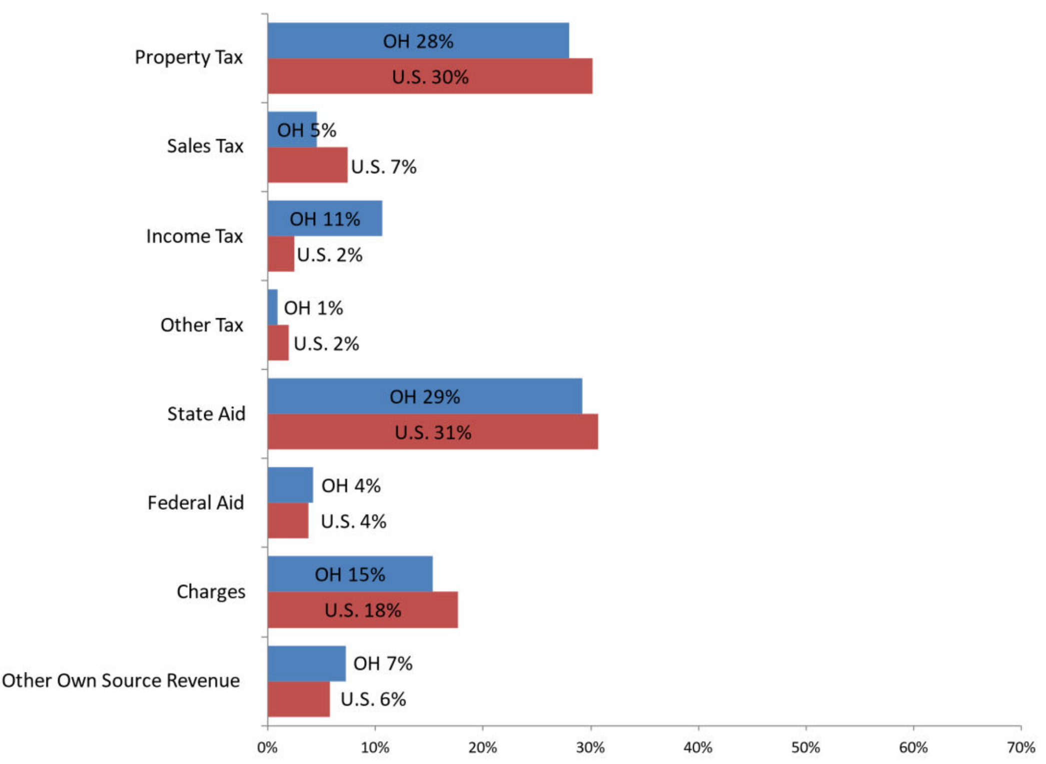
Highlights

Historically, local governments in Ohio relied almost exclusively on property tax revenue to fund operations. When Ohio implemented a state income tax in 1971, the state reduced all non-business property tax bills by a 10 percent "rollback." In 1979, the state instituted an additional 2.5 percent rollback for owner-occupied residential property (Scott 2013). The state reimburses local jurisdictions for the lost revenue from the rollbacks, which totaled $1.8 billion in 2020 though the state is phasing out the rollbacks (Ohio Department of Taxation).

The largest sources of local government revenue in 2019 were state aid and property taxes. Jurisdictions also collect local income and sales taxes, but local property tax revenue was larger than both of those categories combined (figure OH-1). Counties and regional transit authorities can levy sales taxes, while municipalities and school districts can levy income taxes.

Ohio eliminated taxation of tangible personal property in 2005, phasing it out over five years (Ohio Department of Taxation 2008).

Figure OH-1
Sources of Local General Revenue, Ohio and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, Ohio's property tax provided only 14.5 percent of state and local revenue; and property tax burden as a fraction of income was just below the U.S. average, although the effective tax rate for the median owner-occupied home is higher than the U.S. average (table OH-1).

Table OH-1
Selected Ohio Property Tax Statistics, 2019[1]

	Ohio	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,397	$1,758	*32*
Property tax percentage of personal income	2.8%	3.1%	*28*
Total property tax as percentage of state-local revenue	14.5%	16.6%	*27*
Median owner-occupied home value[2]	$145,700	$217,500	*44*
Median real estate taxes paid for owner-occupied home[2]	$2,271	$2,471	*23*
Effective tax rate, median owner-occupied home[3]	1.6%	1.1%	*13*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Visual reassessments are conducted by the county every six years, and property values are updated for inflation every three years (table OH-2). Triennial updates are separately calculated for Ohio's two real property classifications: Class I, residential and agricultural properties; and Class II, commercial and industrial properties. For an initial levy, the property tax rates for each class of property are the same, which is why Ohio is not considered to have property tax classification. However, over time as tax reduction factors are used, the effective property tax rates for the two classes of property diverge.

Most real property is assessed at 35 percent of market value. If it meets certain requirements, commercial agricultural property may be assessed according to current-use values, classified by soil type. Forest land is assessed at 35 percent of market value, but commercial forest land of 10 or more acres may be assessed at current use.

Ohio repealed its tangible personal property tax in 2005 and phased it out over five years, beginning with an exemption for new manufacturing equipment and ending with a phaseout of the personal

property tax applied to telecommunications property. Local governments were reimbursed for much of the revenue loss by direct state payments (Errecart, Gerrish, and Drenkard 2012).

Limits on Property Taxation

Local governments in Ohio may only institute property tax rates of up to 1 percent, or 10 mills, on real property without approval from a majority of voters. The overlapping political jurisdictions associated with each property share the 10 mills of revenue, with the allocation among them set by law. School districts usually receive between 4 and 6 mills (Sullivan and Sobul 2010). Taxes levied within the 10-mill limitation are referred to as inside mills, and those voted in excess of the 10-mill limitation are called outside mills.

Because of House Bill 920 (1976), Ohio county assessors recalculate tax rates after reappraisal and triennial updates to keep most nominal property tax revenue constant over time. For the voted millage in excess of 10 mills, "tax reduction factors" decrease tax rates in proportion to inflation-based increases in property value. Similarly, the county increases tax rates in years when property value decreases, holding tax revenue near the level that was collected in the first year of the levy. To collect additional revenue, a district must propose and pass another tax initiative. As a result, balloted tax initiatives are common in Ohio.

School districts are the only jurisdiction that can collect inflation-based tax revenue, but only if their total current expense millage is less than or equal to 20 mills. House Bill 920 established a tax rate floor for school districts that prevents tax reduction factors from reducing the effective tax rate below 20 mills. Once a county has reduced a district's effective tax rate to 20 mills, the rate is frozen and the district can collect all tax revenue associated with further increases in property value.

Property Tax Relief and Incentives

The 10 percent and 2.5 percent rollbacks mentioned previously reduce individual homeowner's property tax bills and should be considered a type of property tax credit.

In addition, Ohio exempts $25,000 of property value for senior citizens and the disabled through a homestead exemption. Ohio imposed an income eligibility requirement in 2014; in 2019, the income limit was $32,800 (Significant Features of the Property Tax).

There are two major property tax incentives for economic development in Ohio. The most important is the tax increment financing program, focused on distressed or underdeveloped communities. The second important program is Community Reinvestment Areas (CRAs), which provide real property tax exemptions to property owners who make improvements to their property in specific geographic areas (Kenyon et al. 2017, 2020; Ohio Department of Taxation 2018).

Table OH-2
Property Tax Features of State Governments, United States, 2020

Feature	Ohio	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Ohio's public school funding system has been deemed unconstitutional four times since 1991 by the state supreme court. Although the supreme court ordered the state to improve the system of school funding, no significant changes were made and the litigation ended with the supreme court assigning the task to the state legislature in 2003 (Pittner et al. 2010).

Passed in 2009, House Bill 1 altered the school funding formula with regard to local property tax revenue. Before 2009, state aid was reduced when property values increased due to inflation, even though a school district may not collect any additional local revenue due to tax revenue limits. House Bill 1 requires state aid to be calculated based on tax revenue instead of property value. Because districts at the 20 mill floor collect additional tax revenue when property values increase, state aid can still be reduced when property values increase in districts at the 20 mill floor, but not for other districts (Sullivan and Sobul 2010).

House Bill 59 was passed in July 2013, phasing out the 10 percent and 2.5 percent state-funded rollbacks that began in the 1970s. These rollbacks will not apply to tax levies that are passed after August 31, 2013 (Gearhardt 2013). Elimination of the rollbacks increases local taxpayers' share of property taxes, which may reduce voter support for future tax levies.

In September 2017, Ohio taxpayers lost their right to appeal property tax decisions directly to the Ohio Supreme Court. Ohioans had held this option since 1939. The change was slipped into the state budget language at the request of the Ohio Supreme Court, which argued that it was necessary given the flood of property tax disputes (Smyth 2017).

Recent Developments

Ohio is one of the states affected by the dark stores theory of assessment (Farmer 2016). Two recent Ohio cases of relevance are *Daniel G. Kamin Cleveland Ents. v. Cuyahoga Cty. Bd. of Revision* (2015), which rejected the dark stores theory for a K-mart, and *Johnston Coca-Cola Bottling Co. Inc. v. Hamilton County Board of Revision* (2017), which ruled that the Board of Tax Appeals was not in error in considering the present use of the property so long as it was not the only use considered (Wilmath and Alesandrini 2015; Engel 2017).

Ohio directed General Motors to pay back about half of the $60 million in tax credits the company received as part of tax incentive deals in 2009 and 2016 for its assembly plant in Lordstown. The agreements stipulated the plant would operate until 2040, so when GM closed the plant in 2019, the state demanded the company repay the tax breaks which included property tax incentives. The state reduced its initial demand for 100 percent repayment, instead asking for repayment of $28 million by December 2022. According to Greg LeRoy, executive director of Good Jobs First, the GM clawback is the largest known repayment of tax incentives in the nation (O'Brien 2020).

The legislature considered but failed to pass a bill that would have allowed owners and tenants of commercial and industrial property to file complaints to lower assessments for property taxes due in 2021 based on the impact of the Covid-19 pandemic on commercial and industrial property values. Taxes payable in 2021 are based on assessments as of January 1, 2020, before the pandemic (HB 751).

Ohio sued the federal government over a provision that blocks the use of American Rescue Plan of 2021 relief funds to reduce taxes (*Ohio v. Yellen*). In April 2021, the federal government responded by filing an opposition brief in which it argues Ohio lacks standing to challenge the provision because it "has not alleged any intention to use the federal funds in a way not permitted under the Act" (Loricchio 2021b). Ohio also asked the court to block the federal government from enforcing the provision, but U.S. District Court Judge Douglas R. Cole denied the request in May 2021, although he stated that Ohio had "established a substantial likelihood (although by no means a certainty) of success on at least an aspect of its spending clause claim" (Loricchio 2021a).

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Publication Date

May 2021, data updated February 2022

Oklahoma

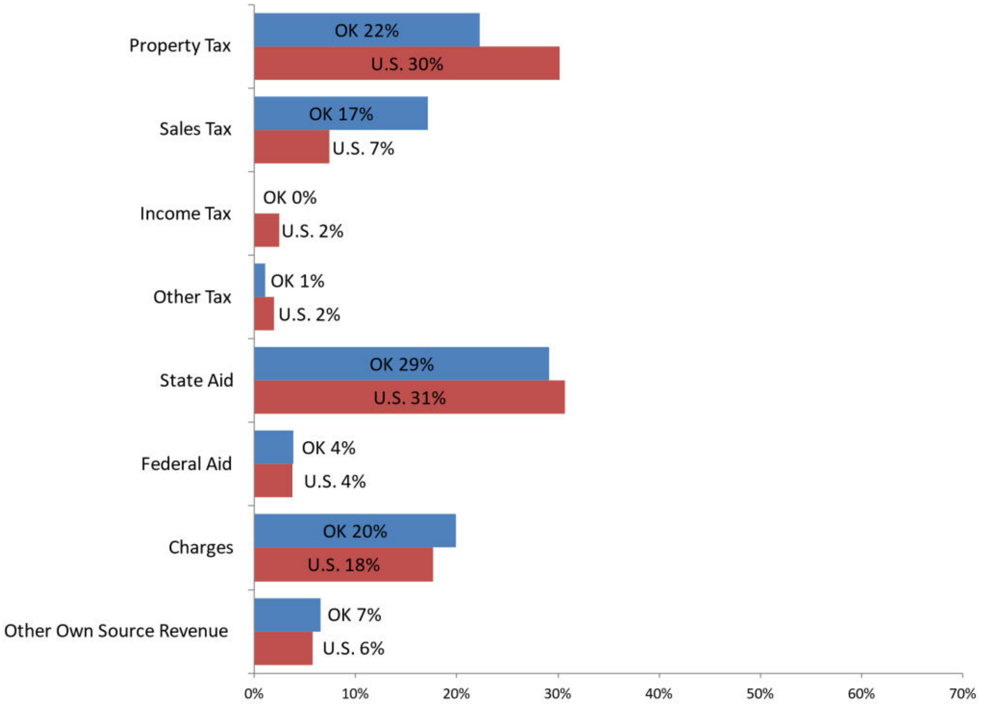
Highlights

Oklahoma relies more heavily on local option sales taxes than most states; only Louisiana derived a higher share of local government revenue from local sales taxes in 2018 (U.S. Census via Significant Features of the Property Tax). As a result, local governments in Oklahoma rely far less on the property tax than in most other states, although property taxes are still the largest component of own-source local revenue (figure OK-1).

Counties play a large role in the property tax system. They are responsible for valuing property, setting the tax rates, and collecting the taxes. In addition, under Oklahoma's local option classification system, each county determines the assessment ratio for real and personal property within the range specified in the state constitution. Assessment ratios for the five classes of property can range from 10 percent to 22.85 percent.

Oklahoma is the last state in the country to tax household tangible personal property, but as of 2019, all but one of Oklahoma's 77 counties, Beaver County, had repealed this tax on households (Oklahoma Tax Commission 2019).

Figure OK-1
Sources of Local General Revenue, Oklahoma and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Across various indicators of property tax reliance, Oklahoma consistently ranks among the lowest U.S. states. In 2019, Oklahoma's total property tax as a percentage of state-local revenue ranked 46th and property taxes per capita and as a percentage of state personal income ranked second to last. At $826, per capita property taxes in Oklahoma are less than half the U.S. average (table OK-1).

Table OK-1
Selected Oklahoma Property Tax Statistics, 2019[1]

	Oklahoma	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$826	$1,758	*49*
Property tax percentage of personal income	1.7%	3.1%	*49*
Total property tax as percentage of state-local revenue	9.6%	16.6%	*46*
Median owner-occupied home value[2]	$136,800	$217,500	*48*
Median real estate taxes paid for owner-occupied home[2]	$1,228	$2,471	*42*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*27*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey
[1] All revenue numbers in this table include the state government as well as local governments.
[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.
[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The assessed values used to calculate property tax liabilities are generated annually by counties (table OK-2). Counties set assessment ratios for four classes of property within ranges established by the state constitution. Those classes and ranges are real property (11 to 13.5 percent), tangible business personal property (10 to 15 percent), tangible household personal property and livestock in excess of $100 (10 to 15 percent), public service corporation property (22.85 percent), and railroad and air carrier property (11.84 percent) (Lansford 2017).

Business tangible personal property is taxed, including machinery, equipment, and inventories. While the taxation of household tangible personal property is still allowed under the state constitution, 76 of Oklahoma's 77 counties have repealed the taxation of household personal property over the last two decades (Oklahoma Tax Commission 2019).

Limits on Property Taxation

The legislative limitations on millage rates and rates of increase in property tax assessments in Oklahoma are relatively strict. Millage rates must fall at or below an aggregate rate cap of 15 mills, although nearly all counties have effective average millage rates below 10 mills (Oklahoma Tax Commission 2016). Temporary overrides of the limit are allowed through local voter support.

In 1997, Oklahoma amended the state constitution with Section X-8B, creating a maximum rate of annual increase in assessments of 5 percent for any locally assessed real property, which was subsequently strengthened by lowering the cap to 3 percent annually for all homestead and agricultural property assessments (Oklahoma Constitution 2015). These provisions are waived if the property is transferred or undergoes significant improvement.

While Oklahoma is not unique in exempting federally owned lands, it is worth noting the Osage Nation Reservation (ancestral land of the Osage Nation Native American tribe located to the northwest of Tulsa whose boundaries are coterminous with Osage County) falls under this exemption.

Property Tax Relief and Incentives

Oklahoma provides a homestead exemption of $1,000 for a taxpayer's primary residence. The size doubles to $2,000 for extremely low-income households earning less than $20,000 annually. Eligible seniors (age 65 or older with moderate or low incomes) qualify to have the taxable value of their home frozen indefinitely. Property is revalued to full market value upon the sale or transfer of the property. Completely disabled veterans and their surviving spouses qualify (regardless of their income or wealth level) for full real property and household personal property tax relief (Oklahoma Tax Commission 2014). Oklahoma also has a modest circuit breaker with a maximum benefit of $200 limited to elderly or disabled homeowners with income less than or equal to $12,000.

Agricultural farmland, land used for timber production, and qualifying open space/conservation lands are assessed using current use valuation techniques as opposed to market valuation (Anderson and England 2014). Regarding commercial development incentives, local governments are authorized to create tax increment finance (TIF) districts and to award property tax abatements. Most property tax abatement incentive packages are limited to a maximum of five years.

Table OK-2
Property Tax Features of State Governments, United States, 2020

Feature	Oklahoma	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Two critical events largely set the stage for the current application of property taxes in Oklahoma. The first came in 1966 when the state legislature extended the right to levy general sales taxes (subject to local approval) to Oklahoma's municipalities, and set in motion a chain of events that has left the property tax playing a smaller role than it enjoys in most states (Burge and Piper 2012). Oklahoma's local governments raise far more funds from local option sales taxes and far less in property taxes than their counterparts in other states. One result of this structure is that the state's urban and suburban areas have a distinct advantage in raising revenue over rural communities and have thrived at the expense of areas less capable of attracting retail development (Rogers 2004).

A second defining moment came in 1994, when Tulsa County became the first jurisdiction to react to the state's newly gifted authority to exempt household personal property from the property tax. Over the next decade, more than half of Oklahoma's counties (and essentially all urban/suburban counties) followed suit. Currently, only Beaver County taxes residents' household personal property. While personal property accounted for just over a quarter of Oklahoma's overall tax roll in 2018, commercial personal property constituted over 97 percent of that value (Oklahoma Tax Commission 2019, 18).

Recent Developments

Oklahomans narrowly defeated a ballot measure in the November 2018 election that would have permitted school districts to spend their property tax revenue on operations as well as construction. Question 801, which needed a majority vote to pass, was rejected by 50.4 percent of voters. Current law requires property tax revenue raised by school districts to be placed in a building fund and used for construction (Collins et al. 2019).

Oklahoma adopted education funding reforms in its 2021 session. Almost one-third of state and local funding for K-12 education in Oklahoma comes from the property tax. In March of 2021, Governor Kevin Still signed Senate Bill 783 and House Bill 2078 into law, calling it a "monumental day for education reform" and saying the reforms were "vital to getting Oklahoma to be a Top Ten state in education." Senate Bill 783, the Education Open Transfer Act, authorizes students to transfer to a school district outside their assigned district at any time, up to twice in a school year, as long as the receiving district has capacity. House Bill 2078 changes the state aid calculation in the school funding formula, basing aid on enrollment for the current year—previously, school districts could use enrollment from two years prior. Because of the effects of the Covid-19 pandemic on enrollment in the 2020–2021 school year, opponents claim the law will lead to large revenue losses for schools (Raache 2021).

