



LINCOLN INSTITUTE
OF LAND POLICY

Improving the Property Tax: Lessons from Other States

Texas Commission on Public School Finance Reform

April 19, 2018

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Lincoln Institute of Land Policy

Selected Texas Property Tax Statistics, 2015

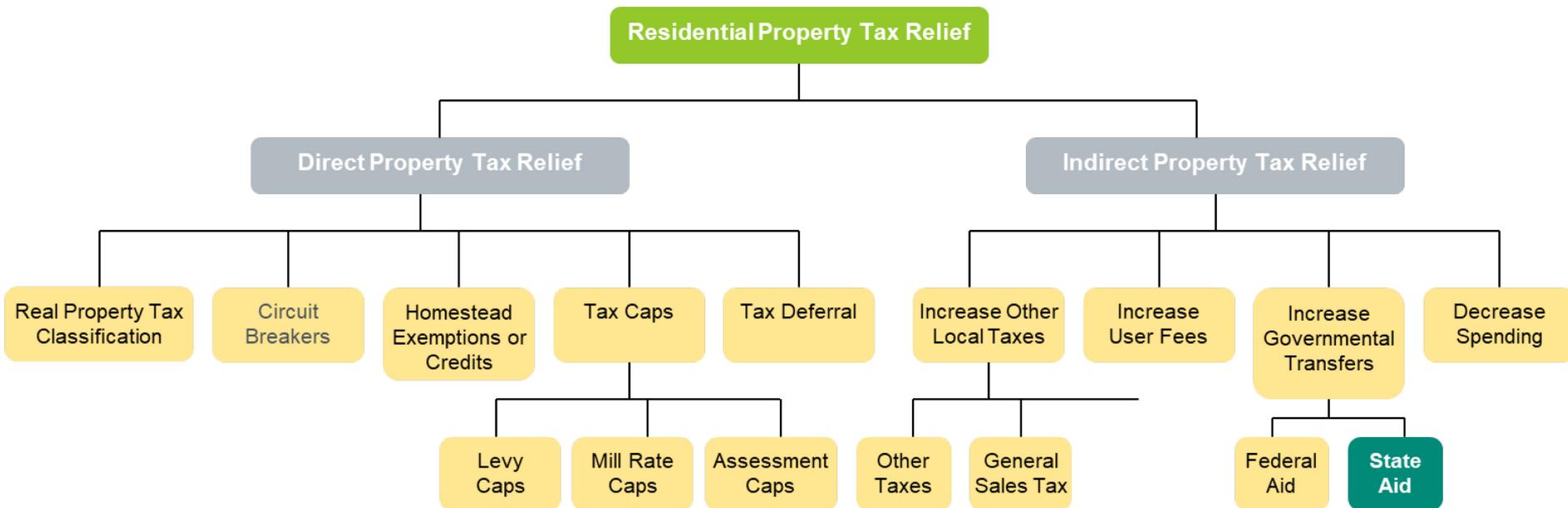
| | Texas | U.S. Average | Texas Rank (of 51) 1 is highest |
|--|--------------|---------------------|--|
| Per capita property tax | \$1,734 | \$1,521 | 14 |
| Property tax percentage of personal income | 3.7% | 3.1% | 12 |
| Median owner-occupied home value | \$136,000 | \$178,600 | 39 |
| Effective tax rate, median owner-occupied home | 1.9% | 1.2% | 6 |

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

Effective Property Tax Rates, Texas and the U.S., Taxes Paid in 2017

| | Houston, Texas Rate | Ave for largest city in each state | Houston Rank (from highest) |
|----------------------------------|---------------------|------------------------------------|-----------------------------|
| Urban Median Value Home | 1.80% | 1.50% | 16 |
| Urban Commercial: \$25M Value | 2.36% | 2.09% | 19 |
| Urban Industrial: \$25M Value | 2.53% | 1.53% | 4 |
| Urban Apartment: \$600,000 Value | 2.35% | 1.83% | 15 |

