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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

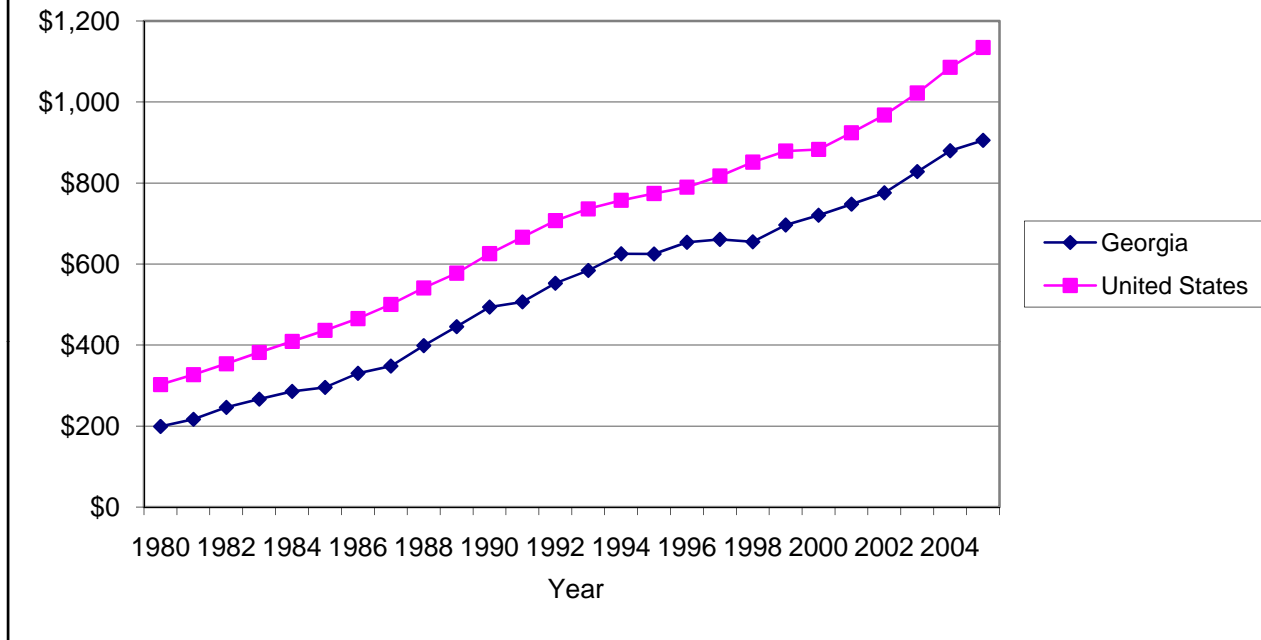


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2006 Georgia Property Tax Levies (in Millions)

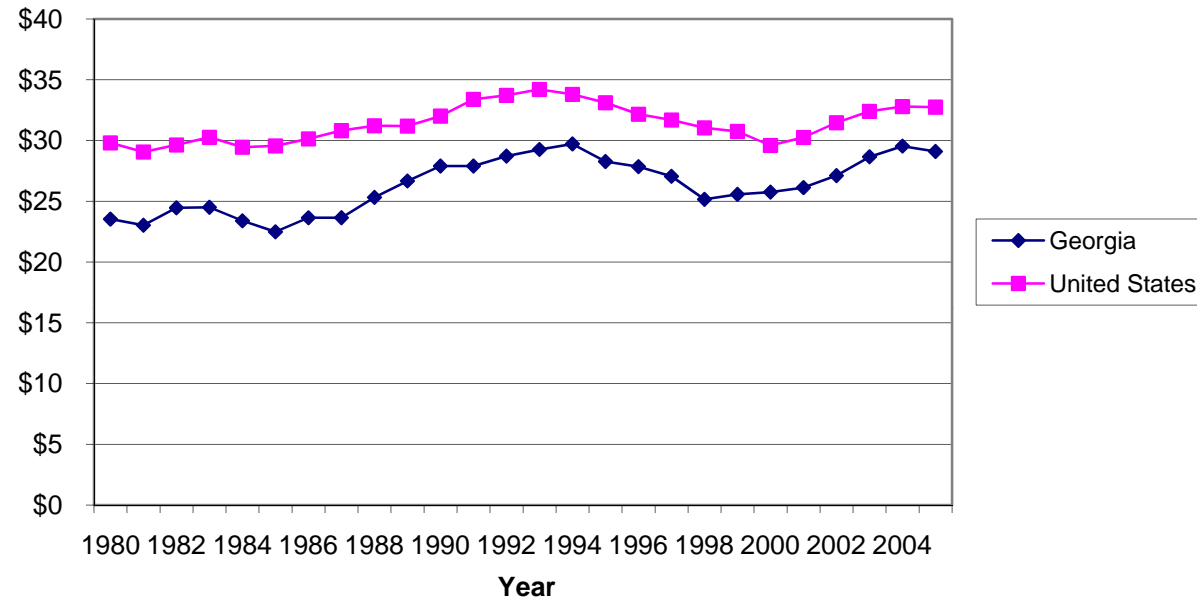
	Operating	Debt	Total	Share
Schools	\$5,383	\$167	\$5,550	57.4%
Counties	2,726	79	2,805	29.0%
Cities	775	57	831	8.6%
Special Districts	393	14	406	4.2%
State	79		79	0.8%
Total	\$9,355	\$316	\$9,671	100.0%