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June 2021, data updated February 2022

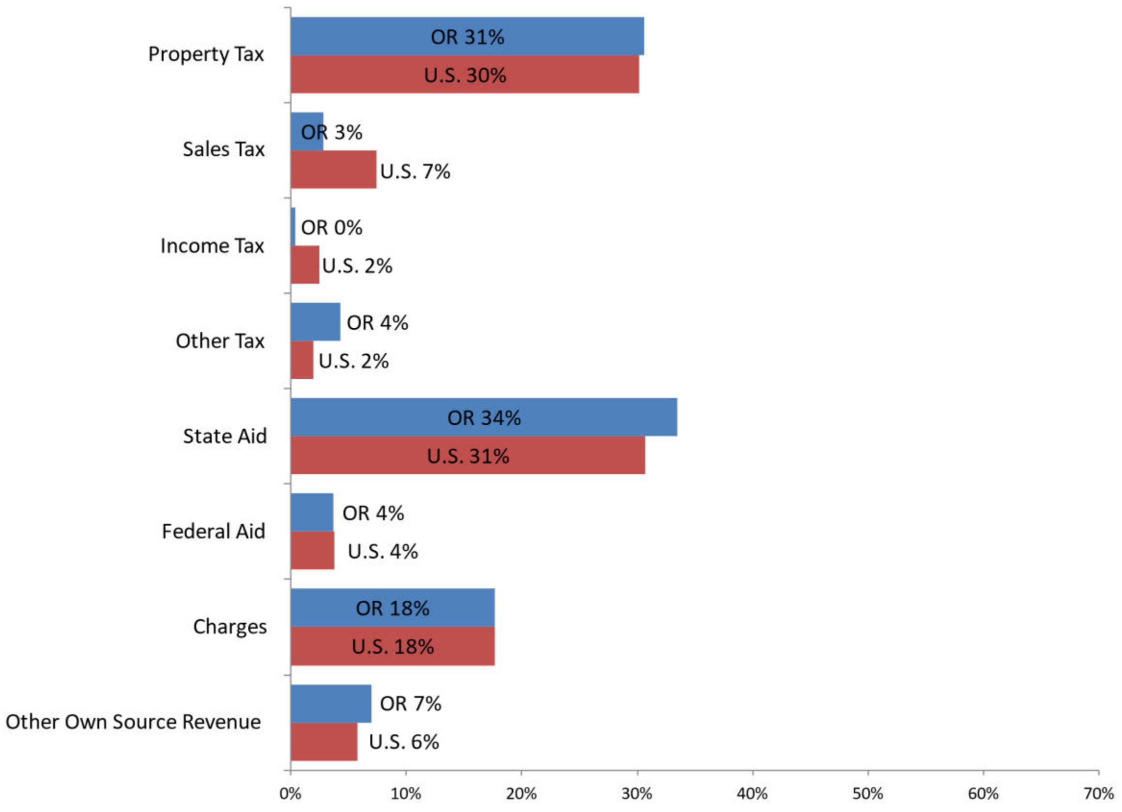
Oregon

Highlights

Oregon's property tax system was transformed by use of the ballot initiative during the 1990s. Combined, Ballot Measures 5, 47, and 50 imposed limits on property taxes and the speed by which assessed values can adjust between years. One effect of these measures was making Oregon's property tax system one of the most complex in the United States. Although several other states use assessment limits, Oregon is "the only state where assessed values do not reset to market value each time a property is sold" (Shafroth 2016).

Oregon is one of five states (along with Alaska, Delaware, Montana, and New Hampshire) that do not impose a general sales tax. As a result, the state is highly reliant on the personal income tax. At the local level, sales taxation is limited primarily to the taxation of public utilities, and there is no personal income tax. Hence, local governments are highly reliant on state aid and local property taxes, which combined provide 65 percent of local general revenue (figure OR-1).

Figure OR-1
Sources of Local General Revenue, Oregon and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

For 2019, state and local property taxes were 3.1 percent of personal income, about the same as the U.S. average. State and local per capita property taxes of $1,670 were slightly below the national average (table OR-1).

Table OR-1
Selected Oregon Property Tax Statistics, 2019[1]

	Oregon	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,670	$1,758	*24*
Property tax percentage of personal income	3.1%	3.1%	*18*
Total property tax as percentage of state-local revenue	14.1%	16.6%	*31*
Median owner-occupied home value[2]	$312,200	$217,500	*10*
Median real estate taxes paid for owner-occupied home[2]	$3,037	$2,471	*16*
Effective tax rate, median owner-occupied home[3]	1.0%	1.1%	*24*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are carried out at the county level and are limited by Ballot Measure 50, as described under Limits on Property Taxation below. Revaluation is done annually, and there is no classification of property. Personal property used in a business is taxed, but business inventories are exempt from property taxation (table OR-2).

Limits on Property Taxation

Property taxes are limited by Measure 5 to $5 per $1,000 of real market value for school taxes and $10 per $1,000 of real market value for general government operations. Real market value is Oregon’s term for market value. Special-issue bonds put to a vote are exempt from these limitations.

Measure 50 is Oregon’s assessment limit. Due to Measure 50, there is now a distinction between taxable assessed value (the value upon which the property tax is levied), maximum assessed value, and real market value. Taxable assessed value is the lower of real market value and maximum assessed

value. Growth in maximum assessed value is limited to 3 percent per year, unless there are changes to the property, such as new construction.

When Measure 50 was enacted in 1997, the assessed value of each property was rolled back to 90 percent of its assessed value as of 1995 through 1996. The original assessed value for new construction is calculated as the real market value multiplied by the ratio of assessed value to real market value of similar property at the time of completion. Significant structural changes (such as additions) are added to assessed value in a similar manner. Importantly, property is not reassessed when it changes ownership.

One of the most important results of Oregon's transformed property tax system is that similar properties located next to each other can be subject to very different property tax bills.

Because taxable assessed value is the lower of two items that can grow or decline at different rates, some unexpected property tax changes can result. As one example, consider a property owner in a declining market whose real market value is plummeting and for whom maximum assessed value is lower than real market value. The property tax in this case will be based on maximum assessed value. Since maximum assessed value rises 3 percent per year, property tax due can increase even when the property value is falling.

Alternatively, consider a property for which real market value is less than maximum assessed value. Property tax will then be based on real market value. If real market value increases by 10 percent (and remains below maximum assessed value), property taxes can increase by 10 percent. This can seem counterintuitive when growth in maximum assessed value cannot exceed 3 percent.

Finally, if localities approve tax rates for a given property that are over the limit set by Measure 5, the property is said to be in compression. State statutes specify how taxes must be reduced in order to meet the limit. Local-option taxes (temporary taxes above the permanent rate limits) are reduced first, then other taxes are reduced proportionately. If additional property taxes are passed by voters, the tax on compressed properties cannot increase. Thus, voters subject to compression can vote to raise taxes on their neighbors, but not on themselves. The lack of an adjustment of assessed value at resale means that today, two properties that sell for identical prices can have widely different property tax payments resulting from their original assessed value in 1995 through 1996. In addition, compression is a growing concern for local governments throughout the state as the limits imposed by Measure 5 become more binding (Portland City Club 2013).

Property Tax Relief and Incentives

A residential property tax deferral program allows income-qualified disabled or elderly residents to defer tax payments until death, transfer of the property, or end of disability. Property tax exemptions on homesteads are available to active military, veterans, and surviving spouses of veterans.

Oregon provides property tax incentives for economic development, including an enterprise zone program that exempts up to the full value of qualifying construction-in-process property for up to 10 years, and tax increment financing (TIF) for urban renewal areas.

Several types of property are eligible for preferential treatment under current use: conservation/open space, forest land/timber production, farmland, and wetlands.

Table OR-2
Property Tax Features of State Governments, United States, 2020

Feature	Oregon	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Prior to 1991 through 1992, each taxing district calculated its own tax levies, which were constitutionally limited to an annual growth of 6 percent. Levies increasing by more than that amount had to be placed before voters.

Local government in Oregon provided 78 percent of school funding in the early 1970s. A majority of this funding was from property taxes. This contributed to how much per-pupil spending varied among districts. While some districts spent $1,795 per pupil, others were spending as little as $674 per pupil (SchoolFunding.Info). These funding disparities led to an equity case, *Olsen v. State*, in 1976. The Oregon Supreme Court found that the school finance system was not violating either the equal protection or education clauses of the state's constitution because it simply states a minimal standard. They did, however, acknowledge the link between district wealth and educational opportunity for students.

It wasn't until 1991 that plaintiffs again challenged the equity of the state education finance system in *Coalition for Equitable School Funding v. State* (SchoolFunding.Info). The court ruled in the state's favor, denying the plaintiffs relief. Despite this outcome, voters were able to use the referendum process to pass Measure 5 the same year. Property taxes for school districts were capped at $15 per $1,000 of real market value and were lowered by $2.50 each year thereafter until reaching $5 per $1,000, the statutory limit. Taxes for other purposes were capped at $10 per $1000 per year, so that at

the end of the five-year phase-in period, the maximum property tax rate was 1.5 percent. Under the new funding system, the state provides about 75 percent of school funding.

Citizens' initiative Measure 47 was passed by voters in 1996, reducing property taxes to 90 percent of either the 1994 through 1995 level or the 1995 through 1996 level (whichever was lower) for every property in the state. It also limited increases in assessed property values to 3 percent in subsequent years.

In 1997, the Oregon legislature sent Measure 50 to voters in order to clarify language from Measure 47. The most important change was that Measure 50 rolled back the *assessed value* of each property to 90 percent of its assessed value as of 1995 through 1996 instead of rolling back *property taxes* to 90 percent of their 1995 through 1996 level. The voters passed Measure 50 in November of that year.

Two cases challenged the constitutionality of the Measure 5 funding reforms between 1994 and 2000 (SchoolFunding.Info). In the first case, the plaintiffs claimed that the transition mechanism in the new school funding formula furthered inequality by limiting the amount that funding could increase or decrease in each district. In the second, they claimed that a student's class, based on geographical location, determined the level of funding that they received. The Oregon Court of Appeals did not find a constitutional violation and the Supreme Court denied a petition for review after determining that there is no need to resolve the question of whether funding is distinguished on a geographical basis.

In 2006, six school districts and three parents filed a school funding case based on the state constitution's requirements to provide a uniform and general school system and to sufficiently fund those schools (SchoolFunding.Info). Plaintiffs in *Pendleton School District v. State* asked the court to declare the school finance system unconstitutional and for the state to create and fund a better system. They cited the Quality Education Model in their complaint, arguing that the state fell short of reaching required funding levels. In 2009, the state's supreme court ruled that the legislature failed to fund public schools at the constitutionally-required level, but did not mandate full funding because language in the constitution states that if the legislature does not meet the funding requirement, they must provide a report that publicly explains why that is the case and the impact of underfunding (SchoolFunding.Info).

Recent Developments

Oregon enacted a major school funding bill in May 2019. Dubbed the Student Success Act, HB 3427 imposed a new 0.57 percent corporate income tax on gross receipts over $1 million while reducing personal income tax rates. Democrats who supported the bill said it was meant to address school funding challenges that arose from Measure 5 property tax limits that shifted school funding to the state without creating a new revenue source to fill the gap (VanderHart 2019). In Governor Kevin Stitt's 2021 State of the State address, he pledged to seek changes to the school funding formula so that state aid is based on current enrollment rather than the highest enrollment in the last three years. The reform proposal follows claims that charter schools were inflating enrollment numbers to increase their funding from the state. The governor's proposal would not give school districts funding for so-called "ghost students" (Felder 2021).

In 2019, Oregon considered legislation that would have required tax-exempt non-profits to file annual returns to remain exempt from property taxes. The filing would have required charities to report their charitable cause, use of the property, and the number of days they used the property for their charitable purpose (National Council of Nonprofits 2019).

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Pennsylvania

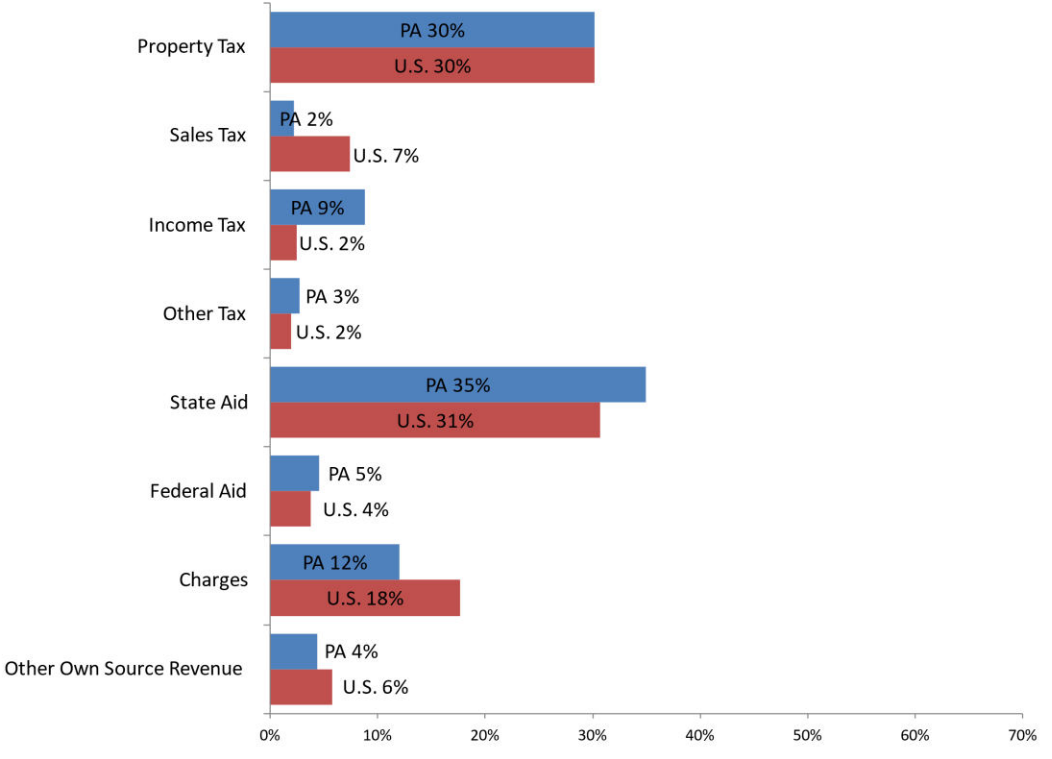
Highlights

Although local government reliance on income tax revenue in Pennsylvania is three times the national average, income taxes account for only 9 percent of local general revenue. Pennsylvania relies more heavily on state aid and the property tax (figure PA-1).

"The real property tax system of Pennsylvania is highly decentralized, with numerous variations in due dates and procedures among the various taxing entities" (CCH State Tax Law Editors 2017). Pennsylvania's 67 counties are responsible for assessment, with assessment ratios varying across counties. Counties also vary in their appraisal cycles, and they may use either market value or a base year as the basis for determining assessed values.

The quality of property tax assessment has long been a concern in Pennsylvania (Strauss 2001, 2018). In its 2019 study, the Council on State Taxation and the International Property Tax Institute gave Pennsylvania the lowest grade among the U.S. states on its administrative practices (Dobay et al. 2019, revised 2020).

Figure PA-1
Sources of Local General Revenue, Pennsylvania and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Pennsylvania is the only state that has allowed local taxing bodies for more than a century to levy a higher tax rate on land than on buildings (known as a split-rate tax). The number of municipalities with separate tax rates on land and buildings peaked in 2000, but it has dropped over the past decade (Yang 2014).

Property Tax Reliance

In 2019, property tax as a share of state and local revenue in Pennsylvania was slightly lower than the national average. At the same time, the effective property tax rate for the median value owner-occupied home in Pennsylvania ranked 11th highest in the nation (table PA-1).

Table PA-1
Selected Pennsylvania Property Tax Statistics, 2019[1]

	Pennsylvania	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,631	$1,758	*26*
Property tax percentage of personal income	2.8%	3.1%	*26*
Total property tax as percentage of state-local revenue	15.1%	16.6%	*22*
Median owner-occupied home value[2]	$180,200	$217,500	*30*
Median real estate taxes paid for owner-occupied home[2]	$2,852	$2,471	*17*
Effective tax rate, median owner-occupied home[3]	1.6%	1.1%	*11*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are not levied at the state level, but property tax revenue is an important source of local revenues for Pennsylvania's 67 counties, 2,560 municipalities, and 500 school districts (Pennsylvania Department of Community and Economic Development 2018). Pennsylvania does not tax tangible personal property.

Assessments are conducted at the county level (table PA-2). The assessment ratio, which the state refers to as the established predetermined ratio or county predetermined ratio, is established by ordinance by the board of county commissioners and varies by county. Counties may use current-year market values or adopt a base year for market values to compute assessed value. They may also decide when to

conduct reassessments; as of 2010, seven counties had not conducted a reassessment since at least the mid-1980s (Legislative Budget and Finance Committee 2010).

Local governments are divided into classes, using population as a guide. There are nine classifications for counties, four for cities, two for townships, and five for school districts. For example, Philadelphia is the only first class city and Philadelphia County is the only first class county, but there are several fifth class counties, all with populations between 90,000 and 145,000. The Consolidated County Assessment Law regulates the property assessment process in counties of the second class A through the eighth class. Property assessments in Philadelphia and Allegheny Counties are subject to distinct statutory provisions in addition to unique home rule charter and administrative code requirements. The Third Class City Code governs the assessment of real estate for tax purposes in third class cities.

Limits on Property Taxation

Statutory tax rate limitations on real estate have been established for all classes of taxing jurisdictions in Pennsylvania except the cities of Philadelphia, Pittsburgh, and Scranton and the Philadelphia School District. Jurisdictions that have adopted home rule charters under the Home Rule Charter and Optional Plans Law are not subject to property tax rate limits imposed by the legislature in various local government codes.

The Consolidated County Assessment Law also places restrictions on property taxation after a countywide reassessment. In particular, each taxing district in counties of second A and third class is required to reduce the tax rate for the first year after a countywide reassessment so that the total amount of taxes levied that year against properties taxed in the preceding year does not exceed 110 percent of the tax levied in the preceding year. This requirement does not apply to school districts subject to property tax limits on reassessment under the 2006 Taxpayer Relief Act.

Property Tax Relief and Incentives

Pennsylvania offers a number of property tax relief and incentive programs. The Homestead (or Farmstead) Exemption Program provides property tax relief to owners of qualifying homestead or farmstead properties by exempting a portion of the assessed value of owner-occupied properties. The exclusion amount cannot exceed 50 percent of the median value of all homestead properties within the taxing jurisdiction. The Property Tax/Rent Rebate Program grants tax rebates to eligible Pennsylvanians age 65 and above, widows and widowers at least 50 years of age, and people with disabilities age 18 and older. The annual income limit for this program is $35,000 for homeowners and $15,000 for renters. The program provides a standard rebate up to $650, but supplemental rebates for eligible homeowners can raise total rebates to $975.

Other programs have been created to promote economic development. The Keystone Opportunity Zones Program allows abatements or exemptions of certain state and local taxes, including local property tax, sales tax, and other taxes in designated areas. The purpose of the program is to revive economically distressed urban and rural areas. The Tax Increment Financing Guarantee Program aims to stimulate economic development through the use of tax increment financing.

Table PA-2
Property Tax Features of State Governments, United States, 2020

Feature	Pennsylvania	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1913, Pennsylvania passed a property tax reform bill that allowed Pittsburgh and Scranton to set different property tax rates for land and buildings, known as "two-rate" or "split-rate" property taxation. The purpose of the reform was to encourage development of large land holdings and discourage land speculation. In 1975, Harrisburg became the third city to adopt two-rate property taxation after third class cities were authorized to set separate tax rates for land and buildings. School districts coterminous with third class cities were authorized to implement two-rate property taxes in 1993, and boroughs were allowed in 1998 (Bourassa 2009). Between 1980 and 2000, the number of municipalities levying a higher tax rate on land than on buildings rose. The land-to-building tax rate ratio varied across two-rate municipalities and over time (Yang 2014). Five municipalities, including Pittsburgh, reverted to the conventional property tax after 2000. Counties and school districts (except Aliquippa and Clairton) continued to levy a uniform tax rate on land and buildings.

The Pennsylvania State Tax Equalization Board (STEB) was established by the General Assembly in 1947 to compensate for the lack of assessment uniformity statewide in distributing school subsidies. The STEB later became a part of the Department of Community and Economic Development in an effort to improve efficiency through resource sharing. The board annually determines the aggregate market value of taxable properties in each political subdivision and school district in Pennsylvania and establishes a common level ratio of assessed value to market value for each county for the previous calendar year. The common level ratio is admissible as evidence in any appeal involving real property assessments.

The Pennsylvania Constitution requires uniformity in taxation, which has also led to various court challenges. One particularly important case was *Clifton v. Allegheny County* (2009), in which the Pennsylvania Supreme Court found that Allegheny County's use of a base year rather than market value violated the state's constitutional requirement that all property in each county be assessed uniformly

(Youngman 2016). However, the court did not find that the base year system itself was unconstitutional, merely the way that Allegheny County implemented the system (Weintraub and Karpchuk 2015).

In 2011, the City of Altoona, in Blair County, became the first city in Pennsylvania and the first city in the country to levy a pure land value tax at the municipality level, but in 2016 the city council decided to abandon the land value tax, reverting to assessing land and buildings in 2017. Altoona's mayor Matt Pacifico said the policy was blunted because of the town's small share of total property taxes; the school district and county taxes make up a much greater share of the total tax bill and those governments did not adopt land value taxation." Secondly, he said the land value tax was not widely understood (Kibler 2016; Lawler 2017).