Types of Residential Property Tax Relief

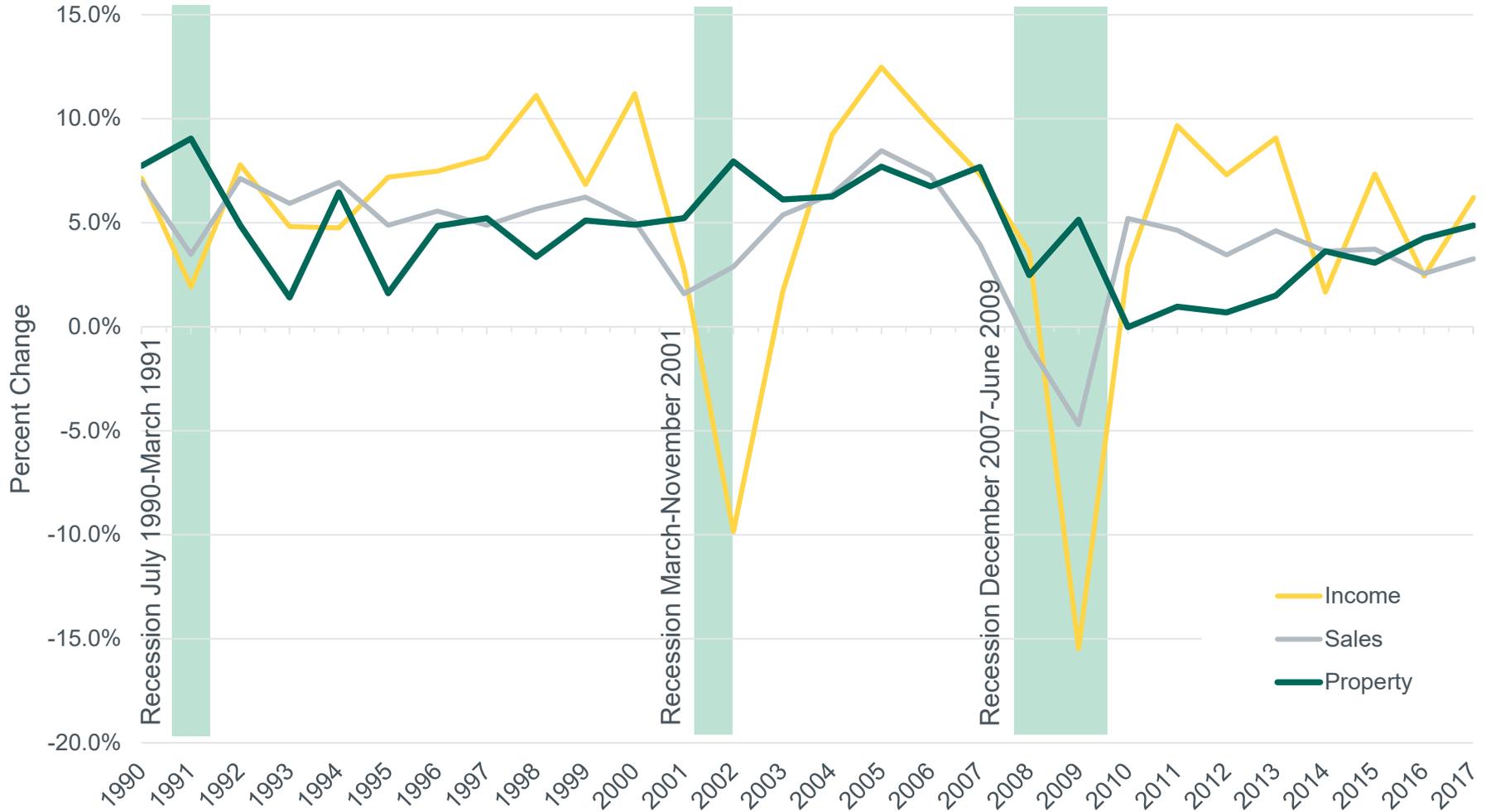


One can argue for reduced reliance on the property tax.

But there are advantages to relying on property taxes. Property taxes:

- promote local fiscal autonomy
- promote civic engagement
- provide stable revenue