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 29th)
- **% change, 2000-2005**
9.5% (rank 33rd)

Source: Tax Foundation

Georgia property tax on homes, 2006

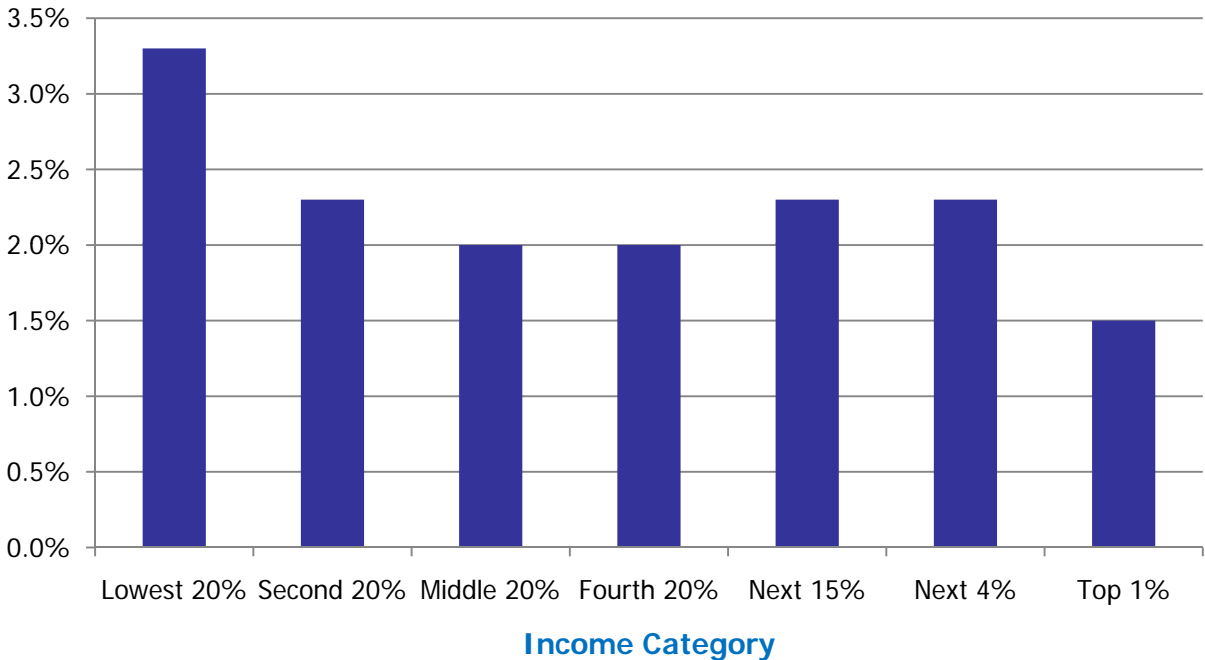
Median = \$1151 (rank 36th)

% 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



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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
- 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 $\text{CPI} + 0.5\%$
 - 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
Total	957,378	\$1,045



THE END

Thank you



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