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### P tT O i Property Tax Overview

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# Property Tax Overview

David L. Sjoquist

Georgia Budget and Policy Institute

Tax Reform: A Reality Check

January 9, 2008

Atlanta, Georgia

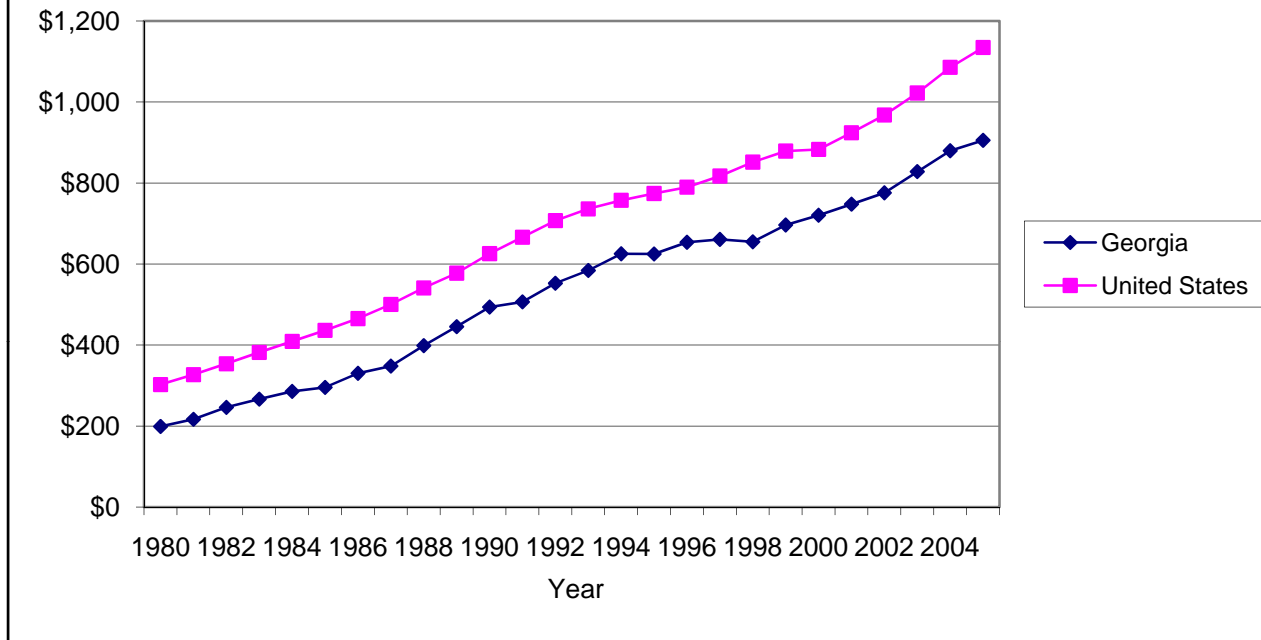


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## 2006 Georgia Property Tax Levies (in Millions)

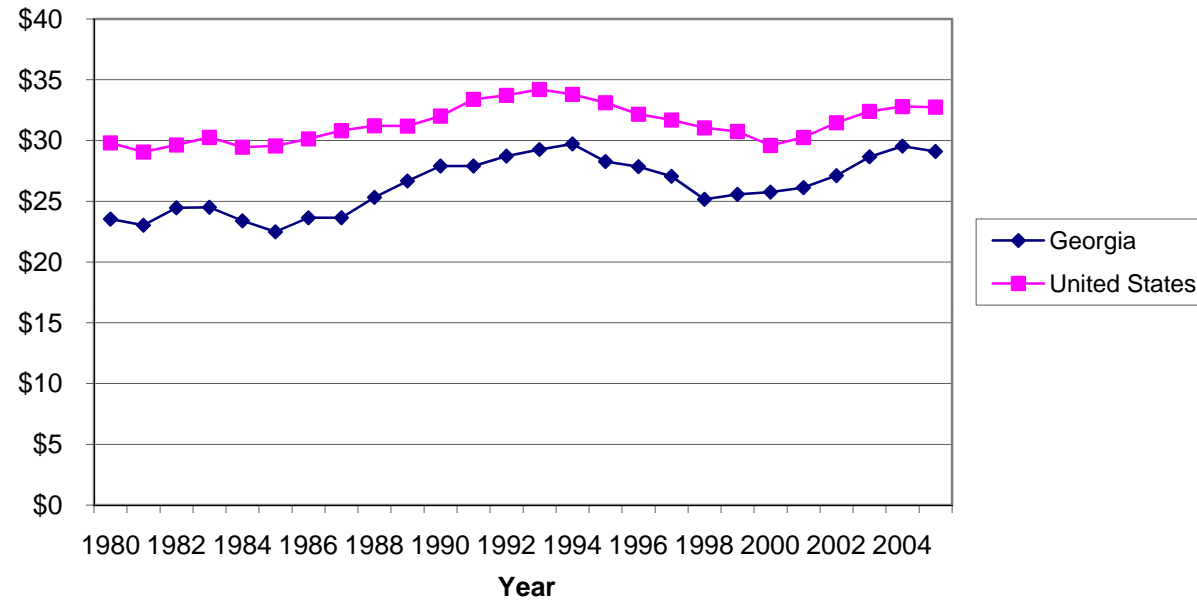
|                   | Operating      | Debt         | Total          | Share         |
|-------------------|----------------|--------------|----------------|---------------|
| Schools           | \$5,383        | \$167        | \$5,550        | 57.4%         |
| Counties          | 2,726          | 79           | 2,805          | 29.0%         |
| Cities            | 775            | 57           | 831            | 8.6%          |
| Special Districts | 393            | 14           | 406            | 4.2%          |
| State             | 79             |              | 79             | 0.8%          |
| <b>Total</b>      | <b>\$9,355</b> | <b>\$316</b> | <b>\$9,671</b> | <b>100.0%</b> |