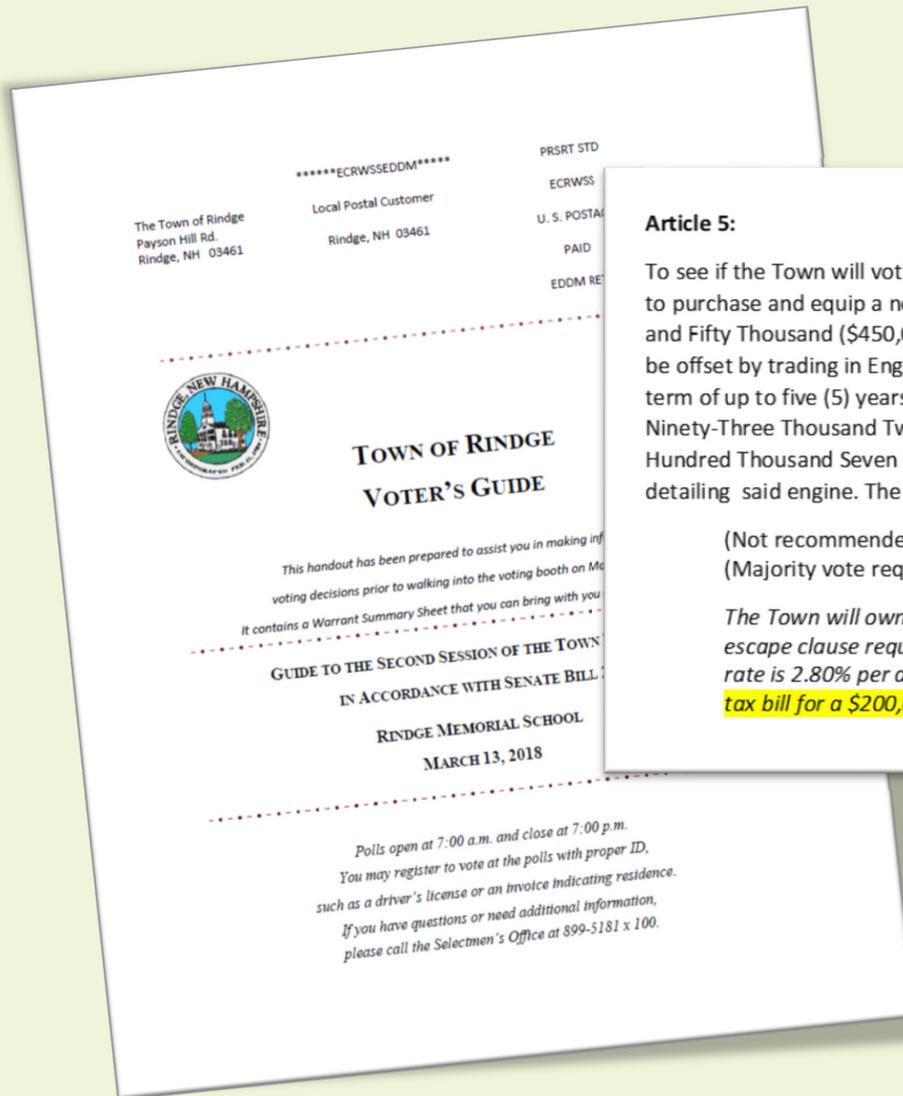
Volatility of State and Local Tax Revenue, 1990-2017



Possible Lessons from Other States

- Improve transparency: NH
- Revise Truth in Taxation/Rollback: UT
- Adopt circuit breaker: 32 other states
- Protect property tax base: WI, OH
- Reduce recapture: VT?
- Make paying property tax easier: Milwaukee
- Adjust property tax more quickly in the face of natural disaster: MN?

2018 Town of Rindge, NH Voter Guide



Article 5:

To see if the Town will vote to authorize the Selectmen to enter into up to a five (5) year lease/purchase agreement to purchase and equip a new Fire Engine to replace Engine 1 for the Fire Department in the amount of Four Hundred and Fifty Thousand (\$450,000) Dollars, to include the engine, engine detailing, and lender legal fees, said amount to be offset by trading in Engine 1 for approximately Ten Thousand (\$10,000) Dollars, said lease to be payable over a term of up to five (5) years with annual payments in years two (2) through five (5), if needed, of approximately Ninety-Three Thousand Two Hundred Fifty-Five (\$93,255) Dollars, and further to raise and appropriate up to One Hundred Thousand Seven Hundred and Fifty-Five (\$100,755) Dollars for the first or down payment for purchasing and detailing said engine. The lease agreement contains an escape clause.