Recent Developments

In November 2017, Pennsylvania voters approved a constitutional amendment to permit the state legislature to enact legislation authorizing local taxing authorities to exempt 100 percent of homestead property from taxation (Branham 2017). This was a first step towards allowing local governments to exempt homesteads from property taxation, paving the way for consideration of a property tax swap bill. Recent efforts to pass legislation for a property tax swap have failed. In 2018, HB 2329, a property-for-income tax swap for school districts, died in committee. In 2019, House Bill 13, which would have replaced state school property taxes with a mix of income and sales taxes, also failed. In 2019, a bipartisan group of legislators proposed five possible tax swap plans (Branham 2019).

In September 2017, in *William Penn Sch. Dist. Et al. v. Pennsylvania Department of Education*, the Pennsylvania Supreme Court reinstated a lawsuit challenging the state's system of school funding. That lawsuit "contends that Pennsylvania's school-funding system violates the state constitution's guarantee of a "thorough and efficient system" of education as well as its equal-protection provision" (Hanna, Graham, and Boccella 2017). In 2018, the case was remanded to the trial court (Superville 2018). The trial has a tentative start date of September 9, 2021 with a pretrial conference scheduled for June 21, 2021 (Fund Our Schools PA 2021).

The Pennsylvania Legislature's Local Government Commission teamed up with the Pennsylvania Municipal League and the Pennsylvania State Association of Boroughs to study nonprofit payments in lieu of taxes (PILOTs). The commission surveyed local and county officials and found municipalities that asked for specific dollar amounts and negotiated in a cooperative way had the most successful programs. The study also found smaller municipalities may lack the resources to develop, negotiate, and collect PILOTs and recommended regional or cooperative efforts, but concluded "there is not a one-size-fits-all approach to PILOTs" (Local Government Commission 2020).

The report comes as municipalities and nonprofits across the state grapple with competing goals. The Salisbury Township School District has challenged the tax-exempt status of Lehigh Valley Health Network in an attempt to extract $5 million in property taxes (Frassinelli 2020). The City of Meadville has considered increasing PILOT requests to help close a $650,000 budget gap (National Council of Nonprofits 2020). As the School District of Philadelphia faces $170 million in environmental cleanup

costs, a group called Penn for PILOTs, established in 2020, is calling on the city's nonprofits to voluntarily pay 40 percent of what they would owe in property taxes without the exemption (Jay 2021). In December 2020, the University of Pennsylvania pledged $100 million over 10 years to the effort, but pro-PILOT advocacy groups say the pledge doesn't go far enough (Stellino 2020).

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Rhode Island

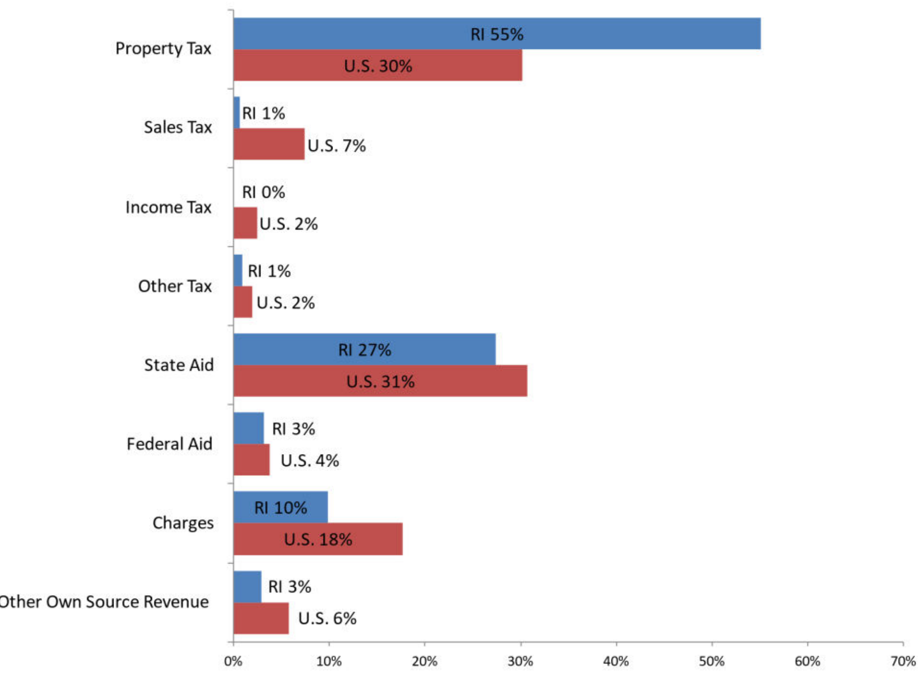
Highlights

Municipal governments in Rhode Island are heavily reliant on the property tax for revenue. In 2019, property taxes accounted for 55 percent of local government revenue (figure RI-1).

Rhode Island has among the highest property tax burdens in the United States. Property tax revenues represented 4.5 percent of personal income in the state in 2019. This placed the state sixth highest in the nation (table RI-1).

Each of the state's 39 cities and towns is allowed to use a property tax classification system when levying property taxes. State law specifies property classes that may be used and grants cities and towns the ability to set different tax rates for each class, with some restrictions. Class 1 includes residential property with fewer than five units and open space; state law authorizes municipalities to provide homestead exemptions within this class or to divide this class into owner occupied and non-owner occupied, imposing separate tax rates in lieu of homestead exemption. Class 2 includes commercial and industrial property as well as residential property with more than five units. Class 3 includes tangible personal property.

Figure RI-1
Sources of Local General Revenue, Rhode Island and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Rhode Island relies heavily on the property tax to generate revenue for state and local government operations. In 2019, the property tax accounted for 22 percent of combined state and local government revenues, the eighth-highest percentage in the United States (table RI-1).

Table RI-1
Selected Rhode Island Property Tax Statistics, 2019[1]

	Rhode Island	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,526	$1,758	*9*
Property tax percentage of personal income	4.5%	3.1%	*6*
Total property tax as percentage of state-local revenue	22.0%	16.6%	*8*
Median owner-occupied home value[2]	$261,900	$217,500	*16*
Median real estate taxes paid for owner-occupied home[2]	$4,272	$2,471	*8*
Effective tax rate, median owner-occupied home[3]	1.6%	1.1%	*10*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Each municipal government is responsible for assessing property values; a full revaluation of all real property must be done every nine years, and statistical updates must occur three and six years after the most recent full revaluation. All real property is assessed at 100 percent of its full and fair (i.e., market) value with the exception of farmland, forest, and open space land, which is assessed at its current use value. Tangible personal property is subject to taxation, but inventory and tangible property used for manufacturing is exempt. Motor vehicles are subject to an excise tax in lieu of the personal property tax.

Limits on Property Taxation

Since 1985, Rhode Island has placed limits on the growth of property taxes (table RI-2). In 2006, it significantly strengthened these limitations with the enactment of SB 3050. This legislation caps the percentage growth of a local government's total property tax levy at 4 percent above the previous year's levy. The property tax cap includes exemptions for specified circumstances that allow a 4/5 supermajority of the governing body of a city or town to exceed the property tax levy limit.

Property Tax Relief and Incentives

Rhode Island has enacted a statewide property tax relief program that offers tax credits to individuals age 65 years or older and to disabled residents. In addition, local governments have the ability to offer property tax credits or exemptions to military veterans, the elderly, and the disabled.

Rhode Island has three main property tax incentive programs designed to encourage economic development in the state: tax stabilization agreements for manufacturing and commercial property, tax exemption for idle manufacturing or mill property, and tax increment financing (TIF). Each of the three programs is authorized by the state government, but the individual cities and towns determine program specifics within the guidelines of state law.

Rhode Island also has property tax programs designed to encourage the renovation of historic structures in the state. Under the program, municipalities may opt to allow the owners of historic properties that incur substantial maintenance or rehabilitation costs to receive a property tax reduction of up to 20 percent for up to five years.

Table RI-2
Property Tax Features of State Governments, United States, 2020

Feature	Rhode Island	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1985, Rhode Island enacted legislation that limited the rate of growth for the overall property tax levy or the property tax rate to 5.5 percent annually. Although this law had some success in limiting the growth of property taxes in the state, many communities applied the 5.5 percent property tax cap to their tax rates rather than to the overall levy. As a result, overall property tax levies continued to grow rapidly throughout the 1990s and early 2000s.

In 2006, Rhode Island enacted SB 3050, referred to locally as the property tax cap, which amended the 1985 limit. One feature of this amendment was to make the tax cap a pure levy limit by applying the cap

only to increases in property tax revenues. The amendment first went into effect on January 1, 2007, and restricts the annual growth of property tax levies to 4 percent above the previous year's levy. The cap on annual levy growth was phased in over several years, starting at 5.25 percent in fiscal year 2008 until reaching the current cap of 4 percent in fiscal year 2013.

The property tax cap does provide exemptions from the cap if debt service expenditures increase rapidly, non-property tax revenues are lost, public employee fringe benefit costs triple from the previous year, or in the event of rapid growth of the tax base that requires significant expenditures on infrastructure or schools. In each case, a 4/5 supermajority of the governing body of the municipality must vote in favor of the levy exceeding the cap. The Division of Property Taxation and Municipal Finance in the Department of Revenue monitors city and town compliance with the tax cap (Rhode Island Department of Revenue, Division of Municipal Finance 2018).

Recent Developments

Rhode Island's fiscal year 2019 budget legislation included a law imposing new reporting requirements for tax credits, including TIF. The Rhode Island Commerce Corporation must annually report program details to the legislature including modifications, clawbacks, and other changes. The law also extended the sunset for the state's TIF program from December 31, 2018 to June 30, 2020 (Rhode Island Department of Revenue 2018). The program sunset has been twice extended by six months and now has a sunset date of June 30, 2021 (Rhode Island Department of Revenue 2021).

In October 2018, the City of Providence enacted a non-utilization tax on neglected vacant and abandoned properties in the city at a rate of 10 percent of assessed value. Properties owned by an abutter, recently purchased, or slated for development are exempt from the tax (City of Providence 2018).

In 2021, the legislature was considering property tax relief legislation. H 6238 would authorize cities and towns to create property tax work-off programs for residents age 60 or older; eligible taxpayers could receive a property tax reduction in exchange for volunteer services to the municipality. H 5681 would amend its circuit breaker program. The legislation would change the program from a multiple threshold program to a single threshold program for household income up to $40,000 and remove variation in benefits based on household size. With this amendment, qualifying taxpayers would be eligible for relief equal to the amount of property taxes that exceeds 6 percent of their income up to the maximum benefit (2021 H 5681).

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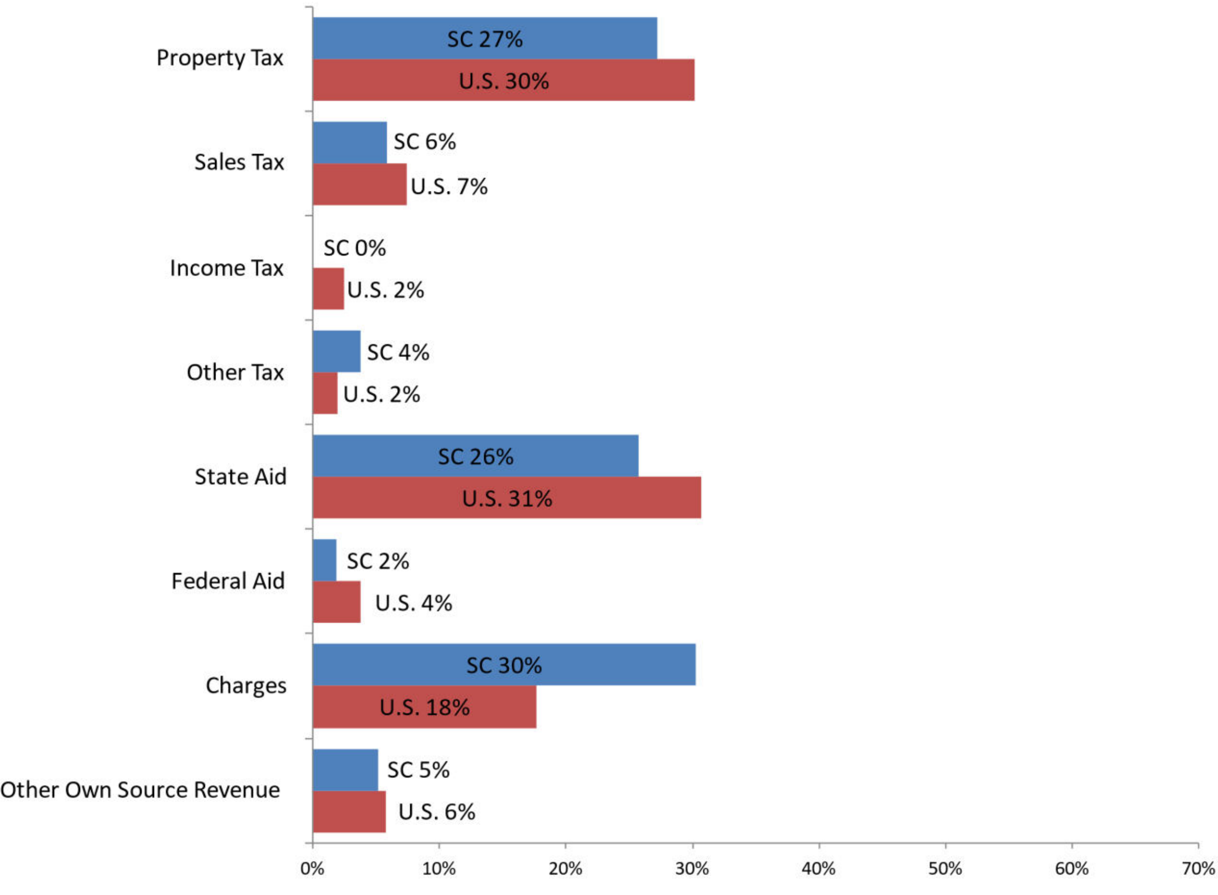
South Carolina

Highlights

South Carolina has long had a classified property tax, with fractional assessment ratios well below 100 percent. For example, residential property is currently assessed at 4 percent of market value, so that a home with a market value of $100,000 is assessed at $4,000.

Between 1995 and 2006, the legislature passed significant changes in its property tax structure that substantially reduced homeowners' property tax burdens, increased state-local dependence on the general sales tax, and decreased reliance on the property tax. South Carolina became the only state to exempt homeowners from property taxes to fund school operations (SC Chamber Foundation, SC Realtors, and Lincoln Institute of Land Policy 2020). Reliance on the property tax among South Carolina local governments is slightly lower than the U.S. average (figure SC-1).

Figure SC-1
Sources of Local General Revenue, South Carolina and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Because of the tax benefits afforded to owner-occupied homes, local governments rely more heavily on the taxation of commercial businesses, manufacturing and utility companies, and non-owner-occupied property than most other states. The effective property tax rate for a median value home in Charleston is the lowest among the largest cities in each of the 50 states and DC, and the effective tax rate on manufacturers in Charleston is the 4th highest (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2020).

Property Tax Reliance

In 2019, property tax as a percentage of state and local revenue was lower in South Carolina than the national average and ranked 30th out of 51 (table SC-1). The effective tax rate on the median value owner-occupied home in South Carolina is about half of that typically seen in the United States and ranks 46th in the nation.

Table SC-1
Selected South Carolina Property Tax Statistics, 2019[1]

	South Carolina	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,272	$1,758	*34*
Property tax percentage of personal income	2.8%	3.1%	*27*
Total property tax as percentage of state-local revenue	14.1%	16.6%	*30*
Median owner-occupied home value[2]	$162,300	$217,500	*38*
Median real estate taxes paid for owner-occupied home[2]	$924	$2,471	*47*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*46*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In South Carolina, property taxes are levied by local taxing districts, including county governments, cities, towns, independent school districts, and special districts. Assessments are conducted primarily at the county level with assessing responsibility split between assessors, auditors, and the state department of revenue. Property is revalued every five years (table SC-2).

The state's system of property tax classification employs eight property classes, with assessment ratios ranging from 10.5 percent for manufacturers, utilities, mines, and personal property not included in another property class to 4 percent for owner-occupied homes and agriculture.

Limits on Property Taxation

Act 388, adopted in 2006, introduced several tax limitations, including an assessment cap. Assessed value cannot increase more than 15 percent over a five-year period unless the property is sold. When a property is sold, the state's Assessable Transfer of Interest (ATI) law requires that most property be reassessed at fair market value for the current year. South Carolina offers an exemption of 25 percent of value for non-owner-occupied residential properties but the owner must submit an application (Lincoln Institute of Land Policy 2020).

South Carolina also has a property tax rate limitation. Property tax rates may not increase by a rate greater than population growth plus inflation in any given year, and there is no catch-up provision if a taxing entity chooses to forego an increase one year. This may incentivize taxing districts to increase rates more frequently than would have previously been seen.

Property Tax Relief and Incentives

Act 388 provides significant property tax relief to property owners for their owner-occupied homes. The School Property Tax Exemption for All Homeowners exempts owner-occupied homes from the property taxes levied for school operating costs. South Carolina does not provide for targeted property tax relief through a circuit breaker program.

South Carolina allows a wide array of property tax exemptions for economic development, including tax increment finance. State law allows companies to apply for a five-year exemption from county property tax levies (except for school operating taxes) if they make an investment of at least $50,000 in manufacturing facilities, research and development facilities, corporate headquarters that have at least 75 new jobs, or distribution facilities (South Carolina Department of Commerce 2021).

Three fee in lieu of property tax (FILOT) statutes authorize county governments to offer manufacturers payments in lieu of property taxes for new investment in the county of at least $2.5 million. Counties may reduce the 10.5 percent assessment ratio to 6 percent for businesses that invest at least $2.5 million and to 4 percent (a "super fee") for businesses that invest over $400 million, or over $150 million plus 125 jobs, for up to 50 years. Property already subject to South Carolina property taxes is generally ineligible unless the investment is greater than $45 million, so this program is intended to encourage and support new investments (South Carolina Department of Revenue 2017). This is the state's largest property tax incentive for businesses. The value of property benefiting from FILOTs more than tripled between 1997 and 2016 (Lincoln Institute of Land Policy 2020).

Table SC-2
Property Tax Features of State Governments, United States, 2020

Feature	South Carolina	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1995, a battle over residential property taxes resulted in a major policy change in South Carolina. That year, the legislature passed state-funded relief from school taxes on the first $100,000 of market value of an owner-occupied home. It is important to note that median home value in South Carolina was around $80,000 at the time of passage, and therefore the majority of South Carolina primary residences were completely exempt from school property taxes under the 1995 legislation.

Significant changes to the South Carolina tax code continued into the new millennium. In 2000, intense pressure to reduce the property tax on personal vehicles led to a constitutional amendment that significantly reduced assessment rates. The rate on motor vehicles was reduced from 10.5 percent to 6 percent, and new rates were phased in between 2001 and 2006. Considering that the personal vehicle portion of total property tax revenues was equal to 20 percent in 2000, this resulted in an 8.3 percent reduction in the property tax.

In 2006, Act 388 was passed in South Carolina, which drastically altered the property tax system within the state. The major property-tax-related components of the act are as follows:

- **Tax Swap:** Act 388 eliminated the property tax on owner-occupied homes for all school expenditures other than debt service and increased the state sales tax from 5 percent to 6 percent. The tax swap substantially reduced many homeowners' property tax obligations, some in excess of 50 percent.
- **State Tax Reimbursement:** For the first year of implementation, the state of South Carolina was required to reimburse local school districts dollar for dollar for the monies lost by the elimination of the school property tax on owner-occupied homes. After the first year, reimbursements were to grow at the rate of population growth plus inflation.

- **Reimbursement Guarantee:** Act 388 guarantees that the one percentage point increase in the sales tax will be used to fund reimbursements to local school districts and will be placed in the Homestead Exemption Fund. If the fund has a shortfall (e.g., the increased sales tax revenue is insufficient to cover reimbursements), the reimbursements must be taken from the general revenue fund.
- **Property Assessment Cap:** A 15 percent cap was placed on the growth of property tax assessments over a five-year period unless the property is sold during that time. This change to the tax code was passed as a constitutional amendment.
- **Property Tax Rate Cap:** Act 388 imposes a cap on the rate at which property tax rates can increase in a jurisdiction. Rate increases are capped at inflation plus population growth.