## Property Taxes Per Capita



Source: U.S. Bureau of the Census

## Property Taxes Per \$1000 of Income



Sources: U.S. Bureau of the Census, Government Finances; Bureau of Economic Analysis

## Per capita or student property tax (2005 dollars)

|        | <u>1998</u> | <u>2005</u> | <u>Growth</u> |
|--------|-------------|-------------|---------------|
| State  | \$5.71      | \$7.29      | 27.8%         |
| County | 286.36      | 327.62      | 14.4%         |
| School | 2,495.84    | 3,163.71    | 26.8%         |
| Cities | 198.13      | 231.14      | 16.7%         |

Source: "Growth in Expenditures and Property Taxes by Level of Type of Government",  
Fiscal Research Center, Georgia Budget and Policy Institute, Georgia Public Policy Foundation



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- **Property tax per capita, 2005**  
**\$892 (rank 29<sup>th</sup>)**
- **% change, 2000-2005**  
**9.5% (rank 33<sup>rd</sup>)**

Source: Tax Foundation

# Georgia property tax on homes, 2006

Median = \$1151 (rank 36<sup>th</sup>)

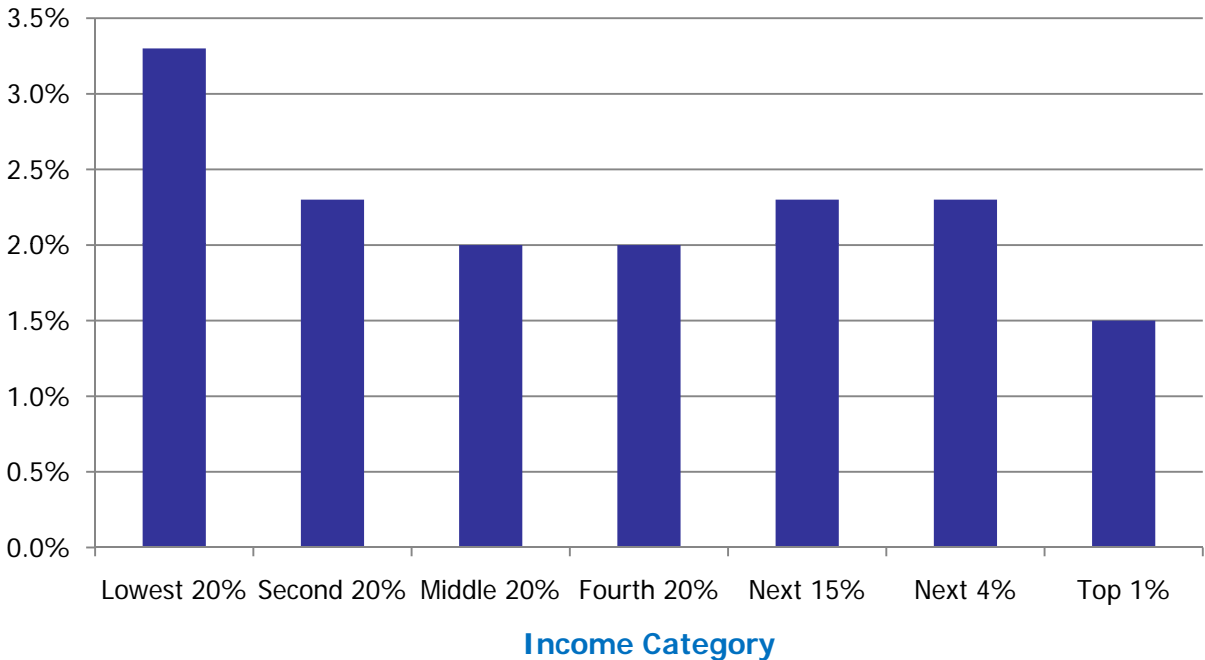
% of median value = 0.73% (rank 30<sup>th</sup>)

