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
### 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><strong>Schools</strong></td>
<td>$5,383</td>
<td>$167</td>
<td>$5,550</td>
<td>57.4%</td>
</tr>
<tr>
<td><strong>Counties</strong></td>
<td>2,726</td>
<td>79</td>
<td>2,805</td>
<td>29.0%</td>
</tr>
<tr>
<td><strong>Cities</strong></td>
<td>775</td>
<td>57</td>
<td>831</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Special Districts</strong></td>
<td>393</td>
<td>14</td>
<td>406</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>State</strong></td>
<td>79</td>
<td></td>
<td>79</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,355</td>
<td>$316</td>
<td>$9,671</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
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)

<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
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>Household Income Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than $30,000</td>
</tr>
<tr>
<td>No tax</td>
<td>2.7%</td>
</tr>
<tr>
<td>Up to $1000</td>
<td>79.6%</td>
</tr>
<tr>
<td>$1000 to $3000</td>
<td>15.6%</td>
</tr>
<tr>
<td>$3000 to $5000</td>
<td>1.6%</td>
</tr>
<tr>
<td>$5000 to $7000</td>
<td>0.3%</td>
</tr>
<tr>
<td>Over $7000</td>
<td>0.3%</td>
</tr>
<tr>
<td>Total</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
• 19\textsuperscript{th} Century
  • Switched to value
  • Adopted uniformity provision
• 20\textsuperscript{th} 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><strong>957,378</strong></td>
<td><strong>$1,045</strong></td>
</tr>
</tbody>
</table>
THE END

Thank you