An important issue with Act 388 is that while the law was marketed as being revenue neutral, experience since its passage does not support that assertion. The law went into effect at the start of the Great Recession, and the sales tax base fell rapidly. Because property tax revenues are more stable than sales tax revenues in an economic downturn, the 1 percent increase in the sales tax did not fully cover the revenue lost in the tax swap.

Recent Developments

Groups such as the South Carolina Chamber of Commerce and the South Carolina Realtors continue to put pressure on the legislature to repeal or replace the current property tax laws. They believe that current law makes South Carolina less appealing for commercial businesses as well as for those looking to invest in real estate. In addition, many school districts have been fighting the laws, as they believe that Act 388 has exacerbated the already difficult state budget situation. Although some lawmakers in South Carolina theoretically support the repeal of the law, since Act 388 reduced many homeowners' tax bills by more than 50 percent, raising them back to their original levels is likely not a viable political reality. A 2020 study by the Lincoln Institute of Land Policy found that South Carolina's complex and unconventional policies have led to a system that is unfair and inefficient, shifting the burden of the tax disproportionately onto businesses and renters (SC Chamber Foundation, SC Realtors, and Lincoln Institute of Land Policy 2020).

In 2017, the legislature passed a manufacturing property tax break as part of an infrastructure funding bill that increased the state's second-lowest-in-the-nation gas tax, the first increase in 30 years, and replaced the motor vehicle sales tax with an "infrastructure maintenance fee" based on a vehicle's purchase price. The manufacturing tax incentive exempts 19.05 percent of the value of qualifying property, but the tax break does not apply to manufacturers with FILOT agreements. The state will use gas tax revenue to reimburse counties for the associated tax loss, estimated at $48.6 million (Helline 2017; Jenkins 2017).

In a win for businesses, a South Carolina appeals court ruled in 2020 that counties must extend the ATI exemption to eligible property owners even if they do not apply for the exemption in the initial year of eligibility. In *Fairfield Waverly, LLC v. Dorchester County Assessor*, a taxpayer sued Dorchester County

over denial of an ATI exemption application filed over a year after the property changed hands (Baker 2020).

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Publication Date

June 2021, data updated February 2022

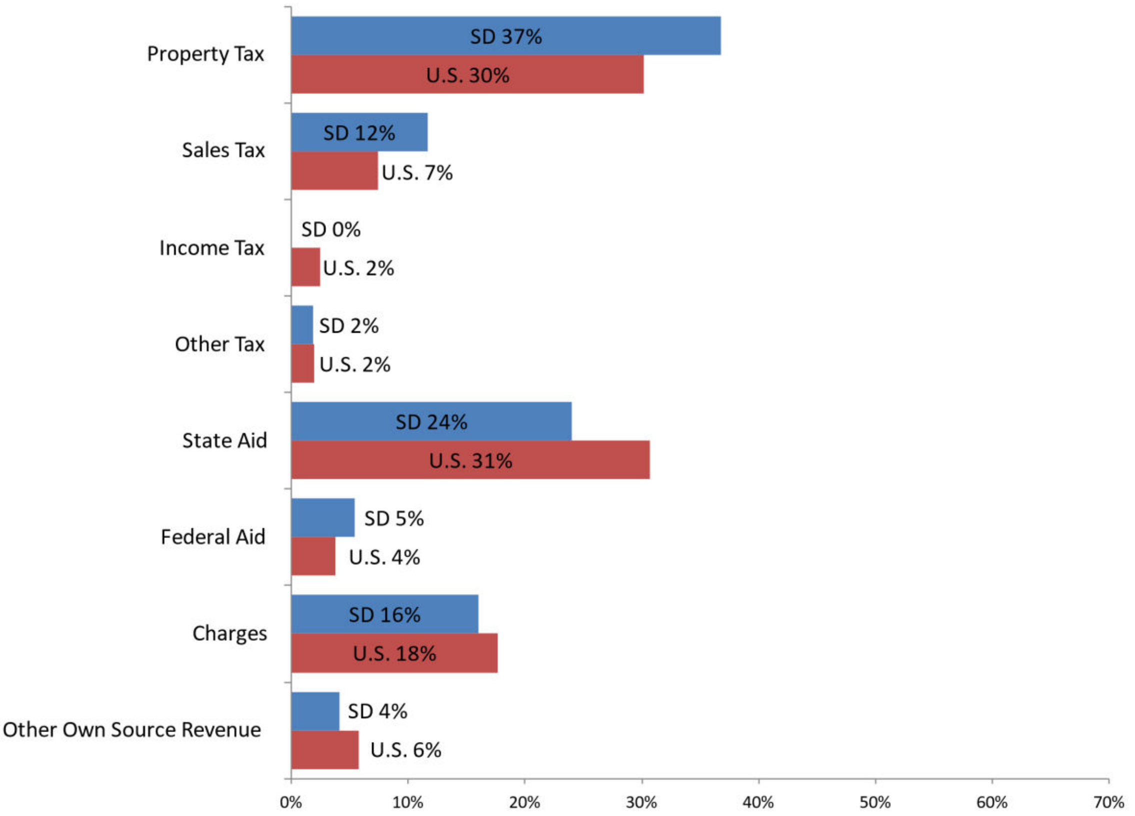
South Dakota

Highlights

South Dakota is one of eight states with no state individual income tax, and one of four states with no general corporate income tax (Federation of Tax Administrators 2021a, 2021b). Because of the state government's limited resources, it provides relatively low amounts of state aid (almost all for education), leaving local governments, especially counties, to rely heavily on the property tax (figure SD-1).

The state taxes agricultural property at a preferentially low rate through two mechanisms. First, agricultural property is given a favorably low value for tax purposes through the system of productivity value, a type of use value. Second, school district property tax rates for agriculture are lower than for other types of property. Together, these provisions result in a lower effective tax rate for agriculture than for owner-occupied homes or commercial, utility, and non-owner-occupied residential property (South Dakota Department of Revenue 2020).

Figure SD-1
Sources of Local General Revenue, South Dakota and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

South Dakota's overall state and local tax burden is low relative to that of other states. Even though its property tax as a share of state-local general revenue is higher than the U.S. average, its property tax burdens per capita and relative to personal income are closer to the national average (table SD-1).

Table SD-1
Selected South Dakota Property Tax Statistics, 2019[1]

	South Dakota	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,532	$1,758	*28*
Property tax percentage of personal income	2.8%	3.1%	*24*
Total property tax as percentage of state-local revenue	18.8%	16.6%	*13*
Median owner-occupied home value[2]	$167,100	$217,500	*36*
Median real estate taxes paid for owner-occupied home[2]	$2,195	$2,471	*25*
Effective tax rate, median owner-occupied home[3]	1.3%	1.1%	*17*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

County directors of equalization assess property under regulations set by the state Department of Revenue (table SD-2). The Department of Revenue directly assesses some property of utilities, railroads, and pipelines. All real property is to be revalued annually.

Property (except agricultural land) is assessed at 85 percent of market value. Since 2011, agricultural land has been assessed according to its "productivity value" (use value). Property owned by charitable, benevolent, or religious societies; educational institutions; nonprofit health care organizations; and agricultural and horticultural societies is exempt as is most personal property.

Although South Dakota's constitution authorizes a state property tax under certain conditions, only local governments actually levy property taxes. Counties, municipalities, townships, and special districts set their own rates; the same rate applies to all classes of property. A different system applies to school districts.

Local school districts account for about 56 percent of property tax collections statewide. For school funding purposes, property is classified as agricultural, owner-occupied single-family dwelling, or other (commercial and industrial).

Limits on Property Taxation

State law establishes mill levy limits, but as a practical matter they are not constraining. Except for school districts, annual growth in local jurisdictions' property tax revenue is limited to the lesser of 3 percent or the rate of inflation as measured by the preceding year's consumer price index (CPI) with adjustments for property improvements, new construction, reclassifications, and annexations.

Local governing boards for counties, municipalities, and townships may exceed these growth limits by an affirmative vote of at least two-thirds of the governing board members. Boards must then announce the "opt-out" decision in local newspapers or directly by mail. A board can refer its decision to voters directly; if it does not, citizens can petition for a vote.

The legislature sets statewide school district property tax rates (uniform tax rates) annually for each classification; in recent years, the rate for commercial and industrial property has been roughly five times the rate for agricultural property and twice that for owner-occupied residences (South Dakota Department of Revenue 2020). According to statute, the "per-student allocation" (state aid plus property tax generated with the statewide rates) is to grow by 3 percent or the rate of inflation, whichever is less. In some years, school district property tax rates for the Capital Outlay Fund and the Pension Fund have also been limited. School boards may exceed the statewide rates for each classification by following similar procedures as for local governing boards.

Property Tax Relief and Incentives

A property tax circuit breaker program provides relief to owners of single-family residences if they are at least 65 years old or disabled and have owned the property for at least three years or lived in the state for at least five years. Household income may not exceed $16,910 (for 2019 claim).

The deferral program known as the Property Tax Homestead Exemption delays payment of property taxes until the property is sold for homeowners who meet age, ownership, residency, and income restrictions. An assessment freeze program applies to elderly and disabled homeowners who meet income limits and whose assessments fall below a certain limit. Other programs provide income-graduated property tax reductions for paraplegics, full exemptions for paraplegic veterans, and limited exemptions for other disabled veterans. County commissioners may freeze taxes levied for up to five years for property purchased by a beginning farmer.

New commercial or industrial structures (including apartments) worth more than $30,000 can be afforded property tax reductions for up to five years at the discretion of the county or municipality in which they are located, as can "additions, renovation, or reconstruction" within urban renewal areas. Part of the value of property owned by a local industrial development corporation is exempt from property taxation, as is part of the value of a renewable-energy facility. Increased value due to

restoration of historical property is not taxed for eight years after restoration. South Dakota also uses tax increment finance (and the districts are called tax incremental districts).

Table SD-2
Property Tax Features of State Governments, United States, 2020

Feature	South Dakota	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In the late 1970s, South Dakota exempted from taxation all personal property except for some centrally assessed utility property. After a major reform effort in the mid- to late 1970s, assessment-sales ratios rose dramatically. Additional reform in 1989 set the standard for assessment-sales ratios at 85 to 100 percent. Since that time, assessments have tended to be closer to actual market values (Ring 2006).

Over the past four decades, property taxes have generally risen in real terms but fallen as a percentage of state personal incomes. Individual tax bills were frozen in 1990 and 1991, after which they rose dramatically as local governments recovered from the freeze and school districts responded to an odd school aid formula that created a strong incentive to raise property taxes (Ring 1991; South Dakota Department of Revenue 2006). In 1994, a ballot initiative that would have drastically cut property taxes nearly passed, prompting state officials to provide significant property tax relief. Taxes for agricultural and owner-occupied properties were reduced by 30 percent in increments between 1996 and 2001, with the state reimbursing local governments for lost revenue (South Dakota Department of Revenue 2006). The state also enacted the foundation school aid formula that is still in place and imposed the revenue growth limits (3 percent or the rate of inflation, whichever is less) discussed above.

Despite these restrictions, real property taxes have continued to rise because of increases in the tax base (allowed for property improvements, new construction, etc.) and because many local governments chose to "opt out" of state-imposed limits. On average, 40 percent of school districts opted out during each of the school years 2004 to 2015; over two-thirds of districts opted out for at least one year during that period (South Dakota Department of Education 2015).

In 2016, the state legislature increased the sales tax rate from 4 percent to 4.5 percent in order to provide additional money for teacher salaries and to provide additional property tax relief (National Conference of State Legislatures 2016). The National Education Association Rankings and Estimates reports show that South Dakota rose from the lowest ranking (out of the 50 states and DC) for average teacher salary in the 2015–2016 school year to the 48th place rank for 2016–2017, and to 47th rank for 2017–2018, ahead of New Mexico, Oklahoma, West Virginia, and Mississippi (Ramposa 2018; National Education Association 2019).

Recent Developments

In 2020, South Dakota enacted a law that requires counties to annually notify homeowners of residential property tax relief programs they may be eligible for. County equalization departments are required to send out assessment notices each year and beginning in March 2022, those notices will include information about property tax relief programs for eligible homeowners including seniors, veterans, and paraplegics (S.D. Codified Laws § 10-6-50).

South Dakota's tax revenues fared well compared to other states during the Covid-19 pandemic that began in March 2020. South Dakota was the only state that did not post any loss in cumulative revenue between March 2020 and February 2021 compared to the prior year. By February 2021, South Dakota's tax revenue was up 7.2 percent over the previous year's collections, a gain higher than 45 other states (Rosewicz, Theal, and Fall 2021).

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Publication Date

May 2021, data updated February 2022

Tennessee

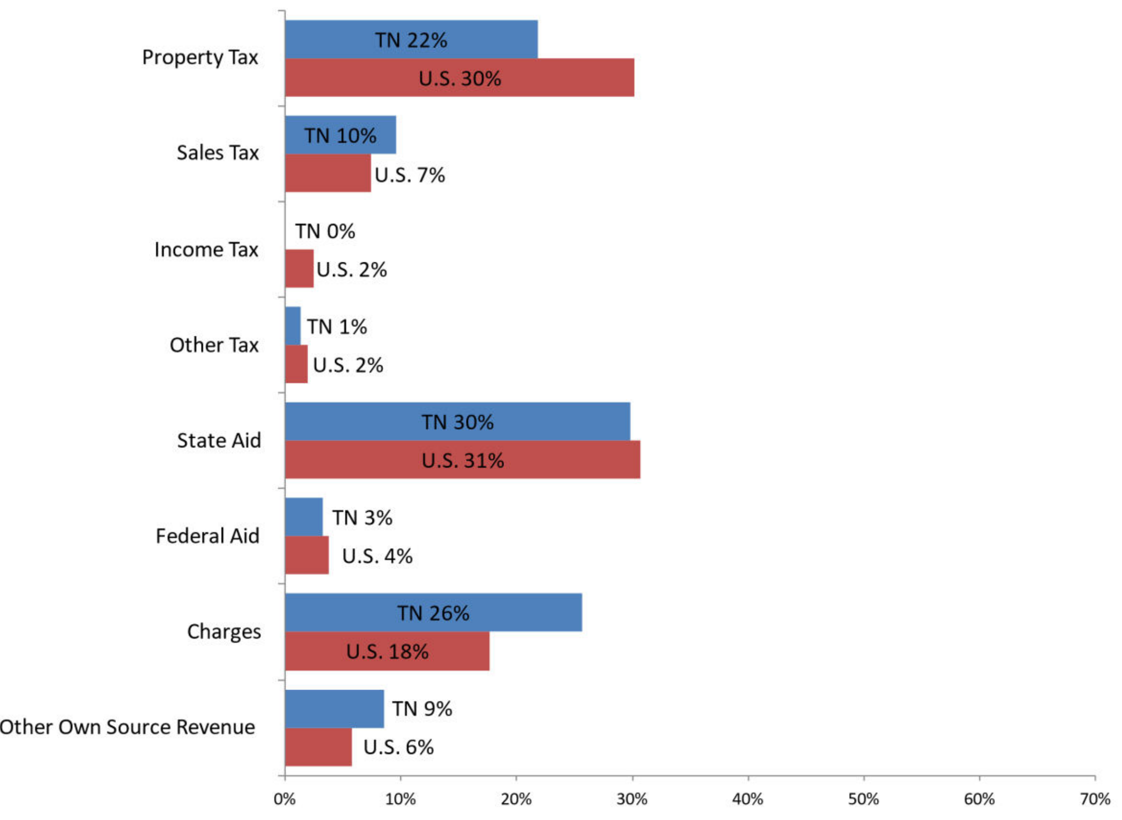
Highlights

Tennessee relies less on the property tax than do most other states, partly because sub-state governments have the authority to enact local option sales taxes, which many localities have done. Tennessee local governments also rely much more heavily on charges than do local governments in other states (figure TN-1).

The state is one of only four others with no state-imposed limitation on property tax rates, levies, or assessments (Paquin 2015; Significant Features of the Property Tax). Although Tennessee does not place constraints on property taxation, it does have a truth-in-taxation requirement.

In 1973, Tennessee adopted a system of property tax classification. Assessment ratios for the five property classes range from 30 percent for business personal property to 55 percent for real and personal property of public utilities.

Figure TN-1
Sources of Local General Revenue, Tennessee and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, Tennessee's reliance on the property tax was low compared to other U.S. states, whether measured as property tax per capita, property tax as a percentage of personal income, property tax as a percentage of state-local revenue, or the effective property tax rate on the median-value owner-occupied home (table TN-1).

Table TN-1
Selected Tennessee Property Tax Statistics, 2019[1]

	Tennessee	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$834	$1,758	*48*
Property tax percentage of personal income	1.7%	3.1%	*50*
Total property tax as percentage of state-local revenue	11.6%	16.6%	*41*
Median owner-occupied home value[2]	$167,200	$217,500	*35*
Median real estate taxes paid for owner-occupied home[2]	$1,190	$2,471	*45*
Effective tax rate, median owner-occupied home[3]	0.7%	1.1%	*37*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessment of most property is performed by Tennessee's 95 counties (table TN-2). State law requires that property be reappraised every four to six years, depending on the county, with physical reinspection every three to five years. Tennessee's property tax administration system is highly transparent, with county assessment data centralized in an easily accessible online database. The International Association of Assessing Officers awarded Tennessee the Distinguished Assessment Jurisdiction Award for the online system (Paquin 2020).

Tennessee has six separate classifications for property, each with a corresponding assessment percentage: (1) public utility real and personal property (55 percent); (2) industrial and commercial real property (40 percent); (3) residential real property that contains no more than one rental unit (25 percent); (4) farm real property (25 percent); and (5) business personal property (30 percent) (Tennessee Department of Revenue).

Limits on Property Taxation

Tennessee's truth-in-taxation requirement ensures that higher taxable values after a reappraisal do not automatically result in a tax increase. After a general reappraisal, counties and municipalities must advertise intent in the newspaper and hold a public hearing before they adopt a resolution or ordinance establishing a tax rate that would generate greater overall tax revenues than were billed in the year before the reappraisal (Tennessee Comptroller of the Treasury).

Property Tax Relief and Incentives

Tennessee has an incentive that promotes improvements of historic structures in counties with populations greater than 200,000 or in incorporated municipalities. Subject to various criteria, the value of any improvement is exempt from property taxation for 10 to 15 years. The state also promotes economic development through tax increment financing.

A local option property tax freeze act has currently been adopted by 23 counties and 33 cities in the state as of 2019 (Tennessee Comptroller of the Treasury 2019). Under this program, property taxes are held at the lesser of the value recorded in the year the property owner became eligible for the program, or the current value. To qualify for the program, individuals must be at least 65 years of age, use the property as their primary residence, and meet income requirements.

Tennessee does not have a circuit breaker but has property tax credits that provide property tax relief for homeowners who are low-income elderly, disabled, or disabled veterans.

Table TN-2
Property Tax Features of State Governments, United States, 2020

Feature	Tennessee	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

When Tennessee became a state in 1796, both the state and local governments levied property taxes, but the property tax did not become an ad valorem tax until the second state constitution was ratified in 1835. The state government continued levying a property tax until 1949 (Green, Chervin, and Lippard 2002).

Authorization of the local option sales tax in 1963 reduced local government reliance on property tax revenue.

Litigation brought by railroad companies in 1965 led to the adoption of a property tax classification system in 1973 whereby different types of property are taxed at different rates. In 1976, Tennessee adopted use value for agriculture, forest, and open space (Green, Chervin, and Lippard 2002).

In the 1980s, Tennessee reformed its property tax assessment system. The Division of Property Assessments developed a statewide computer-assisted tax billing system in 1985 and in 1989, the state enacted Chapter 495 of the Public Acts of 1989 which implemented systematic revaluation cycles of four to six years with physical re-inspection phased in over the term of the cycle (Stein, Allen, and Lippard 2003; Paquin 2020, 112).

Significant disparities in property tax bases among counties over time led to substantial differences in education funding across counties. The Basic Education Program (BEP) was enacted in 1992 as a result of litigation that determined that the state's previous school district funding mechanism was unconstitutional. The effect was a subsidy for low property tax revenue counties that allowed them to postpone needed tax rate increases (Chervin 2009). Litigation ensued a year after enactment of BEP. In just over 25 years, the BEP has been the subject of five lawsuits (SchoolFunding.Info).

The assessment ratios of the classification system—that is, how the relative property tax burden differs by land use—continue to be an important political issue in Tennessee. There is tension concerning the relative distribution of the property tax burden between residential versus commercial/industrial sectors, with households shouldering an increasing burden over the last two decades.