% of median income = 1.92% (rank 37<sup>th</sup>)

Source: Tax Foundation



# Tax Burden (Georgia, 2002)



Note: Tax burden of tax on individuals; it excludes taxes paid by businesses

Source: *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*,  
Institute on Taxation & Economic Policy



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## Property Tax on Homes, 2000

| Percent with Property Taxes of | Household Income Group |                      |                       |                |
|--------------------------------|------------------------|----------------------|-----------------------|----------------|
|                                | Less than \$30,000     | \$30,000 to \$75,000 | \$75,000 to \$200,000 | Over \$200,000 |
| No tax                         | 2.7%                   | 1.1%                 | 0.5%                  | 0.3%           |
| Up to \$1000                   | 79.6%                  | 63.4%                | 32.5%                 | 15.1%          |
| \$1000 to \$3000               | 15.6%                  | 32.4%                | 55.1%                 | 41.2%          |
| \$3000 to \$5000               | 1.6%                   | 2.3%                 | 9.0%                  | 12.5%          |
| \$5000 to \$7000               | 0.3%                   | 0.5%                 | 1.8%                  | 9.6%           |
| Over \$7000                    | 0.3%                   | 0.3%                 | 1.1%                  | 10.4%          |
| Total                          | 100%                   | 100%                 | 100%                  | 100%           |

Source: 2000 Census of Population and Housing

# Brief History

- Traced back to 600 BC in Athens
- 1638 - first use in America
- 19<sup>th</sup> Century
  - Switched to value
  - Adopted uniformity provision
- 20<sup>th</sup> Century
  - State use fell
  - Exemptions increase
  - Tax Revolts
    - 1930s (Great Depression)
    - 1978 (Proposition 13)

# Is the Property Tax a Good Tax?

- Stability of revenue
- Mobility of tax base
- Equity
  - Vertical
  - Horizontal
- Fiscal autonomy
- Related to benefits
- Wealth per student varies
- Fiscal competition
- Fiscal restraint
- Unpopular

# What is the problem?

- Property taxes are too high?
- Large annual increases in assessed value
  - Tax increases are too large
    - Not fair
      - Elderly are forced to sell
- Residential vs. business burden is wrong
  - Reduces economic development
  - Capital gain is taxed but not realized

# Two Fundamental Questions

What should be the:

- Level of property taxes?
- Distribution of burden?

## Two Principles

- Horizontal equity
- Vertical equity

# Alternatives

## 1. Matching Grant

- State matches, say, 50% of current property tax
- Mandated roll back of property taxes
- State matches increases up to CPI + pop growth
- Local government can add 0.5%, but not matched
- More than that requires referendum

## 2. School Funding Option

- State funds an amount per student, say \$9,000
- Systems spending less than \$9,000 would eliminate local taxes.
- Systems spending more than \$9,000 would cut local taxes, but maintain current spending per student.
- Systems would be guaranteed an increase per student equal to  $\text{CPI} + 0.5\%$ 
  - either from the state
  - or local tax revenue
- Referendum to exceed the cap, good for 5 years.



### 3. Targeted Tax Credit

Credit = property taxes in excess of  
2% of income

## Average Credit for by Income

| Income Group          | Number         | Average Credit |
|-----------------------|----------------|----------------|
| Less than \$10,000    | 78,292         | \$855          |
| \$10,000 - \$19,999   | 109,455        | \$748          |
| \$20,000 - \$29,999   | 112,178        | \$813          |
| \$30,000 - \$49,999   | 219,125        | \$867          |
| \$50,000 - \$74,999   | 197,172        | \$1,034        |
| \$75,000 - \$99,999   | 106,559        | \$1,142        |
| \$100,000 - \$149,999 | 77,734         | \$1,424        |
| \$150,000 - \$199,999 | 15,381         | \$2,232        |
| \$200,000 - \$299,999 | 37,348         | \$2,464        |
| \$300,000 or more     | 4,134          | \$1,852        |
| <b>Total</b>          | <b>957,378</b> | <b>\$1,045</b> |



**THE END**

**Thank you**



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