

**Property Assessment Limits: Effects on Homestead Property Tax Burdens  
and National Property Tax Rankings**

Aaron Twait

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## Abstract

Property tax assessment limitations deliver different levels of tax relief to different parcels; based largely on the owner's tenure and the parcel's change in value over time relative to the assessment limit. These parcel-specific assessment limits have implications for the findings of the Minnesota Taxpayers Association's *50-State Property Tax Comparison Study*, which compares tax burdens on hypothetical properties of similar value in different cities. This research explores issues related to the development and application of a methodology to incorporate these effects into the *50-State Property Tax Study*. We conclude that we can develop a reasonably robust methodology to incorporate these effects. We conclude that rapid market appreciation combined with relatively stringent limitations exempted between 40% and 65% of residential property value for an "average" homeowner in selected locations in payable 2006. We conclude that revaluation practices should also be included in MTA's *50-State Property Tax Study* since periodic or ad hoc revaluations function as de facto assessment limitations.

### **About the Author**

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# Property Assessment Limits, Revaluation Practices, and Their Effects on Homestead Property Tax Burdens

## Introduction

Property tax limitations have been an increasingly prominent feature of the local government finance landscape since the late 1970s, when rapid property value growth provoked Californians to adopt the now-iconic Proposition 13, which limits growth in the taxable value of properties and caps property tax rates. Since that time, limitations on property taxes have become increasingly popular, especially during the late 1990s and early 2000s, when property values again appreciated significantly.

Property tax limitations fall into three broad categories: limits in the growth of overall levies, limits on tax rates, and limits on the growth of assessed valuations. These limitations have implications for the annual *50-State Property Tax Comparison Study* (*50-State PT Study*) that the Minnesota Taxpayers Association (MTA) has prepared annually since taxes payable 2004 and periodically before that to taxes payable 1995.<sup>1</sup> MTA's *50-State PT Study* has always incorporated limits affecting tax rates and overall levies; we can measure these limits' effects straightforwardly since they affect all properties in a jurisdiction similarly. However, the study has not incorporated property assessment limitations.

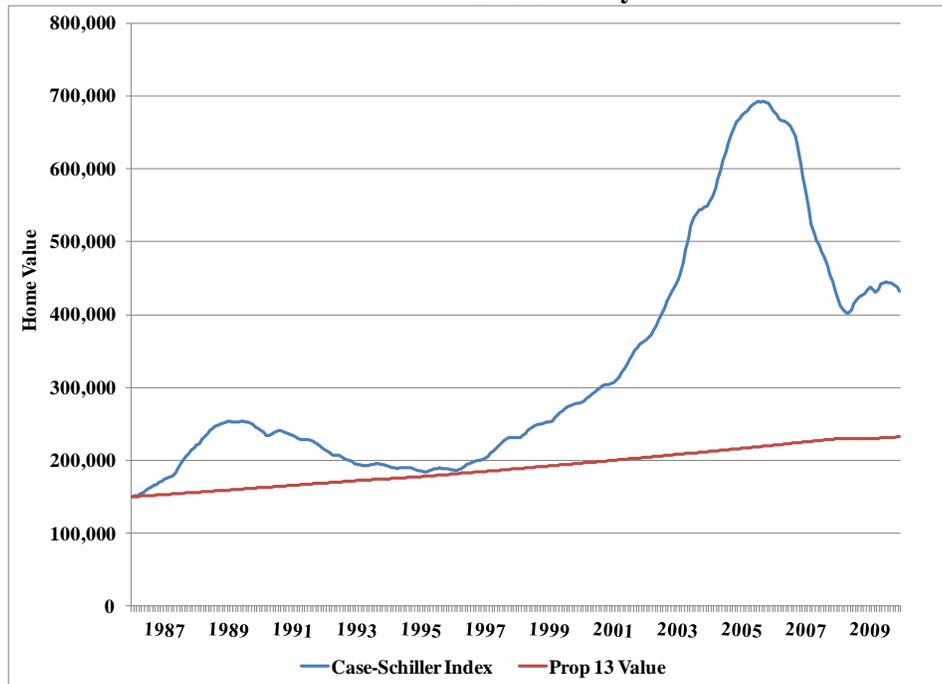
In most cases, property assessment limitations restrict valuation growth on a parcel-specific basis and generally remove the caps upon the sale of the property, resetting the taxable value to the assessed value. Therefore, the amount of relief such programs provide is largely dependent on both the length of homeowner tenure and the market value appreciation relative to the allowable growth. Given the difficulties associated with estimating the average amount of excluded property value in any jurisdiction, MTA has historically sidestepped this issue by stating that the study measures the tax on newly constructed or newly purchased properties. This means, however, that the study has limited practical meaning in localities where assessment limits are in effect, since the results apply only to that restricted set of properties that are either newly constructed or which change hands during the relevant taxes payable year.