Recent Developments

The structure of the Basic Education Program is still the object of litigation. In March 2015, *Hamilton County Board of Education v. Haslam* became the fourth lawsuit concerning education funding against the state in less than 25 years. The suit claims the state has failed to adequately and equitably fund K-12 schools. In 2020, the Davidson County Chancery Court dismissed the Hamilton County lawsuit citing school funding reforms in recent years.

In September 2015, school boards in Memphis and Nashville filed a lawsuit, *Shelby Co. Bd of Educ. v. Haslam*, which claims that the state has denied an adequate and equal education for low income and minority students (SchoolFunding.Info). The Davidson County chancellor denied a motion by the state to dismiss the Shelby County Schools case in July 2018 and again on appeals in September 2018 and

January 2019 (Aldrich 2018, 2019). Metro Nashville Public Schools joined the lawsuit in 2017 and a coalition of 84 small districts joined the lawsuit in April 2021 (SchoolFunding.Info). The case is pending trial (Shelby Co. Bd of Educ. v. Haslam).

After experiencing record property value growth from 2013 to 2017, Nashville property assessments skyrocketed in the city's 2017 revaluation, increasing on average 37 percent above the 2013 revaluation. Higher assessments triggered a 45 percent increase in appeals and an unusually high appeal success rate. The tax rate had been adjusted down as state law requires revenue-neutral reappraisals. As a result of appeals and lower-than-expected growth, property tax revenues were down between $20–25 million, leaving a hole in the city's $2.2 billion 2018–2019 budget. Mayor David Briley vowed not to raise the tax rate (Wharton 2018). In 2020, the city council approved a budget that increased property taxes 34 percent with increased funding for police and schools. In response, a Nashville taxpayers group petitioned to repeal the increase via referendum. In November 2020, Chancellor Ellen Hobbs invalidated the measure, blocking it from the special election ballot (Jones 2020).

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Texas

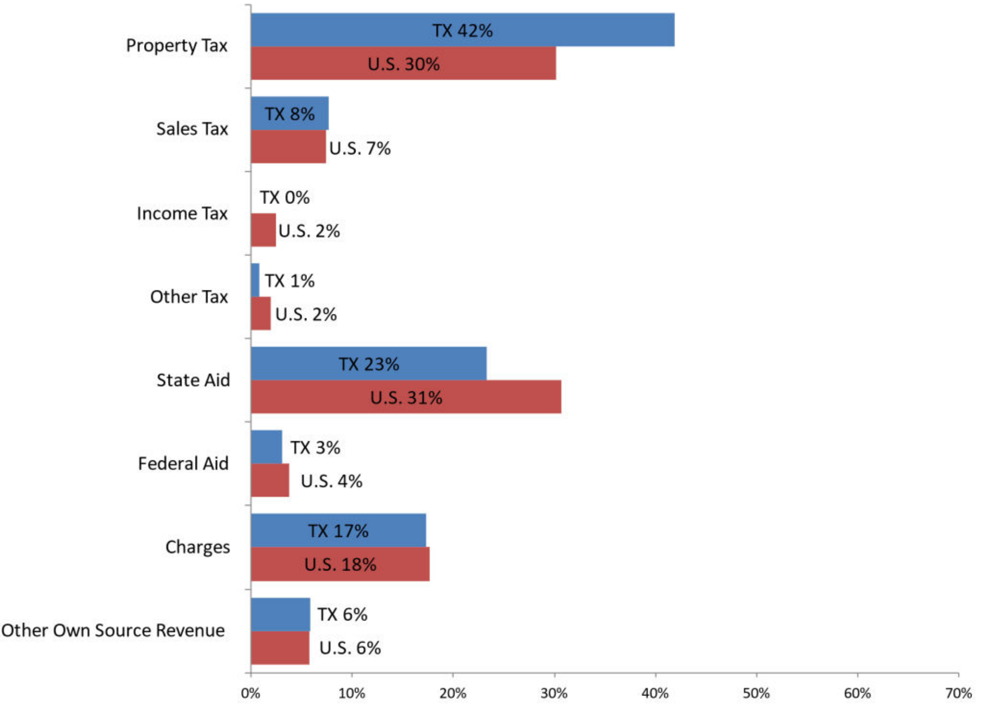
Highlights

Texas property tax rates are more akin to those in New England or the Midwest than to rates for other states in the South. Effective property tax rates on owner-occupied housing in Texas are the seventh highest in the United States and well above the median rate for all states. Some of Texas's high reliance on the property tax is due to the fact that the state does not have a personal income tax (figure TX-1).

The Texas state constitution prohibits state-level property taxation. Despite not taxing property itself, the state does play a large role in overseeing the practices of local taxing entities, for example, by setting caps on local tax rates, minimum exemption levels, special preferences, and caps on increases in assessed values.

The majority of Texas property tax revenues support public education. The state has a long history of court challenges to its school finance system, some of them based on the assertion that the state's system of school finance has created a de facto state property tax in violation of the state's constitution.

Figure TX-1
Sources of Local General Revenue, Texas and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, the average effective property tax on the median value owner-occupied home was seventh highest in the United States (table TX-1). Texas ranked fifth highest for share of state and local revenue from the property tax.

Table TX-1
Selected Texas Property Tax Statistics, 2019[1]

	Texas	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,098	$1,758	*12*
Property tax percentage of personal income	4.0%	3.1%	*10*
Total property tax as percentage of state-local revenue	24.0%	16.6%	*5*
Median owner-occupied home value[2]	$172,500	$217,500	*32*
Median real estate taxes paid for owner-occupied home[2]	$3,099	$2,471	*15*
Effective tax rate, median owner-occupied home[3]	1.8%	1.1%	*7*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Cities, counties, independent school districts (ISDs), and special districts (such as hospital or mosquito control districts) all levy property taxes. Property is assessed at 100 percent of market value and is revalued at least once every three years. The state does not require physical re-inspection.

Texas does tax personal property and is one of nine states that fully tax business inventories.

Assessment is done by central appraisal districts, sometimes called county appraisal districts (CADs). Each CAD is governed by a board of directors appointed by the local governments. CADs have the same borders as counties except in one instance where two counties share a combined district. Each CAD also establishes an appraisal review board to adjudicate disputes between property owners and the CAD as well as objections or queries raised by the taxing units.

Limits on Property Taxation

The Texas Constitution sets a number of limits on levels of property taxation, including rate limits, levy limits, full disclosure and truth in taxation requirements, and an assessment limit. The limits are complex, sometimes depending on the use of the revenues and sometimes on antiquated distinctions between how cities were incorporated. For example, a rate limit on school districts is set at 10.4 mills or 66.67 percent of the prior rate plus 0.4 mills, if lower than 15 mills (Significant Features of the Property Tax).

The state also caps the increase in assessed values for a homeowner's primary residence. Assessed values are not permitted to increase by more than 10 percent since the previous assessment (not counting the value of new improvements to the property) and may not exceed market value if market value is lower than the allowable assessed value (table TX-2).

Property Tax Relief and Incentives

With respect to real property, the state imposes a number of mandatory exemptions and tax caps while also permitting taxing units to enact others (Texas Comptroller of Public Accounts 2016). For residential homesteads, the state imposes a $25,000 exemption against taxes levied by school districts. State residents who are over age 65 or disabled are entitled to an additional $10,000 exemption, and all taxing units are required to offer partially disabled veterans further exemptions. Legislation adopted in 2019 (HB 2441) prevents disabled senior homeowners from claiming both the disabled homestead exemption and the elderly homestead exemption. Additionally, the state mandates a $3,000 exemption for primary residences in counties that raise revenue from farm-to-market roads or flood control taxes. All taxing units have the option of offering an exemption equal to as much as 20 percent of a property's value but not less than $5,000. More than 20 percent of the state's school districts offer an optional homestead exemption (Significant Features of the Property Tax). Despite its high effective property tax rates, Texas does not have a property tax circuit breaker.

School districts must freeze property taxes for those taxpayers over 65 or disabled who are receiving exemptions. The freeze limits tax liabilities to taxes owed for the year the taxpayer first received the exemption. Taxpayers who change residences are entitled to an exemption equal to the percentage of tax savings that they were receiving prior to the move. The over 65 exemption and tax cap is transferable to surviving spouses who are at least 55 years of age when widowed. U.S. military veterans with 100 percent disability ratings from the Department of Veterans Affairs are completely exempted from all property taxes on their primary residence.

Texas employs several property tax exemptions for economic development, including enterprise zone tax abatements and tax increment financing for reinvestment zones.

Table TX-2
Property Tax Features of State Governments, United States, 2020

Feature	Texas	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The current Texas property tax system owes its structure to the 1979 "Peveto Bill," named after its sponsor, former state representative Wayne Peveto.

Prior to 1979, taxing units had great autonomy, little coordination with overlapping taxing units, and virtually no overarching superstructure—with what did exist usually emanating from court rulings. The same property might be appraised at vastly different values by each of its jurisdictional taxing units. Properties of equal market value might have vastly different assessed values depending on how recently they were last sold. The lack of formal rules for appraisals or schedules for reappraisal led to complaints and lawsuits questioning the system's fairness. Rapid increases in house prices during the 1970s exacerbated these problems, as did state aid for education formulas, which were based partly on the assessed value of each district's tax base.

The Peveto Bill accomplished several things. It separated appraisals from tax collection by creating the central appraisal districts, required assessment at full market value, mandated reassessment at least once every three years, and improved state oversight and guidance by creating the State Property Tax Board (which has since been eliminated and folded into the Comptroller's Office) (Haney 2015).

Texas has had a long series of court challenges to its school finance system, starting in 1973 with *San Antonio Independent School District v. Rodriguez*, which is still ongoing. This and subsequent court challenges have alleged that the school finance system has created a de facto state property tax, which is in violation of the state constitution. The logic is as follows: State law puts a cap on local property tax rates for school districts. At some points, the majority of school districts have been at the cap, without the ability to lower tax rates because of their revenue needs or to raise tax rates. This leads to the argument that the school property tax had been converted into a state property tax (TTARA 2012).

In 2014, District Court Judge Dietz ruled that the Texas school finance system violated the Texas Constitution on issues of equity, adequacy, and a state property tax in *Morath v. The Texas Taxpayer and Student Fairness Coalition* (TTRA 2014). In May 2016, the Texas Supreme Court unanimously reversed the trial court's ruling in the case (SchoolFunding.Info). In their ruling, the "justices noted that the school funding system is 'undeniably imperfect with immense room for improvement. But it satisfies minimum constitutional requirements. Accordingly, we decline to usurp legislative authority'" (Parsons 2016).

Recent Developments

Texas enacted two major property tax laws in the 2018–2019 legislative session. House Bill 3 reformed the state's education finance system, pouring $6.5 billion into K-12 education including full-day pre-K, merit-based teacher raises, and funding for educating low-income students. Another $5.1 billion funded increased state aid to school districts. The new law also capped local property tax rate increases at 2.5 percent. A fiscal analysis estimated the limit would reduce local property tax collections by $2.7 billion over two years from 2020 to 2021, a loss that would be partially offset by related school education aid increases (Legislative Budget Board 2019a; Swaby 2019). The effect of the legislation was to shift more of the responsibility for financing K-12 education to the state government.

The Texas Property Tax Reform and Transparency Act (Senate Bill 2 of 2019) requires voter approval for property tax levy increases of more than 3.5 percent for cities, counties, and emergency service districts, and 8 percent for community college and hospital districts. Taxing districts that keep levies below the limit can exceed the limit in a subsequent year as long as the levy increase does not exceed a 3.5 percent average over three years (Roldan and Najmabadi 2019). Assuming no overrides, a fiscal analysis found the limit could cost cities, counties, and special districts $315 million in lost revenue in the first year of the limit (2021) and as much as $981 million in 2024 (Legislative Budget Board 2019b).

The 2021 legislature extended two business tax incentives for 10 more years, including a controversial abatement program for renewable energy (HB 4242 and SB 144/HB 778). The legislature adjourned without passing assessment limits for commercial and homestead property. House Bill 528 would have limited growth in commercial assessments to 3.5 percent per year plus the value of new improvements; other failed legislation would have frozen appraised value of residences at the value in the year a homeowner first qualified for the exemption (HB 96 and HJR 8). The legislature also failed to pass a property tax for sales tax swap (HB 277) and a bill to phase out school property taxes and replace revenue with a consumption tax (HB 59).

The hotel industry in Houston, Texas fared worse in the Covid-19 pandemic than in other states. The combination of pandemic-related travel impacts and the collapse of energy prices devastated the hotel market in Houston, home of about 4,600 energy firms. Hotel occupancy rates declined by a third from 2019 to 2020 and the average room rate declined 20 percent. In early 2021, the projected occupancy rate was 53 percent, still more than 10 percentage points lower than 2019 occupancy with slow recovery predicted in room rates. In 2021, 73 percent of Houston hotels were delinquent on commercial mortgage-backed securities loans compared to 19.8 percent nationally. Reappraisals for some

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Utah

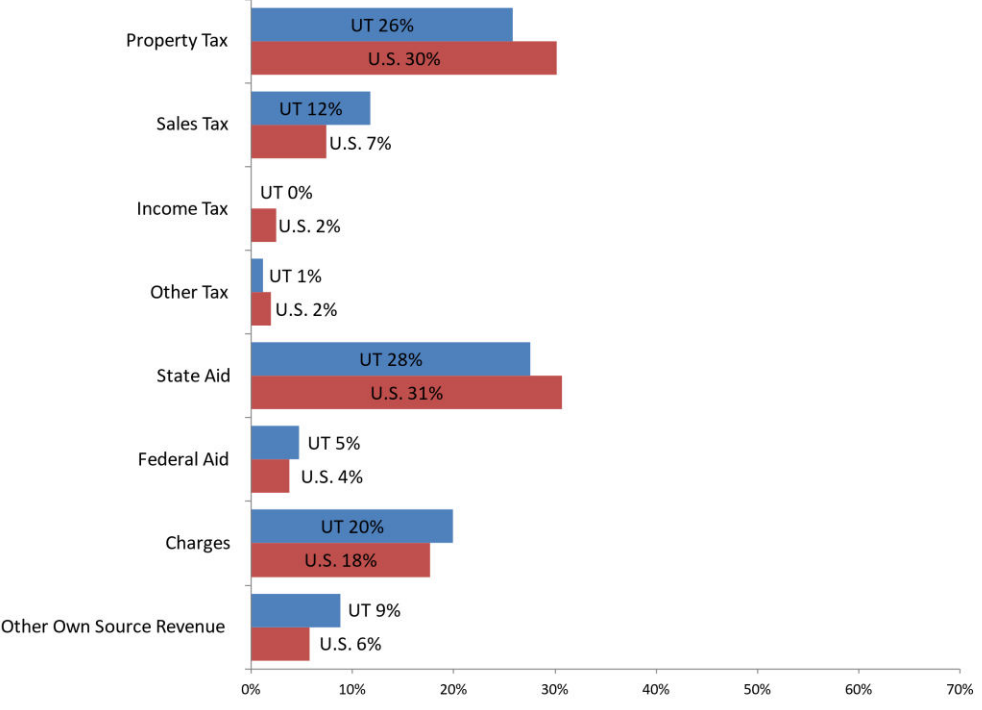
Highlights

The property tax in Utah is levied by counties, cities and towns, and special districts. School districts are the most significant users of property tax revenue, with more than 50 percent of the tax collected going to K-12 education. The state levies personal and corporate income taxes and a retail sales tax. Cities, counties, and some special districts are also allowed to levy a local option sales tax on top of the state sales tax (figure UT-1).

All property is assessed at 100 percent of market value except for residential property and agricultural land. Residential property is assessed at 55 percent of market value, and agricultural land is assessed at use value based on a constitutional amendment. Agricultural land represents 20 percent of all land in Utah, but the assessed value is less than 1 percent of the state's total assessed value (U.S. Census of Agriculture 2019). Federal or publicly owned land is very significant in Utah.

Utah adopted a truth-in-taxation law in 1986 that appears to have limited the growth of revenue from the property tax. When the law was first adopted, property tax as a percentage of personal income was approaching 6 percent. Currently, the property tax represents about 3 percent of personal income (Cornia and Walters 2006).

Figure UT-1
Sources of Local General Revenue, Utah and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, property tax as a percentage of state and local revenue was in the bottom third of reliance when compared to the other 50 states. The effective property tax rate on a median-valued owner-occupied home was only 0.6 percent, compared to 1.1 percent for the U.S. average (table UT-1).

Table UT-1
Selected Utah Property Tax Statistics, 2019[1]

	Utah	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,153	$1,758	*35*
Property tax percentage of personal income	2.4%	3.1%	*38*
Total property tax as percentage of state-local revenue	11.7%	16.6%	*40*
Median owner-occupied home value[2]	$279,100	$217,500	*11*
Median real estate taxes paid for owner-occupied home[2]	$1,748	$2,471	*31*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*40*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey
[1] All revenue numbers in this table include the state government as well as local governments.
[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.
[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Utah, property tax administration is the responsibility of county assessors, who are elected every four years in partisan elections. County assessors must follow the state constitution and enabling statutory legislation and regulations. They must also maintain assessment ratios equal to 100 percent of market value and review the property tax values in their county annually. In addition to the annual review, counties are required by state law to reappraise properties on a five-year cycle. The State Tax Commission monitors the work of the county assessors and can impose requirements on assessors to rectify appraisal problems.

The State Tax Commission is responsible for the appraisal of large complex firms. These firms are referenced as centrally assessed and include electric utilities, gas utilities, gas transmission lines, and telecommunication and inter- and intrastate transportation firms. The Tax Commission also values metal mines, nonmetal mines (coal), and oil and gas properties.

Tangible personal property of businesses is taxed, with the exception of inventories. Taxpayers are allowed an exemption of $10,000.

Some sources describe Utah as having a classified property tax system because most property is assessed at 100 percent of market value, except for residential property, which is assessed at 55 percent of market value (table UT-2). Other sources do not consider this classification but describe this as an exemption of 45 percent of the value of residential property.

Table UT-2
Property Tax Features of State Governments, United States, 2020

Feature	Utah	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Limits on Property Taxation

Utah imposes two types of limits on property taxation: rate caps and a levy limit with a truth-in-taxation override. Rate limits for cities, towns, and counties range from 3.2 to 7 mills. School districts have rate limits, but they also have a minimum basic tax rate set by the legislature.

The levy limit with truth-in-taxation override works as follows: Each taxing entity is required to calculate the certified tax rate that will provide the same amount of property tax revenue as was levied in the previous year. If the taxing entity proposes a property tax rate in excess of the certified tax rate, it must provide notice to individual property owners and hold a public hearing. New growth and the minimum school program levy are exempted from the calculation of the certified tax rate.

Property Tax Relief and Incentives

The provision that assesses residential property at 55 percent of market value or exempts 45 percent of residential property from the property tax can be considered a major property tax relief program. This provision is extended only to primary residences. Secondary homes or vacation homes are taxed at 100 percent. In five rural counties in Utah, secondary homes represent more than 50 percent of the taxable value in the county. This policy creates substantial discord among the owners of such homes.

The state has a series of programs to mitigate the property tax for groups determined by state law to deserve a reduction in the property tax. These include active-duty military, disabled veterans, blind

persons, and homeowners and renters who qualify for a circuit breaker credit. The circuit breaker benefit is provided as a property tax credit for homeowners and a direct rebate for renters. In 2019, the maximum benefit for either homeowners or renters was $1,015.

The only property tax incentive for economic development is tax increment finance.

Key Property Tax History

The property tax dates back to the state's original constitution in 1896 (Utah State Tax Commission).

The legislature first enacted a state sales tax in 1933, and the first local option sales tax was authorized in 1959 (Office of Legislative Research and General Counsel 2011). Reliance on the property tax has been reduced by increased local government dependence on local option sales and use taxes. Cities and towns, counties, and special districts use the local option sales tax.

In the 1970s, Utah was one of the early developers and adopters of a computer-assisted appraisal system. The system was embraced with a strategy to introduce computer-assisted appraisal across all 29 counties in the state. The implementation of the values generated by the state system was controversial and by many measures a failure (Cornia and Asplund 1987). A significant result was an initial shift in the property tax burden from centrally assessed properties to locally assessed residential properties.

There is a common perception that reappraisal increases can be offset by a simple reduction in the tax rate, but this cannot happen when there are uneven appraisal cycles, different assessment ratios, and different property tax bases (Cornia and Knighton 1982). The state's reappraisal program fostered a series of attempts to shift the property tax away from residential properties. These included a reduction of the assessment ratio to 15 percent and in 1980 a rollback of assessed property values to 1978 values. The rollback was ruled unconstitutional in 1984. The final result of the seeds sown by the reappraisal program is that property is assessed at 100 percent of value, but residential homes have a 45 percent reduction in their taxable value.

