P tT O i Property Tax Overview

David Sjoquist
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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
## 2006 Georgia Property Tax Levies

*(in Millions)*

<table>
<thead>
<tr>
<th></th>
<th>Operating</th>
<th>Debt</th>
<th>Total</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools</td>
<td>$5,383</td>
<td>$167</td>
<td>$5,550</td>
<td>57.4%</td>
</tr>
<tr>
<td>Counties</td>
<td>2,726</td>
<td>79</td>
<td>2,805</td>
<td>29.0%</td>
</tr>
<tr>
<td>Cities</td>
<td>775</td>
<td>57</td>
<td>831</td>
<td>8.6%</td>
</tr>
<tr>
<td>Special Districts</td>
<td>393</td>
<td>14</td>
<td>406</td>
<td>4.2%</td>
</tr>
<tr>
<td>State</td>
<td>79</td>
<td></td>
<td>79</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,355</strong></td>
<td><strong>$316</strong></td>
<td><strong>$9,671</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
Property Taxes Per Capita

Source: U.S. Bureau of the Census
Property Taxes Per $1000 of Income

Year


$0 $5 $10 $15 $20 $25 $30 $35 $40

Georgia
United States

Sources: U.S. Bureau of the Census, Government Finances; Bureau of Economic Analysis
## Per capita or student property tax
(2005 dollars)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2005</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$5.71</td>
<td>$7.29</td>
<td>27.8%</td>
</tr>
<tr>
<td>County</td>
<td>286.36</td>
<td>327.62</td>
<td>14.4%</td>
</tr>
<tr>
<td>School</td>
<td>2,495.84</td>
<td>3,163.71</td>
<td>26.8%</td>
</tr>
<tr>
<td>Cities</td>
<td>198.13</td>
<td>231.14</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

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
• Property tax per capita, 2005
  $892 (rank 29th)

• % change, 2000-2005
  9.5% (rank 33rd)

Source: Tax Foundation
Georgia property tax on homes, 2006

Median = $1151 (rank 36th)

% of median value = 0.73% (rank 30th)

% of median income = 1.92% (rank 37th)

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
## Property Tax on Homes, 2000

<table>
<thead>
<tr>
<th>Percent with Property Taxes of</th>
<th>Less than $30,000</th>
<th>$30,000 to $75,000</th>
<th>$75,000 to $200,000</th>
<th>Over $200,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>No tax</td>
<td>2.7%</td>
<td>1.1%</td>
<td>0.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Up to $1000</td>
<td>79.6%</td>
<td>63.4%</td>
<td>32.5%</td>
<td>15.1%</td>
</tr>
<tr>
<td>$1000 to $3000</td>
<td>15.6%</td>
<td>32.4%</td>
<td>55.1%</td>
<td>41.2%</td>
</tr>
<tr>
<td>$3000 to $5000</td>
<td>1.6%</td>
<td>2.3%</td>
<td>9.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>$5000 to $7000</td>
<td>0.3%</td>
<td>0.5%</td>
<td>1.8%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Over $7000</td>
<td>0.3%</td>
<td>0.3%</td>
<td>1.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: 2000 Census of Population and Housing*
Brief History

- Traced back to 600 BC in Athens
- 1638 - first use in America

19th Century
- Switched to value
- Adopted uniformity provision

20th 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 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

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

Thank you