(Not recommended by the Budget Advisory Committee, 2 in favor, 4 opposed, One Abstention.)
(Majority vote required)

*The Town will own the fire truck at the end of the five year lease term. This is a "lapsing lease" i.e. there is an escape clause requiring an annual appropriation for the each year's lease payment. The approximate interest rate is 2.80% per annum. **The proposed appropriation of \$100,755 represents an increase of \$38.00 on the tax bill for a \$200,000 house.***

2018 Jaffrey-Rindge Cooperative School District Ballot

ARTICLES

ARTICLE II: Shall the school district raise and appropriate as an operating budget, not including appropriations by special warrant articles and other appropriations voted separately, the amounts set forth on the budget posted with the warrant or as amended by vote of the first session, for the purposes set forth therein, totaling \$25,385,854? Should this article be defeated, the default budget shall be \$25,851,720, which is the same as last year, with certain adjustments required by previous action of the school district or by law; or the governing body may hold one special meeting, in accordance with RSA 40:13, X and XVI, to take up the issue of the revised operating budget only.

YES

NO

(Majority vote required)

(Recommended by the Jaffrey-Rindge Cooperative School Board by a vote of 5-2-0)

(The estimated tax impact of passing this article is an increase of \$.33 per \$1000 assessment for Jaffrey and an increase of \$.52 per \$1000 assessment for Rindge. The estimated tax impact of not passing this article is an increase of \$.87 per \$1000 assessment for Jaffrey and an increase of \$.99 per \$1000 assessment for Rindge.)

This operating budget warrant article does not include appropriations contained in any other warrant articles.

The New Hampshire Paradox

- New Hampshire depends more heavily on the property tax than any other U.S. state, but there is no property tax revolt
- For NH towns, property tax is transparent
- For NH towns, no dollar of property tax is raised without voter approval
 - Sometimes approval on a project basis



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UTAH FOUNDATION
RESEARCH • ANALYZE • INFORM

THE ESSENTIAL TAX



Property Taxation in Utah

UTAH TAX POLICY SERIES: PART 1 | FEBRUARY 2018

Utah's "Truth in Taxation"

Truth in Taxation designed to generate the same revenue each year unless:

- There is new growth
- Taxing district goes through Truth in Taxation process to ask voters to approve an increase in property taxes

Like having a 0% rollback rate

Utah's "Truth in Taxation"

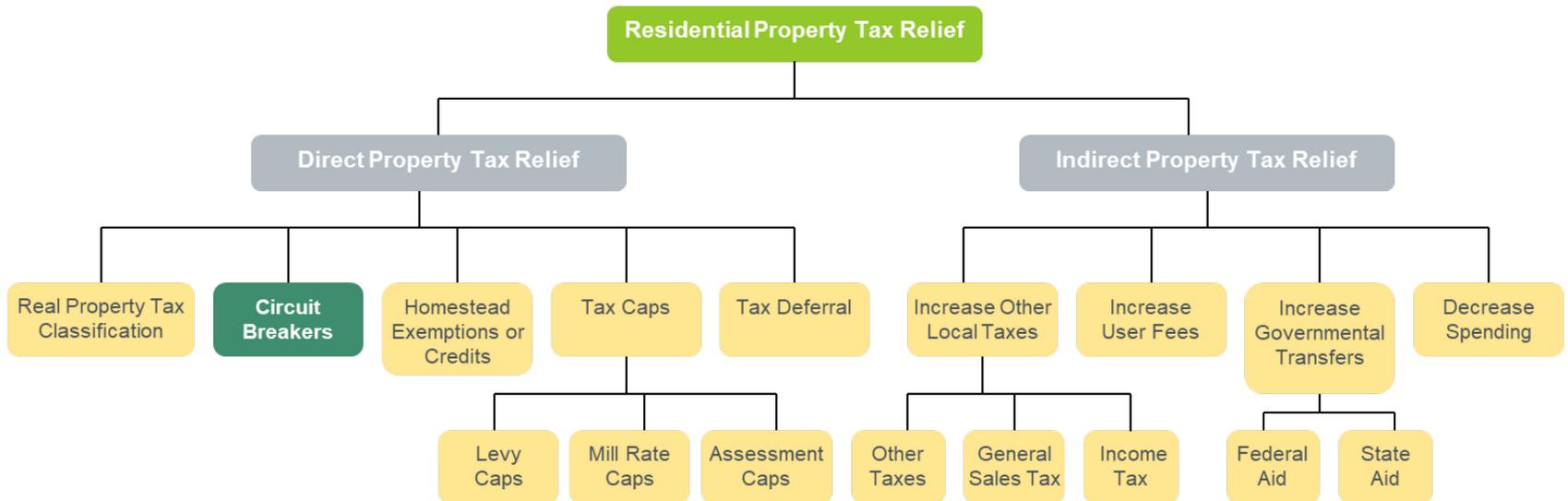
- From mid-1970s to mid-1980s, assessed values were increasing an ave of 13%/yr
- Truth in Taxation passed in 1985
- In decade prior to legislation, property taxes increased 12% annually; in decade after legislation, property taxes increased 4% annually
- How much of this change was due to "truth in taxation"?