The appraisal of centrally assessed properties has a long history of contention over assessed value. The contention has been between the owners of the property, Utah counties, and the State Tax Commission. Issues include the treatment of intangible values, the discount rate, and the impact of state and federal regulations on firm value.

Recent Developments

Utah has the lowest school funding in the nation and is one of two states with no history of school funding litigation. In recent years, the state has adopted policies to increase school funding. In 2015, the state increased its basic education property tax rate for the first time since 1996 in order to help equalize funding for school districts. This measure was predicted to raise $75 million (Utah State Legislature 2015). In 2018, voters rejected a ballot measure to increase the state gas tax to raise more money for schools (Collins et al. 2019). In the same year, the legislature enacted a rate floor for the minimum basic tax rate. The floor will keep the rate from declining below 0.0001669 (down from

0.001498) when property values rise and will increase revenue for education. The state pays school districts the difference between the amount raised at the state basic rate and minimum basic program amount set by the legislature. House Bill 293 also increased the maximum school board local levy for school districts and increased the homeowner credit by $14 (Utah State Legislature 2018).

In November 2018, Utah voters approved a ballot measure making it easier for active-duty military members to quality for a tax exemption. Amendment A modified the exemption criteria to 200 days of active service within a 365-day period instead of within a calendar year (Collins et al. 2019). In 2016 and 2018, Utah voters rejected proposed constitutional amendments to allow property leased by the state or by a political subdivision of the state to be exempt from property taxation.

In 2019 and 2020, Utah both reduced personal property taxes and permitted new uses for tangible personal property tax revenues. House Bill 231 increased the base tangible personal property tax exemption from $10,000 to $15,000 and exempted any personal property item costing under $150 that is not necessary to the operation of a business. The following year, the legislature passed HB 53 to exempt any item not necessary to the operation of a business or any item acquired for less than $150 in 2020 or $500 in 2021. In 2020, Utah voters approved a constitutional amendment to expand the use of personal property tax revenues. Prior to the new law, these revenues were dedicated to public schools and higher education. Amendment G of 2020 permits the use of these revenues to support children and disabled individuals.

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Publication Date

May 2021, data updated February 2022

Vermont

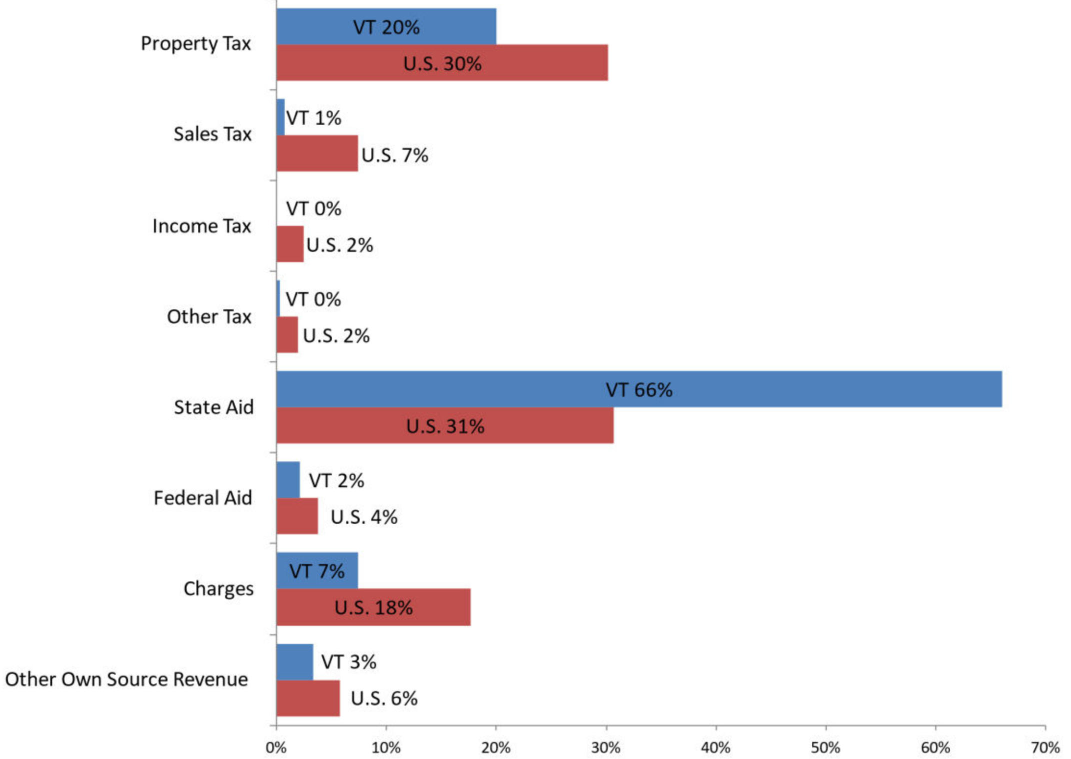
Highlights

Understanding policies and practices around property taxation in Vermont requires substantial attention to the state's educational finance system. Almost all school budget expenses are funded by the state, with the state property tax, which is locally billed and collected, comprising the largest source of state funding (Vermont League of Cities and Towns 2014). It is important to note that state aid in Vermont appears to be more than twice the national average; but the majority of state aid originates from the statewide property tax, which is transferred from local jurisdictions to the state before redistribution (figure VT-1).

Vermont is unique in the degree to which its systemic property tax relief provisions in effect convert the property tax for some low- and moderate-income households into an income tax. One such provision, known as income sensitivity, is one of several that make Vermont's property tax system one of the most complex systems in the United States.

Vermont is one of only four states with no state-imposed limitation on property tax rates, levies, or assessments (Paquin 2015).

Figure VT-1
Sources of Local General Revenue, Vermont and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2019, Vermont had the second highest property tax burden in the nation as measured by percentage of personal income. Property taxes accounted for about 24 percent of all state and local revenue, a rate that places Vermont sixth from the top among all states in terms of total property taxation as a percentage of state and local revenue (table VT-1).

Table VT-1
Selected Vermont Property Tax Statistics, 2019[1]

	Vermont	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,938	$1,758	*6*
Property tax percentage of personal income	5.3%	3.1%	*2*
Total property tax as percentage of state-local revenue	23.9%	16.6%	*6*
Median owner-occupied home value[2]	$227,700	$217,500	*20*
Median real estate taxes paid for owner-occupied home[2]	$4,329	$2,471	*7*
Effective tax rate, median owner-occupied home[3]	1.9%	1.1%	*5*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The education property tax is a state tax, although it is levied and collected locally. Its most important provisions are explained below. Property taxes used to fund local services other than education are controlled by local governments and administered similarly to those in other New England states. Vermont is not considered to have statewide classification of real property, as classification is used only for the education property tax (table VT-2).

With respect to the education property tax, there are two classes of property: homestead and non-homestead, with non-homestead property taxed at a higher rate. Assessment is done annually at the town level. Since the state relies on local assessments, it uses a measurement called the common level of appraisal (CLA) to mitigate assessment or appraisal differences from town to town. The CLA measures how close local assessments are to fair market values. Specifically, the CLA is the percentage of a district's average fair market value embodied in its assessed value. If the assessed values are less than the fair market value (actual sales values), the CLA will be less than 100 percent. If the assessed values are more than the fair market values, the CLA will be over 100 percent. If a town's CLA drops below 80 percent (that is, if the average assessed value is only 80 percent or less of the fair market value), the state can withhold education and other funding (Vermont Children's Forum and Public Assets Institute 2006).

Non-homestead and homestead base tax rates for the education property tax are set annually by the legislature. Base spending levels in education, expressed as an average per-pupil spending level, are also

set annually by the legislature. However, a significant feature of the education finance system is an excessive-spending threshold that works through a progressive tax rate adjustment to curtail spending in districts. Districts may opt to spend higher than the base; but in cases where districts opt to spend 25 percent above the average state education spending per pupil, they are subject to an additional prescribed property tax rate.

Limits on Property Taxation

There are no state limits on property taxation in Vermont.

Property Tax Relief and Incentives

Vermont has two circuit breaker programs. The first is the education property tax adjustment program, also known as income sensitivity because property taxes are adjusted based on the income of household members. This property tax adjustment is solely for education taxes. There is a single threshold percentage for each school district, which starts at 2 percent of income and is higher for districts with higher per-pupil spending (up to ≈ 4 percent). The maximum home equalized assessed value (EAV) considered for calculating benefits varies based on income (Significant Features of the Property Tax).

The second circuit breaker program is the homestead and renter property tax rebate, in which homeowners with incomes of $47,000 or less are eligible for additional property tax relief if the income-sensitized education property tax liabilities combined with municipal property taxes are greater than a defined percentage of household income. The maximum benefit from the property tax rebate and the education property tax adjustment combined is $8,000, and the benefit is disbursed as a property tax credit (Significant Features of the Property Tax).

Vermont has preferential property tax programs for specific land uses. It offers current-use valuation on land that is used in timber production, conservation, or forest land. Land used for hotels and airports is eligible for full or partial property tax exemptions for up to five years. Agricultural land and farmland are eligible as well and can also qualify for full or partial property tax exemptions (Significant Features of the Property Tax).

The state also has a variety of property tax-related economic development programs. A tax increment financing (TIF) program is in place, with nine municipalities currently having TIF districts; but in 2013, the state halted creation of new TIF districts, and rules adopted in 2017 limited the number of TIF districts per county to two and also allowed a new local TIF that is financed only with municipal property tax revenue (McCullum 2017).

Additionally, state law allows for extensive property tax stabilization agreements for property that is tied to increasing jobs, wages, or municipal redevelopments.

Table VT-2
Property Tax Features of State Governments, United States, 2020

Feature	Vermont	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Vermont's property tax reforms since the 1990s have revolved around key changes in how education is financed. *Brigham v. State,* initiated by the Vermont ACLU, claimed that the existing education funding system was unconstitutional because it created large disparities in education funding from town to town. Act 60, passed in 1997 in response to that school finance litigation, allowed the state to collect and equalize property tax revenues across school districts. Under this law, Vermont distributed education funding statewide in an attempt to mitigate funding inequities (Saas 2007). Act 60 has narrowed those disparities (Downes 2004; Saas 2007). In 2003, Act 68 changed provisions of the Equal Education Opportunity Act regarding operations of the property tax while maintaining the key equalization features of that law (Schmidt and Scott 2006).

Over the past decade, the Vermont Legislature attempted a variety of school consolidation initiatives in response to declining enrollments and the perception that inefficient school district organizations had led to excess spending and property tax burdens (Vermont Legislative Workshop 2007). In 2015, the legislature passed Act 46, which gave tax breaks to districts that consolidated but used spending caps to penalize districts that refuse to consolidate by 2019 (Burnette 2016). In 2018, the Vermont State Board of Education released its final report of decisions on school district mergers, which called for the involuntary merger of 42 districts into 11 union school districts. In fiscal year 2013 (prior to consolidation legislation), Vermont had 276 districts; by fiscal year 2020, that number had declined to 120 for a net reduction of 156 districts. About 78 percent of these reductions came as a result of voter-approved mergers, while the remaining 22 percent of reductions were ordered after districts failed to merge voluntarily (Vermont Agency of Education 2019).

Recent Developments

In recent years, demographic pressures have amplified growing public concern that Vermont's school district organizations are too numerous, often too small, and a leading contributor to excessive spending in education. Currently, Vermont has the fifth highest average per-pupil expenditures in the country, at $17,873 (U.S. Census 2018).

In 2018, Vermont Democrats pushed for a tax swap in which the statewide property tax would be slashed in half and replaced with a new graduated income tax for education and additional sales tax revenue (House Bill 911). The legislature failed to override a veto by Governor Phil Scott and the final budget did not include the income tax surcharge for education (House Bill 16). The Vermont Tax Structure Commission issued a draft report in January 2021 calling for reforms, including overhauling the Homestead Education Tax, broadening the sales tax base, expanding the income tax base, and property tax administration reforms (Brighton, Trenholm, and Kleppner 2021).

Late in 2020, Vermont Tax Commissioner Craig Bolio warned the education property tax bill could jump by as much as 9 percent for fiscal year 2022 as a result of demographic challenges, rising education costs, and the Covid-19 pandemic. About 40 percent of the forecasted rate increase was attributable to downgraded projections for non-property tax revenue as a result of the coronavirus downturn; about 35 percent of the projected rate increase is attributable to a jump in teacher retirements. Although public school enrollment ticked down due to the pandemic, the legislature moved to freeze student counts at fiscal year 2020 levels when calculating funding (Sabataso 2020).

In 2021, the Vermont Tax Department launched an education property tax estimator tool to help voters understand their education property tax bill and the effect of local spending decisions (McCright 2021).

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May 2021, data updated February 2022

Virginia

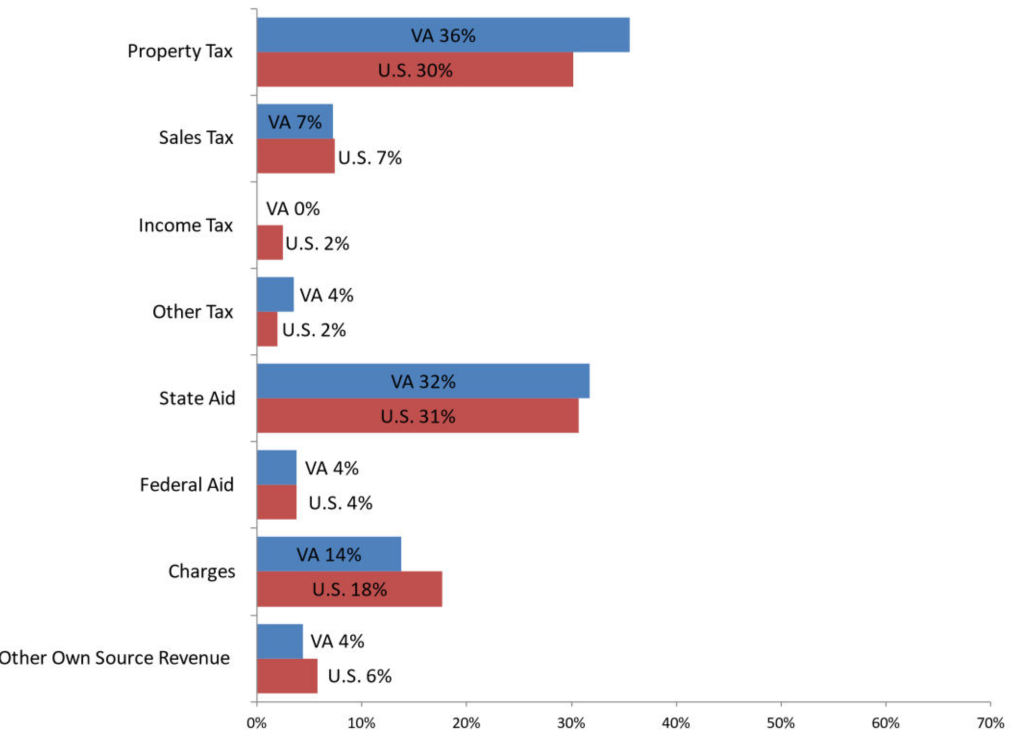
Highlights

The State of Virginia relies on a diverse tax mix, but the largest sources of state tax revenue are the individual and corporate income taxes and the state sales and use tax. The local tax base is roughly representative of the nation as a whole (figure VA-1). Property taxes make up the majority of local tax revenue, but localities collect a variety of other taxes, including utilities charges, sales and use taxes, excise taxes, and business licensing taxes.

Virginia does tax tangible personal property, including inventories, which few states tax. In 2017, personal property made up 8.4 percent of the Commonwealth's property tax base (Watson 2019).

Unlike most states, Virginia does not provide state-funded real property tax relief, and most of its property tax relief is local option (Bowman 2008). The only property tax relief mandated statewide is a full exemption from taxation on real property for disabled veterans with a 100 percent service-connected permanent and total disability and an exemption for surviving spouses of members of the armed forces killed in action.

Figure VA-1
Sources of Local General Revenue, Virginia and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

The effective tax rate for the median value owner-occupied home in Virginia is at 0.8 percent, well below the national average. However, total property tax collections as a share of combined state-local revenue are 15th in the nation (table VA-1).

Table VA-1
Selected Virginia Property Tax Statistics, 2019[1]

	Virginia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,770	$1,758	*18*
Property tax percentage of personal income	3.0%	3.1%	*21*
Total property tax as percentage of state-local revenue	18.1%	16.6%	*15*
Median owner-occupied home value[2]	$273,100	$217,500	*13*
Median real estate taxes paid for owner-occupied home[2]	$2,234	$2,471	*24*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*33*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

For property tax purposes, any property not subject to “use value assessment” must be assessed at 100 percent of fair market value. Virginia permits local governments with a comprehensive land use plan to use “land use value” (or use value) assessments, rather than market value assessments, for agricultural, horticultural, forest, and open space land. Commentators have noted that golf courses qualify under the statutory definition of “open space property.” More than 11 million acres in Virginia are subject to use value assessment (which is about 40 percent of the state’s total acreage) (Kulp 2019).

Local governments are responsible for assessing property and levying and collecting property taxes (table VA-2). Virginia’s public school districts are not independent governmental units and depend on tax revenues levied by counties and municipalities. Localities are largely unconstrained in the tax rates that they can set. Many cities and counties do not have a full-time assessor and contract with private parties who perform the assessments. Cities with a population over 30,000 are required to do general reassessments every two years, and counties with populations over 50,000 must assess every four years; below these population thresholds, counties may elect to assess less frequently.

Limits on Property Taxation

A locality may not increase the real estate tax levy by more than 1 percent after a general reassessment or in general unless it provides public notice and holds public hearings. That notice must include, among other things, the percentage difference between the tax rate that the locality proposes to impose, and the tax rate that, when applied to the current assessed values, would generate the same tax levy as last year.

Property Tax Relief and Incentives

State law permits local governments to grant both exemptions and tax-deferral benefits to elderly and disabled persons. Over two-thirds of cities, counties, and towns offer such a relief plan to the elderly, disabled, or both (Kulp 2019). Localities are also permitted to create circuit breakers for the nonelderly and grant deferrals of large year-on-year property tax increases, but very few localities provide either one. Certain surviving spouses of members of the armed forces killed in action are also entitled to a property tax exemption.

Virginia provides several property tax incentives for economic development including enterprise zones and tax increment finance.

Table VA-2
Property Tax Features of State Governments, United States, 2020

Feature	Virginia	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The current version of the Virginia Constitution became effective in 1971 and was the first wholesale revision of the foundational law since 1902. This version made some significant changes to the property tax. In addition to providing for use value taxation for the first time, the 1971 Virginia Constitution permitted municipalities to grant property tax exemptions to the elderly. This permission was extended in 1977 to cover exemptions for disabled persons. In both cases, the authorization to provide

exemptions was restricted to those persons who were “deemed by the General Assembly to be bearing an extraordinary tax burden on said property in relation to their income and financial worth." Beginning in 2011, however, the Constitution was amended to eliminate this requirement and instead provide localities with the discretion to impose income or financial-worth limitations on the exemptions.

The commonwealth relies heavily on tangible personal property taxes on motor vehicles with the “car tax” accounting for between 63 and 73 percent of local personal property tax collections in 2017. The Personal Property Tax Relief Act of 1998 included a phased repeal of the car tax with the state reimbursing localities for tax loss; however, the state stopped short of eliminating the tax, and froze the state reimbursement at 70 percent of the car tax. Virginia then capped the state reimbursement at $950 million and in 2006, set each locality’s share of the reimbursement at the 2005 level, and required localities to reduce the local car tax rate so that local revenue from the tax plus the state reimbursement would roughly equal what the local government would have received based on its valuation method and pre-rebate local motor vehicle tax rate (Kulp 2018).

In the 1990s, Virginia’s system for funding schools became the subject of litigation. In *Scott v. Commonwealth* (1994), public school students and local school boards claimed that the state’s system of funding public schools denied children in some districts the same educational opportunity as children in wealthier school districts (SchoolFunding.Info). The Virginia Supreme Court ruled that the school finance system was constitutional because the state constitution did not mandate equal funding or programs.

Recent Developments

Following a highly publicized national search and contest, Amazon selected northern Virginia as one of two winning locations for its second headquarters (HQ2). State and local tax incentives figured into Virginia’s bid for the development including TIF revenue from property taxes. Arlington County pledged a portion of incremental revenue from the Crystal City, Potomac Yard, Pentagon City TIF district to fund infrastructure improvements for the project as part of a package of local incentives. Amazon’s development is expected to generate $28 million in incremental revenue over 10 years (Arlington County 2019). In February 2019, the governor signed legislation to provide $550 million in cash incentives for the creation of 25,000 new jobs with an average wage of $150,000, to be paid out four years after the jobs are created beginning in 2024. The legislation provides for up to an additional $200 million if Amazon creates an additional 12,850 jobs in a second phase of development. The cost of the incentives was to be offset by income tax revenue generated by the new jobs (Martz 2019).

An analysis by the *Washington Post* found that housing prices in the region spiked following Amazon’s announcement in November 2018. According to Terry Clower, director of the Center for Regional Analysis at George Mason University, “this is a market response to the Amazon HQ2 announcement, with investors competing with residents for a shrinking number of homes for sale. The price gains we foresee do not reflect an overall bubble in housing prices but rather reflect the specific circumstances of our current market” (Telford et al. 2019). In 2021, Amazon pledged $125 million for the construction of 1,000 affordable housing units near Washington Metropolitan Area Transit Authority stations (Schweitzer 2021).

In recent years, Virginians have approved the expansion of property tax relief programs via ballot. In 2017, a constitutional amendment was signed into law allowing localities to offer an additional property tax exemption, this time for the real property of surviving spouses of police, firefighters, and EMTs killed in the line of duty (State Tax Today 2017). In November 2018, voters approved two ballot measures related to property taxation. Question 1 amended the state constitution to allow local governments to provide exemptions for improvements that mitigate or prevent flooding. Question 2 expanded the tax exemption for disabled veterans so unremarried surviving spouses will qualify even if they move to a different homestead within the state (Collins et al. 2019). Totally and permanently disabled veterans may receive an exemption on one automobile after voters approved Question 2 at the ballot in November 2020.

An evaluation of Virginia's business incentives by the Joint Legislative Audit and Review Commission (JLARC) found the commonwealth's enterprise zone program produced minimal economic benefit. The report found that enterprise zone benefits were untargeted and had "little effect on employment, income, and other economic indicators" (JLARC 2020).

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Washington

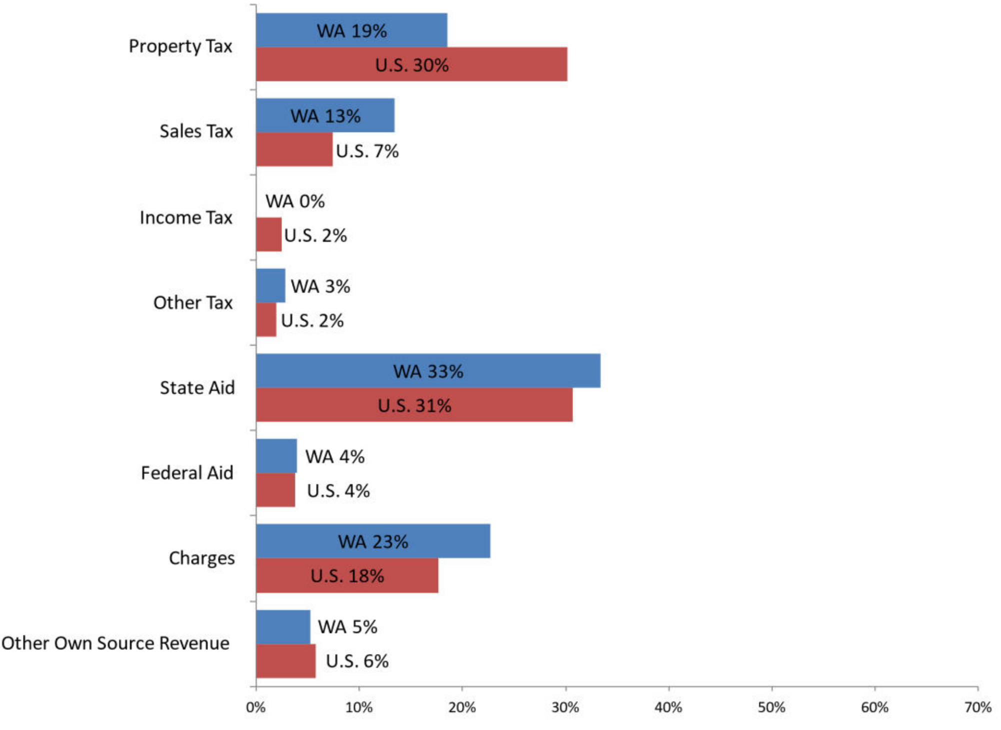
Highlights

Washington's property tax is levied by 1,809 entities, including the state, 39 counties, cities, towns, schools, and special districts. Because Washington does not levy either a personal or a corporate income tax, it derives a significant amount of revenue from the property tax (figure WA-1). In 2020, the state levied approximately $4.1 billion in property tax revenue, which accounted for about 28 percent of all property tax revenue from all taxing entities (Washington State Department of Revenue 2020a, 43–44).

Property tax-exempt government agencies own 41 percent of the state's total land inventory, of which 64 percent is in federal ownership. The remaining tax-exempt lands belong to the Department of Natural Resources, Department of Fish and Wildlife, state parks, and city and county governments (Washington State Recreation and Conservation Office).

Additionally, 23.5 percent of Washington's total acreage is enrolled in the agricultural, timber, and open-space use programs and so is assessed at reduced values (Washington Department of Revenue 2020a, 17).

Figure WA-1
Sources of Local General Revenue, Washington and U.S., 2019



Source: U.S. Census via Significant Features of the Tax

Property Tax Reliance

In 2019, property tax collections as a percentage of state and local revenue in Washington were close to the U.S. average, while property tax burden as a percentage of personal income ranked 33rd among all states (table WA-1).

Table WA-1
Selected Washington Property Tax Statistics, 2019[1]

	Washington	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,703	$1,758	*21*
Property tax percentage of personal income	2.6%	3.1%	*33*
Total property tax as percentage of state-local revenue	15.0%	16.6%	*25*
Median owner-occupied home value[2]	$339,000	$217,500	*6*
Median real estate taxes paid for owner-occupied home[2]	$3,326	$2,471	*13*
Effective tax rate, median owner-occupied home[3]	1.0%	1.1%	*23*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The State Department of Revenue assesses intercounty, interstate, and foreign utility companies, whereas the 39 county assessors assess properties for all tax districts located within their jurisdictions. The Department of Revenue also provides general guidance and support to local assessors and ensures uniformity through regularly conducted ratio studies (Washington State Department of Revenue 2020).

The property tax applies to both real and tangible personal property, although inventories are exempt from taxation. Washington requires annual reassessments and physical inspections of each property at least once every six years. Properties are appraised at full market value, according to their highest and best use.

Agricultural, timber, and open-space lands are eligible for property tax reductions within the state’s current-use programs (Washington State Department of Revenue 2017). Most acreage under current use is agricultural land (Washington State Department of Revenue 2020a).

Limits on Property Taxation

Washington places limits on increases in both levies and property tax rates (table WA-2).

A 1 percent levy growth limit applies to the taxing district's total levy amount: districts are limited to 1 percent regular annual levy increases over the highest amount that could have been levied since 1985. However, because this levy limit does not include new construction and annexation, the actual levy increases may exceed the 1 percent limitation. New construction is taxed at the existing rate within the taxing district, while annexed property is taxed at the new rate of the taxing district within the new annexed area.

Statutory property tax rate limits apply on specific taxing districts. For example, counties are limited to 1.8 mills, while road districts are limited to 2.25 mills. A separate 1 percent (or 10 mill) constitutional property tax rate limit applies to an individual's combined property tax rates. Voter-approved regular levies, subject to the 1 percent aggregate limit, fund affordable housing; criminal justice; and emergency, medical, and other government services. These are introduced for six- to ten-year periods. Excess levies can exceed the constitutional 1 percent limitation. Excess levies fund school maintenance and operations, reduce bonded indebtedness, and finance other specific programs. Except for school district maintenance and operations, excess levies require 60 percent voter approval. School levies require approval by a simple majority (Significant Features of the Property Tax).

Property Tax Relief and Incentives

The Senior Citizen and Disabled Person Property Tax Exemption Program is a circuit breaker that provides property tax assistance to the retired and disabled property owners whose combined incomes do not exceed $35,000 (Significant Features of the Property Tax).

The Property Tax Deferral Program for the Elderly or Disabled is available to income-qualified homeowners, who may apply to defer annual property taxes of up to 80 percent of home equity on their primary residence. The deferred amount becomes a lien on the property and is due in full, with 5 percent interest, upon the claimant's death, relocation, or home resale. The Property Tax Deferral for Homeowners with Limited Income Program is available to homeowners with combined annual income of up to $57,000, who may defer up to 50 percent of annual property taxes (Significant Features of the Property Tax).

Washington has a tax increment finance program, called Community Revitalization Financing, and several other property tax incentive programs for economic development targeted to residential property, the aerospace industry, and aluminum smelting.

Table WA-2
Property Tax Features of State Governments, United States, 2020

Feature	Washington	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Washington State mandates uniform taxation of property within each property class in each taxing district. Property tax exemptions were granted to U.S. government property, churches, private schools, and colleges in the 1920s. In the 1990s, more exemptions were extended to federally subsidized housing, nonprofit homes occupied by persons with senior citizen exemptions, other nonprofit organizations, and the very low-income housing operated by nonprofits.

In 1955, Washington established a four-year mass valuation cycle, later revised to annual reassessment with physical reinspection required at least once every six years. Assessment levels are at full market value, up from one-half of market value before 1973. Equalization procedures were established in 1978.

Although mobile homes and fixed trailers are still part of the of the personal property tax system, most household goods and effects, including motor vehicles, have been exempt since 1937. Exemptions for business inventory were introduced between 1974 and 1983.

Leading up to the Washington Open Space Taxation Act in 1970, the 53rd Amendment to the State Constitution allowed for current-use assessment of open space, timber, and agricultural land in 1968 (Washington State Department of Revenue 2017; Washington State Department of Revenue, Property Tax Division 2017).

In 1978, the Washington Supreme Court issued its first ruling requiring the legislature to substantially increase school funding. *Seattle School District No. 1 v. State* stated that the duty of the state to provide an adequate education for its students was “preeminent” and that “sufficient funds” from “dependable and regular tax sources” were necessary (SchoolFunding.Info).

In 2001, Initiative 747 (I-747) was enacted, limiting levy increases for taxing districts to 1 percent annually and imposing requirements for additional public disclosure of a district’s decision to increase

property taxes. In 2007, the Washington Supreme Court ruled I-747 unconstitutional; but the legislature met in special session in November of that year and reinstated the limit provisions that had been contained in the initiative.

The 2012 state Supreme Court ruling *McCleary v. State of Washington* found that the legislature had fallen short of providing adequate resources for basic education. The legislature increased funding in the 2013–2015 budget, but the court found this increase insufficient and continued to monitor state education aid. The mandate under *McCleary* called for the state to fully fund basic education by 2018 (Harvard Law Review 2015; Ujifusa 2015). In 2018, the Supreme Court terminated its jurisdiction of *McCleary v. State of Washington*, finding the state had complied with the requirements of the 2012 ruling (SchoolFunding.info).

In 2013, in *Confederated Tribes of the Chehalis Reservation v. Thurston County Board of Equalization*, the U.S. Court of Appeals for the Ninth Circuit ruled that improvements to land held in trust for an Indian tribe or tribal member are exempt from property taxation regardless of their ownership. Because 7 percent of total land in Washington is held in trust funds for Indian tribes, and because the assessed value of some of these improvements (e.g., the Great Wolf Lodge resort) significantly curtails the property tax base in select counties, this ruling marked a major change to Washington's property tax system (Washington State Department of Revenue 2014).

Recent Developments

In September 2014, the state's supreme court found the legislature in contempt for failing to make sufficient progress in meeting the *McCleary* deadline in providing adequate funding to its schools (Harvard Law Review 2015). In July 2017, to try to bring the state into compliance, Governor Jay Inslee signed into a law a budget that increased education spending paid for in large part by an increase in the statewide property tax called the State Levy – Part 2. House Bill 2242 of 2017 also capped local school levies at the lower of $1.50 per $1,000 of property value or $2,500 per pupil (Associated Press 2017; Washington State Department of Revenue 2017). The supreme court evaluated the 2017 reforms and found them in compliance with the requirements, with the exception of delaying teacher pay increases until 2019–2020. After the legislature acted to implement salary increases for the 2018–2019 school year, the court terminated its jurisdiction in the case in July 2018 (SchoolFunding.Info). In 2019, the legislature raised the school levy caps leading to some concern that increasing local school funding ability could prompt new litigation (O'Sullivan 2019).

In 2019, Washington implemented a graduated rate for its real estate excise tax (REET), a real estate transfer tax based on the value of the property. The rate ranges from 1.1 percent for properties that sell for $500,000 or less to 3 percent on properties with a sales price over $3 million. In 2020, two bills aimed at exempting multi-family housing from the graduated rate structure died (Martinell 2020).

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Publication Date

May 2021, data updated February 2022

West Virginia

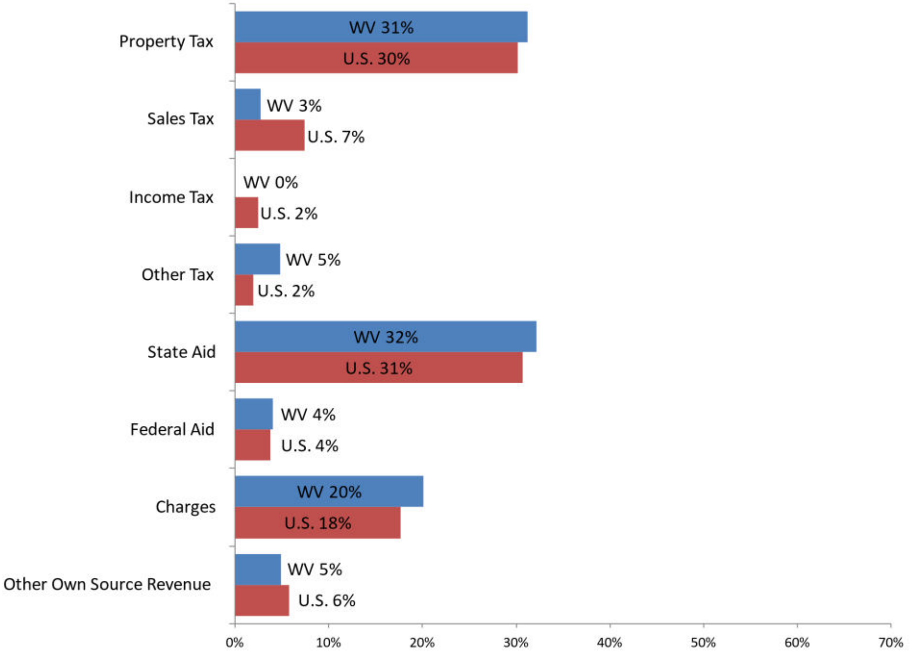
Highlights

Natural resources, especially coal, are an important source of West Virginia's property tax revenue. Taxes related to the coal industry cover five primary categories—active coal mining property, reserve coal property, coal property that can't be mined, buildings and land owned by coal companies, and equipment and machinery used in coal production (Higgenbotham et al. 2010). In several counties, the coal industry alone accounts for a significant portion of the total property tax revenue. Coal production declined from 2008 to 2016, reducing the property tax base supporting county governments and school districts; production rebounded between 2017 and 2019. Despite a dip in energy consumption due to the Covid-19 pandemic, production is projected to grow slowly over the next 10 years (Pace 2021).

West Virginia is among a minority of states that still tax tangible personal property, including inventories (Watson 2019). This revenue is significant for West Virginia, and efforts to reduce or eliminate personal property taxes have failed in recent years. However, in 2022, voters will have a chance to vote on a constitutional amendment that would authorize the legislature to exempt personal property from taxation.

Property taxes are levied by the state, counties, municipalities, and school districts. Although property taxes are a small share of state revenue, West Virginia counties and school districts rely heavily on them. For counties, the property tax is the single largest source of funding. The percentage of local government revenue in West Virginia generated by the property tax is slightly higher than the national average (figure WV-1).

Figure WV-1
Sources of Local General Revenue, West Virginia and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Compared to the rest of the United States, West Virginia has one of the lowest effective property tax rates. Median real estate taxes paid on an owner-occupied home ranked next to last, and property tax as a percentage of state and local revenue in 2019 ranked 44th among the states (table WV-1).

Table WV-1
Selected West Virginia Property Tax Statistics, 2019[1]

	West Virginia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$963	$1,758	*44*
Property tax percentage of personal income	2.3%	3.1%	*41*
Total property tax as percentage of state-local revenue	9.9%	16.6%	*44*
Median owner-occupied home value[2]	$119,600	$217,500	*50*
Median real estate taxes paid for owner-occupied home[2]	$698	$2,471	*50*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*44*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are levied by the State of West Virginia but can also be administered by counties, county school boards, and municipalities. The tax rates for school districts are set by the West Virginia legislature, whereas counties and municipalities set their own tax rates with the help of the state auditor (O'Leary 2011). Property assessment is conducted annually by West Virginia's 55 counties. West Virginia's constitution establishes four property tax classes: personal property used in agriculture, farm real estate and owner-occupied property, all other real and personal property located outside a municipality, and all other real and personal property located inside a municipality. The tax rates, but not the assessment ratio, vary for these four classes, but West Virginia does not currently tax any personal property used in agriculture (class 1).

Limits on Property Taxation

The West Virginia Constitution sets the maximum tax rates that each taxing body may levy for each class of property. However, these maximums can be exceeded for up to five years if approved by the voters in a special election. There is also a second rate limit that applies by class to overall taxes by all overlapping taxing jurisdictions. Override provisions exist for this overall property tax rate cap as well.

In addition to tax rate caps, West Virginia has a cap on the growth of property tax levies, which is considered a levy limit with a truth-in-taxation override. When annual property reappraisal would increase total property taxes by 1 percent or more under current tax rates, property tax rates must be reduced. However, an override provision allows rate increases (not to exceed a 10 percent increase in the levy) after public notice and hearings.

Property Tax Relief and Incentives

West Virginia has a homestead exemption that applies to the first $20,000 of value for a senior or disabled homeowner. It also provides a senior citizens' property tax credit and circuit breakers for elderly homeowners and renters (table WV-2).

The state also has three programs that provide property tax incentives to promote economic development. One is tax increment financing, and the others are tied to investment or increases in jobs or wages.

Table WV-2
Property Tax Features of State Governments, United States, 2020

Feature	West Virginia	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In response to the problems farmers and homeowners had in paying their property taxes during the Depression, in 1932 West Virginia passed the Tax Limitation Amendment, which separated properties into four different classes with different maximum tax rates. The initial effect of this amendment was to decrease the share of property taxes paid by farmers and homeowners, shifting that burden toward businesses. In addition, the amendment created limits on the maximum property tax rate. These rate limits were criticized because they restricted the ability of local government to provide municipal services and to adjust as necessary to changing economic conditions (Shamberger and Thompson 1950).

In 1980, the Homestead Exemption was passed, which reduced property taxes for individuals over the age of 65. Over the years, West Virginia has added exemptions for other types of property including all land used exclusively for agricultural purposes (Higginbotham et al. 2009). In 1982, the legislature also changed how property was valued and assessed. Specifically, taxes were assessed at 60 percent of fair market value rather than at 100 percent of fair market value.

In 1990, West Virginia implemented a property tax revenue limit (Mullins and Wallin 2004). While the 1932 Tax Limitation Amendment limited the amount by which rates could change, this more recent legislation stated that property tax revenues could grow by no more than 3 percent as a result of increases in assessed property values (Lyons and Lav 2007). As is the case with other property tax caps set by West Virginia law, this maximum can be overridden by voter approval.

In 2006, the Governor of West Virginia, Joe Manchin, convened a state summit on tax modernization in the state. The West Virginia Tax Modernization Project included a variety of recommendations, as well as comparisons to other states, and outlined a variety of policy changes and initiatives to consider over the next several years (State of West Virginia 2006). In the 2006, 2007, and 2008 legislative sessions, several changes were adopted from that proposal that related to the property tax, specifically provisions that provided additional tax credits for senior citizens and a reduction in assessed values of aircraft (West Virginia Development Office 2008).