Utah's "Truth in Taxation"

Some concerns with Utah's system:

- Does it inappropriately stunt revenue growth?
 - Are the requirements for notifying taxpayers too expensive?
-
- For details see Significant Features of the Property Tax at www.lincolninst.edu

Types of Residential Property Tax Relief



Property Tax Relief Tools Have Different Effects

- *Fixed-Dollar Homestead Exemptions:* Provide property tax relief that is more progressive than percentage homestead exemptions
- *Tax Caps:* Provide property tax relief to nonresidential property owners including nonresidents
- *Assessment Limits:* Largely benefit homeowners with rapidly appreciating home values

Property Tax Circuit Breakers

- Classic circuit breaker: Taxpayer ends up paying no more than $x\%$ of income in property tax
- Provide households with direct property tax relief that increases as household income declines, for a given property tax bill
- Prevent taxpayers from being overburdened by property taxes

Circuit Breakers “Do More With Less”

- Target property tax relief more precisely to those with a limited ability to pay property taxes than other common forms of property tax relief
- Reduce the cost of tax expenditures
- Best way to help those who are housing rich and income poor
- Have been enacted by states without income taxes

Policy Focus Report • Lincoln Institute of Land Policy

Property Tax Circuit Breakers

Fair and Cost-Effective Relief for Taxpayers



JOHN H. BOWMAN, DAPHNE A. KENYON,
ADAM LANGLEY, AND BETHANY P. PAQUIN

**Property Tax
Circuit Breakers:
Fair And Effective
Tax Relief For
Taxpayers**



Dark Store Day Designed To Push Legislature To Act



*Jerry Deschane,
League of Wisconsin
Municipalities*

By [KEN KRALL](#) · DEC 6, 2017

The head of the League of Wisconsin Municipalities says they've set aside a day next week to prod the legislature to act on closing tax loopholes that are called 'dark stores'.

League Executive Director Jerry Deschane explains what they're hoping to accomplish by declaring December 11 as Dark Store Day in Wisconsin.

Dark Stores Assessment Theory

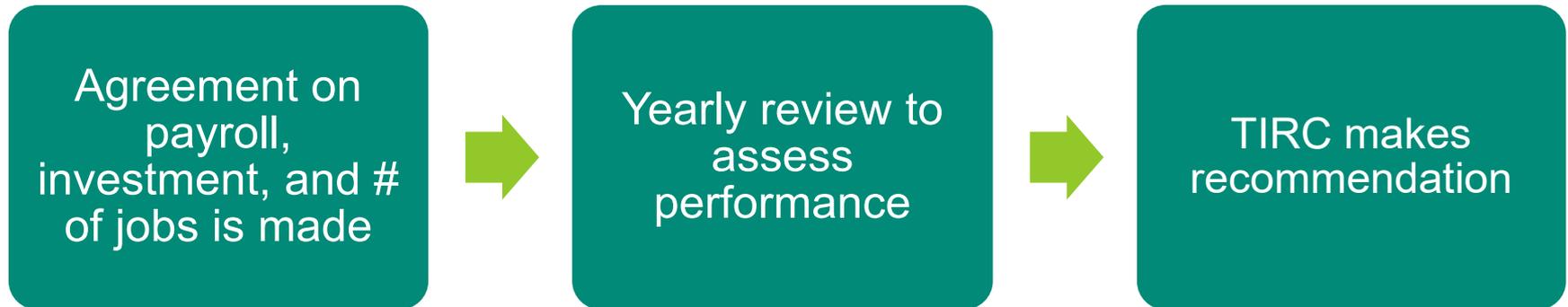
- Asserts that best comparable sales for valuing big box stores are those of vacant or abandoned big box stores (dark stores)
- Dark store assessment appeals on the rise, affecting at least 12 states
- Successful appeals diminish local tax bases and threaten municipal credit



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Evaluation of Property Tax Abatements in Franklin County, Ohio

Tax Incentive Review Councils (TIRCs)



Rethinking Property Tax Incentives for Business



DAPHNE A. KENYON, ADAM H. LANGLEY, AND BETHANY P. PAQUIN

Rethinking Property Tax Incentives for Business

Other states have dealt with “recapture”

- In NH it was called donor towns
- In VT it was called Gold towns
- Both states appear to have resolved this problem
- My hypothesis is that it is more politically palatable to have implicit rather than explicit redistribution through the tax system



The New York Times

***A Resort Says It's Been Driven
To the Last One: Secession***

By KATIE ZEZIMA
MARCH 3, 2004

Current Situation: ½ homeowners pay property tax in 1-2 large lump sums each year

Problem: Billing taxes on annual/biannual basis...

- Creates financial challenges for some households
- Increases property tax delinquency rate
- Fosters political opposition to property tax & erodes fiscal health
- Requires local gov'ts to deal with irregular revenue inflows

Solution: Allow monthly property tax payments

- Prepayment programs (Allowed in 16+ states; including Travis County, TX)
- Monthly property tax installments (Milwaukee, WI)

Monthly Installments in Milwaukee, WI



Learn More:

<http://city.Milwaukee.gov/treasurer>

- Successful program
 - Milwaukee has a low (3.9%) property tax delinquency rate
- Automatic enrollment w/out application
 - Tax bill includes monthly option
 - Automatically enrolled in monthly payment plan after making first monthly installment
- Several payment options
 - Automated payments by EFT
 - Check
 - Pay at 13 U.S. Bank branches

Milwaukee Tax Bill Has Option to Pay in Full or Installments

| | | | | | |
|--|--------|--|--|---|----------|
| WARNING: If the first installment payment is not paid by the due date, the installment option is lost. The total tax becomes delinquent and is subject to interest and penalty charges. | | | TOTAL DUE | | 4,393.64 |
| Monthly Installment Payment Due: February through July 2017 | 483.98 | Net Assessed Value Rate Before Credits | FULL PAYMENT DUE ON OR BEFORE JAN. 31, 2017 | | 4,393.64 |
| Monthly Installment Payment Due: August, September, and October 2017 | 335.25 | | 28.704 | FIRST INSTALLMENT PAYMENT DUE ON OR BEFORE JAN. 31, 2017 | |

2016 CITY OF MILWAUKEE COMBINED PROPERTY TAX PAYMENT COUPON

ACCOUNT TYPE: REAL ESTATE

TAX KEY/ACCOUNT NO:

LOCATION OF PROPERTY:

CHECK FOR ADDRESS CHANGE
 PAID UNDER PROTEST

Make Check Payable and Mail to:

CITY OF MILWAUKEE
OFFICE OF THE CITY TREASURER
P O BOX 78776
MILWAUKEE, WI 53278-0776

FULL PAYMENT
DUE 01/31/2017

4,393.64

1ST INSTALLMENT
DUE 01/31/2017

484.01

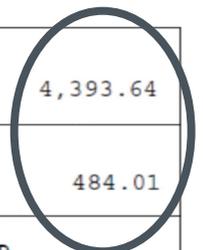
PLEASE WRITE IN AMOUNT ENCLOSED

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Monthly or Full Payment





Improving the Property Tax by Expanding Options for Monthly Payments

Working Paper WP18/AI 1

Adam H. Langlois
Lincoln Institute of Land Policy

January 2018

The findings and conclusions of this Working Paper reflect the views of the author(s) and have not been subject to a detailed review by the staff of the Lincoln Institute of Land Policy. Contact the Lincoln Institute with questions or requests for permission to reprint this paper.
help@lincolninstitute.edu

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Property Tax Adjustments in Wake of Natural Disaster

- Is special legislation required?
- Does taxpayer or taxing unit initiate appeal or reappraisal?
- Does state reimburse local governments?