Recent Developments

In 2019, the West Virginia Supreme Court ruled that a property tax exemption for gas and oil producers that was based on a percentage of operating costs and capped at $5,000 was unconstitutional and violated state statute, creating inequality. The court remanded seven consolidated cases to the circuit court and interpreted the statute to call for a lump sum exemption based on average operating expenses. (*The Honorable Dale W. Steager vs. Consol Energy, Inc.*, No. 18-0121, No. 18-0122, No. 18-0123, 18-0124, 18-0125; *County Commission of Doddridge Co. v. Consol Energy, Inc*., 18-0227; *The County Commission of Doddridge Co. vs. Antero Resources Corp.*, No. 18-0228).

Also in 2019, West Virginia enacted HB 206, a historic education bill that authorized charter schools, increased teacher salaries, and increased state funding. The law increased the amount of locally-raised property taxes counties can retain, gave counties additional spending flexibility through block grants, and set a minimum funding level for districts with fewer than 1,400 students (Adams 2019).

Although West Virginia relies less on property tax revenue than do most other states, it is among the minority of states that tax business inventory, and personal property accounts for a third of the state's property tax base. Eliminating personal property taxes on inventory and equipment emerged as a major recommendation of a 2015 legislative committee, and in recent years the legislature has considered several proposals to do so (Gutman 2015). In 2021, the legislature passed a resolution (HJR 3) to send the Property Tax Modernization Amendment to the ballot. In November 2022, voters will decide whether to authorize the legislature to exempt business inventory, machinery, equipment, and motor vehicles from personal property taxation.

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Publication Date

June 2021, data updated February 2022

Wisconsin

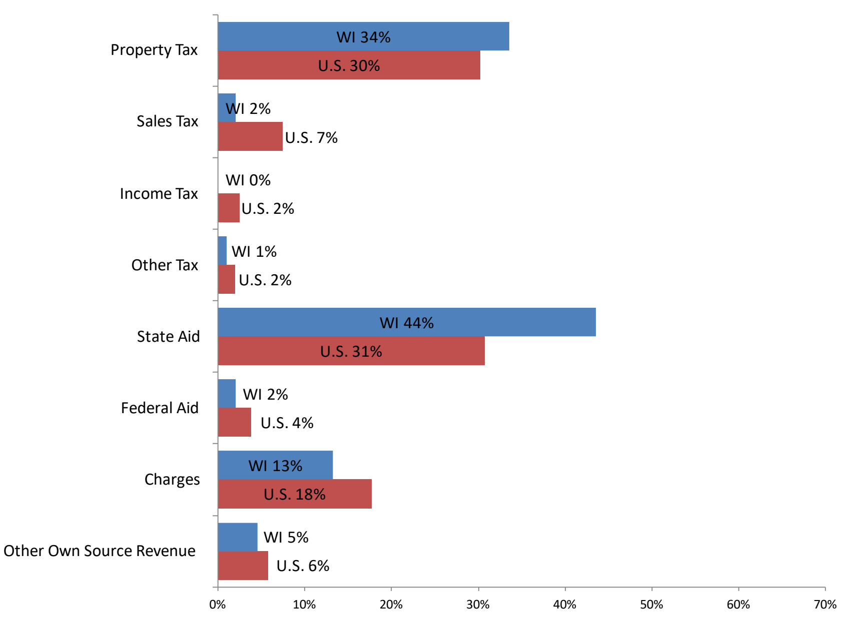
Highlights

Despite efforts to reduce property taxes that go back at least a century, the property tax remains an important source of local government revenue in Wisconsin. The state's municipal governments, county governments, independent school districts, and technical college districts all rely on property taxes, with the tax contributing 34 percent of the total revenues of these local governments in 2019 (figure WI-1).

Wisconsin's constitution includes a uniformity clause that requires that subject to certain exceptions, notably agriculture, all types of property within a community must be taxed uniformly. For example, residential property cannot be assessed or taxed at a lower rate than commercial or industrial property. The uniformity clause as interpreted by Wisconsin courts places stricter limitations on the way Wisconsin can provide property tax relief as compared with other states (Fontaine and Peacock 2007).

The state has enacted constitutional amendments that allow for preferential assessment for agricultural property so that farmland in Wisconsin is taxed on the basis of use rather than market value (Youngman 2005). One indication of farmland's preferential treatment is that in 2019, its value equaled only 0.4 percent of the total market value of all real property, although farms made up 41 percent of the land area of the state in the last Census of Agriculture (Wisconsin Department of Revenue 2020a; U.S. Census of Agriculture 2019).

Figure WI-1
Sources of Local General Revenue, Wisconsin and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Wisconsin has pursued three major strategies designed to reduce property taxes. First, the state operates several programs that provide direct property tax relief to homeowners and in some cases also to renters. Second, the state provides grants to local governments with the express goal of reducing the property taxes levied by those governments. And third, the legislature has placed limits on the annual property tax levies of local governments that only permit an increase in the levy for new construction. As long as property values rise, public policies that limit property tax revenues of local governments force these governments to lower their property tax (millage) rates.

Property Tax Reliance

By various measures, property taxes in Wisconsin are high relative to the average state. In 2019, per capita property tax revenue in Wisconsin was $1,685, a level close to the national average. In part because the value of the median owner-occupied home in Wisconsin is below the U.S. average, the effective tax rate on owner-occupied housing was 1.85 percent, a rate substantially above the national average rate of 1.1 percent (table WI-1).

Table WI-1
Selected Wisconsin Property Tax Statistics, 2019[1]

	Wisconsin	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,685	$1,758	*23*
Property tax percentage of personal income	3.2%	3.1%	*17*
Total property tax as percentage of state-local revenue	17.8%	16.6%	*17*
Median owner-occupied home value[2]	$180,600	$217,500	*29*
Median real estate taxes paid for owner-occupied home[2]	$3,344	$2,471	*12*
Effective tax rate, median owner-occupied home[3]	1.9%	1.1%	*6*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Most real property is assessed by local governments or county assessors, who are required by state statute to assess property on an annual basis at full market value. Wisconsin's Department of Revenue is responsible for monitoring the quality of local assessments.

Wisconsin is characterized as having statewide classification of real property because agricultural forest land and undeveloped land is assessed at 50 percent of market value, whereas all other property is assessed at 100 percent (table WI-2).

Limits on Property Taxation

In 1993, the Wisconsin legislature imposed an annual limit on the sum of general (non-categorical) state aid and property taxes levied in each school district (Kava and Drilias 2019). Each year, the legislature determines an amount by which these revenue limits are allowed to rise. School districts determine the amount of their maximum allowable property tax levy by subtracting their current-year general state aid from the current value of their revenue limit. This implies that if the revenue limit is not increased, any increase in state aid translates into a dollar-for-dollar reduction in school property taxes. Almost the only way that school districts can increase their revenues above their revenue limit is to successfully pass, by majority vote of their electorate, a referendum that allows them to override their revenue limit and raise additional property tax revenues.

Starting in 2005, the Wisconsin legislature has imposed limits on the year-to-year increases in the property tax levies of Wisconsin's 1,851 municipal governments and 72 county governments. Under current law, local governments, with minor exceptions, are prohibited from increasing their previous year's nominal property tax levies by more than the percentage increase in their property value due to the net value of new construction. In 2020, the statewide average property value growth due to net new construction was 1.06 percent (Wisconsin Department of Revenue 2020b).

Property Tax Relief and Incentives

The School Property Tax/Rent Credit is a nonrefundable income tax credit that provides homeowners with a 12 percent credit on up to $2,500 of their annual property tax liability. Renters are also eligible for this property tax credit, with their property tax statutorily determined to be equal to 25 percent of their actual rent.

Wisconsin also has a modest circuit breaker program that provides a refundable income tax credit to low-income homeowners and tenants (table WI-2). Credits are available only to households with income below $24,680, with a maximum allowable credit of $1,460. In tax year 2017, the average credit was $501 (Olin 2019).

Three additional state-funded property tax credits are available, the largest of which is the School Levy Tax Credit. The state in effect pays a portion of school property tax levies by requiring a reduction in school property tax rates and then compensating school districts for the lost revenue. Tax savings are proportional to the value of property. All property owners, including those who are not Wisconsin residents, may claim this property tax credit on their state income tax return. The other state-funded credits are the First Dollar Credit, which allocates a fixed dollar credit to all owners of developed parcels, and the Lottery and Gaming Credit, which is really an exemption restricted to homeowners for their primary residence (Drilias 2019).

The second type of state policy intended to reduce local government reliance on the property tax is the allocation of state aid to school districts and municipal and county governments. Excluding federal funds, the Wisconsin state government provides just under half of the state and local revenues of public school districts, a state share slightly below the average state share of such funding. Wisconsin is one of relatively few states that provide county and municipal governments with general purpose state aid. Although the amount of state aid has been declining in recent years, receipt of some of the state aid is conditional on local governments limiting increases in spending.

Wisconsin does not employ property tax incentives for business to the same degree as do many other states. It is one of 49 states that employ tax increment finance (TIF), but its enterprise zone program does not include property tax incentives, nor does the state have other general business property tax incentive programs.

Table WI-2
Property Tax Features of State Governments, United States, 2020

Feature	Wisconsin	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes were levied in Wisconsin even before it was organized as a territory in 1836. Wisconsin's first state constitution, in 1848, "included only one provision about the property tax, a 'uniformity clause' stating that taxation must be uniform" (Stark 1991–1992). The 1849 statutes creating a system for administering the property tax borrowed heavily from New York statutes. In early years, property tax controversies included the difficulties with enforcing assessment at 100 percent of market value, taxing intangibles, and properly taxing railroad property (Stark 1991–1992).

Reducing reliance on the property tax has played a major role in many of the key developments in the financing of state and local governments in Wisconsin. In 1911, Wisconsin became the first state in the nation to adopt a state individual income tax. In the same year, the state established a mechanism to share some of its tax revenues with municipal governments. The primary objective of this financial assistance was to reduce local governments' reliance on the property tax. Large increases in state aid to public schools enacted during the 1980s and 1990s were also primarily motivated by the desire on the part of the legislature to reduce school property taxes.

Recent Developments

Like many Midwestern states, Wisconsin has been affected by challenges to property tax assessments by big-box stores using the "dark stores" approach to property tax assessment (Hamilton 2016). While big box stores continue to use the legal system to challenge their assessments, a recent court decision dealt a blow to retailers. The Wisconsin Supreme Court denied Lowe's Home Centers' request to review an appeals court ruling that dismissed their dark stores assessment claim in *Lowe's Home Centers LLC v.*

Village of Plover, which sought to reduce the assessment for Lowe's' retail store in Plover from $7.4 million to $4.6 million (League of Wisconsin Municipalities 2021). In November 2018, many Wisconsin municipalities voted on local referenda calling for legislative action on the issue (Collins et al. 2018). The legislature considered but failed to pass legislation to block the use of dark stores assessment in both the 2017–2018 and 2019–2020 sessions (AB 146/SB 130).

Voters approved 95 out of 111 (85.6 percent) school referenda via ballot in April and November 2020, the second highest passage rate in over 25 years. The referenda to override revenue limits will increase school revenue by $2.6 billion, to be raised through property taxation (Wisconsin Policy Forum 2020). The increased spending follows record school property tax increases in 2019, the largest in 10 years (Wisconsin Policy Forum 2019).

In April 2021, the Republican-controlled legislature passed AB 232 to use stimulus funds from the American Rescue Plan Act (ARPA) to provide over $1 billion in property tax rebates, about 10 percent of property taxes paid in 2020. Governor Tony Evers, a Democrat, quickly vetoed the bill because it was "almost certainly prohibited" under the ARPA, given that it was untargeted based on need and excluded renters and it removed the governor's flexibility to use the federal funds in the state's best interest (Wisconsin Office of the Governor 2021).

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Wyoming

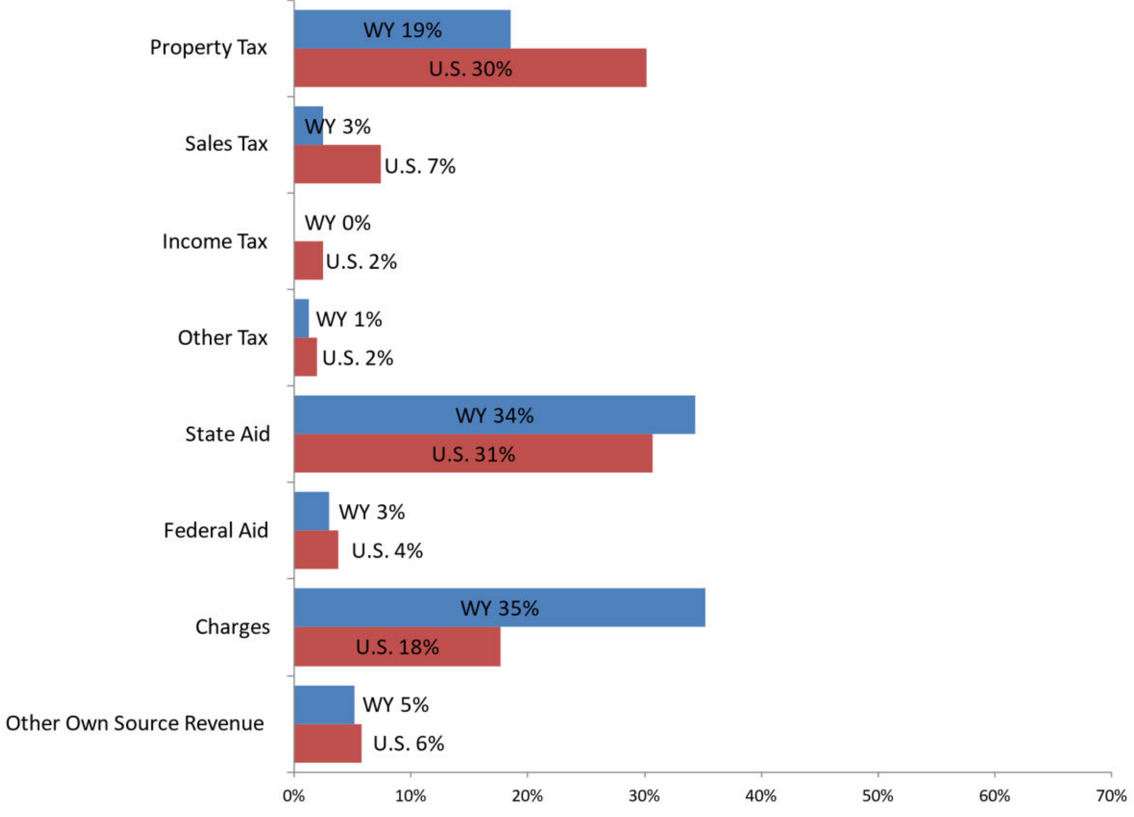
Highlights

Mineral production (predominantly natural gas, coal, and oil) dominates Wyoming's property tax base, accounting for 50 percent of the property tax base in 2020 (Wyoming Taxpayers Association 2020a). The state also levies a severance tax, which raises about 5 percent less than the mineral portion of the property tax, and which helps account for Wyoming's higher than average state aid as a proportion of local general revenue. Wyoming also relies more heavily on charges than the average state (figure WY-1) (Wyoming Taxpayers Association 2020b).

Wyoming's classified property tax system assesses mineral production at 100 percent of market value, more than 10 times the 9.5 percent at which counties assess residential and most other property values. Industrial property is assessed at 11.5 percent of market value (Wyoming Taxpayers Association 2020b, 22).

In 2018, Wyoming spent $16,224 per pupil for K-12 public education, more than the per pupil expenditure of 40 other states (U.S. Department of Education 2018). Sixty-nine percent of Wyoming's property tax revenue supports public schools (Wyoming Taxpayers Association 2020a).

Figure WY-1
Sources of Local General Revenue, Wyoming and U.S., 2019



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although Wyoming ranks in the top quarter of states for property tax per capita, the state's effective tax rate on a median value owner-occupied home ranks among the 10 lowest states, as residential real estate accounts for only 26 percent of the tax base (Wyoming Taxpayers Association 2020a) (table WY-1).

Table WY-1
Selected Wyoming Property Tax Statistics, 2019[1]

	Wyoming	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,062	$1,758	*13*
Property tax percentage of personal income	3.3%	3.1%	*16*
Total property tax as percentage of state-local revenue	13.6%	16.6%	*33*
Median owner-occupied home value[2]	$220,500	$217,500	*23*
Median real estate taxes paid for owner-occupied home[2]	$1,337	$2,471	*41*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*42*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are levied by the state, counties, cities and towns, and special districts.

County assessors in the state's 23 counties assess residential, commercial, industrial, and agricultural real and personal property and the state Department of Revenue assesses mineral production; pipeline companies, telecommunications, and other utilities; and airline, railroad, and rail car companies (Wyoming Property Tax Division). Assessors update values annually, with physical reinspection at least every six years.

Wyoming applies different assessment ratios to three classes of property: 100 percent of market value for minerals and mine products; 11.5 percent of value for industrial property; and 9.5 percent of value for all other property, including residential (table WY-2).

The state taxes tangible personal property of business, except inventories.

Limits on Property Taxation

Wyoming's property tax rate cap limits state, county, city, and school property tax rates. The cap ranges from 4 mills for state general fund property taxes to 25 mills for local school property taxes.

Property Tax Relief and Incentives

Wyoming's Property Tax Refund Program for Low Income Homeowners provides property tax credits to homeowners who have lived in the state for at least five years, whose incomes do not exceed three quarters of the median gross household income in their county of residence ($46,778 in 2019), and whose assets do not exceed an annually adjusted limit ($120,339 per person in 2019) (Significant Features of the Property Tax). Qualifying applicants receive a credit of up to half of their tax liability.

Wyoming also authorizes a local-option property tax deferral program. In addition, the state offers a homestead exemption to combat veterans and surviving spouses.

Wyoming's only property tax incentive for economic development is tax increment financing (TIF).

Table WY-2
Wyoming Property Tax Features, 2020

Feature	Wyoming	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Wyoming relied heavily on property taxation from its beginning as a territory. Early efforts to diversify tax sources were unsuccessful; but in 1935, a state sales tax was enacted with local options for cities and counties, and in 1969, the state legislature authorized a severance tax on minerals. Both of those sources reduced reliance on property taxation. Wyoming remains one of the few states not imposing a personal income tax (Roberts 2004).

In *Washakie County School District v. Herschler* (1980), the Wyoming Supreme Court first ruled the state's education finance system unconstitutional on equity grounds, noting disparities between funding in property-wealthy and property-poor communities. Fifteen years later, in 1995, the court again found the system in violation of the state's constitution in *Campbell County School District v. State* (*Campbell I*), both on equity and adequacy grounds. In this decision, the court ordered the legislature to determine

the cost of a quality education and to fund it, based on parameters spelled out by the court (SchoolFunding.Info).

The legislature reformed its school finance system in response to the ruling; and in 2001, the Supreme Court handed down a decision known as *Campbell II*, which found the state's education finance system "appropriate for the times." The court also found the system met some of its guidelines, such as those related to class sizes and teacher salaries, but ordered the legislature to reexamine certain aspects of the system, most notably capital funding, and advised regular review of cost-based factors and inflation adjustments. In 2008, the court relinquished its jurisdiction in the case, finding the state in full compliance with its constitutional obligations (SchoolFunding.Info).

Recent Developments

Plunging oil prices, coal industry bankruptcies, and widespread layoffs have led to years of budget shortfalls and spending cuts. In 2016, the state passed a 2017–2018 biennial budget that dipped into the state's rainy day fund and cut programs for the poor, including the state's property tax circuit breaker program for low-income elderly and disabled homeowners (Healy 2016). The budget also reduced funding by 60 percent for the state's property tax credit program for low-income homeowners (Brown 2016). The state enacted a 2019–2020 budget that was smaller than any state budget in the last 20 years. In 2018, state revenues remained 38.2 percent below their pre-recession peak, the largest gap of any state, and mineral taxes remained unstable (Pew Charitable Trusts 2019; Reynolds 2018).

The legislature enacted the 2021–2022 biennial budget in March 2020, but the pandemic and coinciding oil price collapse led to two rounds of historic spending cuts. In his 2021 State of the State address, Governor Mark Gordon said Wyoming experienced the "largest loss of income in our state's history" (Wyoming Office of the Governor 2021). In 2021, mineral taxes were down 65 percent from the first quarter of 2020. With a rebound of oil prices and demand for coal, by January 2021 revenue forecasts had improved slightly but the state still faced a large K-12 funding shortfall (Erickson 2021).

In 2020, the legislature enacted administrative reforms (HB 159) to its ad valorem mineral taxes. Since assessments of mineral property are based on mineral production in the year prior to the tax year, and since the taxes are payable in two installments, the lag between production and paying the taxes has contributed to collection challenges and delinquency. Under the new law, taxes will become payable monthly (McDowell 2020).

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