- From “Property Tax’s Disaster Year” in Major Property Tax Developments 2017-18, by Collins, Kenyon & Paquin, forthcoming

Extra slides

Circuit Breaker Use in States without an Income Tax

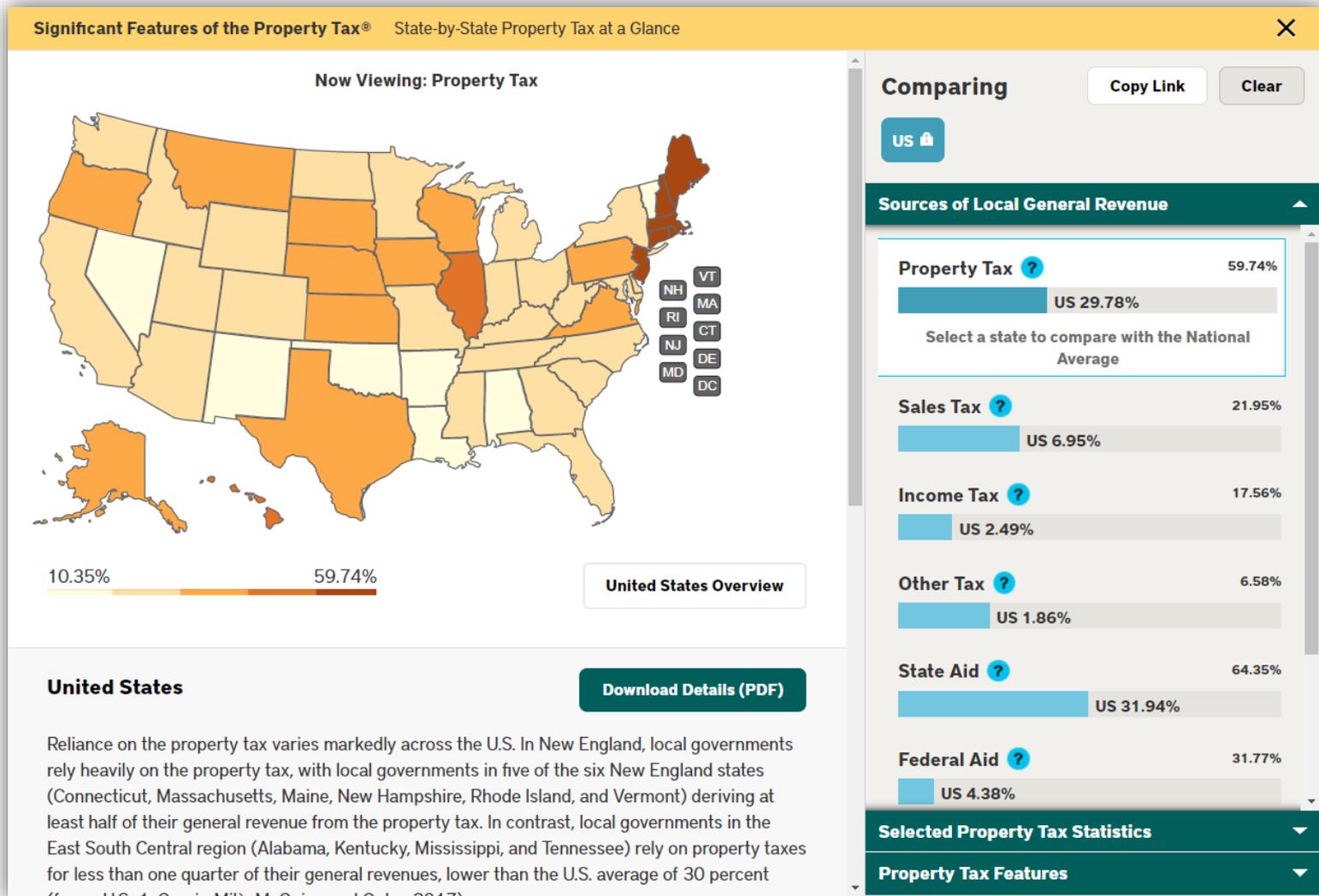
| State | Circuit Breaker? | Federal Tax Return Required? |
|---------------|-------------------|------------------------------|
| Alaska | No | |
| Florida | No | |
| Nevada | No | |
| New Hampshire | Yes | Yes |
| South Dakota | Yes | Yes, if required to file |
| Tennessee | No | |
| Texas | No | |
| Washington | Yes | Yes, if required to file |
| Wyoming | Discontinued 2016 | Yes |

State Annual Assessment Limit Percentages for Residential Property, 2016

| Assessment Limit Percentage | Number of States |
|-----------------------------|------------------|
| up to 5% | 9 |
| 6% to 9% | 1 |
| 10%+ | 4 |

Source: Significant Features of the Property Tax

State-by-State Property Tax at a Glance



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