However, property assessment limitations can have serious implications for property tax burdens. Consider, for example, a house purchased in Los Angeles in January 1987. Figure 1 demonstrates the significance of the issue. We estimate growth in market value using the S&P/Case-Schiller Housing Index for the Los Angeles MSA and growth in taxable value using the conditions set forth in Proposition 13. Although housing prices appreciated at very high rates between 1996 and 2006, California's limit on annual growth in taxable value (the lesser of 2% or the increase in the California Consumer Price Index) exempts a significant portion of the post-purchase value growth from the property tax – some 75% of such growth in 2010, even after the market correction.

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<sup>1</sup> MTA's payable 2010 study is available through the Lincoln Institute, at <http://www.lincolninst.edu/subcenters/significant-features-property-tax/ContentPage.aspx?id=2>; previous studies can be obtained by contacting the Association.

**Figure 1: Estimated Change in Market Value and Taxable Value of \$150,000 Los Angeles Residence Purchased January 1987**



Sources: S&P/Case-Schiller Home Price Indices, [www.standardandpoors.com](http://www.standardandpoors.com); and California Consumer Price Index for All Urban Consumers, California Department of Industrial Relations, <http://www.dir.ca.gov/dlsr/CAPriceIndex.htm>.

Given the increasing use of property tax assessment limits, such evidence as seen in Figure 1 underscores the importance of developing a methodology to quantify the effect of assessment limits on an average property tax burden in order to maintain the usefulness of MTA's *50-State Property Tax Study* for policymakers and researchers.

However, it is clear that any examination of property assessment limits must also take into account revaluation practices that do not provide for annual changes in property value. Such practices also create deviations between assessed value and market value.

In this working paper, we develop a methodology that incorporates the effect of property assessment limitations on homestead properties in MTA's *50-State Property Tax Study*. We then model the amount of homestead property exempted for an owner with average tenure and average appreciation for payable 2006 and payable 2010. Finally, we use the model to explore whether tenure affects the level of benefits these assessment limitation programs offer.

## Identification of Homestead Assessment Limitations

We began this effort by identifying, with the Lincoln Institute's assistance, the universe of programs that explicitly limit growth in the taxable value of homesteads. We divide assessment limitations into three types, based on the method used to limit value growth.

- **Limited value:** Most assessment limitations restrict growth in taxable value, usually on an annual basis. The method creates two property values – a “market value” that corresponds to the price the parcel would fetch on the open market, and a “limited value” that excludes some portion of market value from taxation.
- **Revaluation phase-in:** Other assessment limitations phase in assessment increases – such programs generally appear in places where annual revaluations are not mandated. This system also creates two property values – a “market value” corresponding to the open market value and a “phased-in” value with only some portion of the change between the current and previous assessed values. When the phase-in period is equivalent to the time between revaluations, the “phased-in” value will always lag the “market value”, since the year when the revaluation is fully phased-in is the year when the next revaluation once again modifies the “market value” amount.
- **Circuit breakers:** A third limitation type works similarly to a “circuit-breaker” program. Circuit breakers provide refunds to property owners, usually by limiting the total tax increase on the parcel to a certain proportion or by limiting the total tax burden to some percentage of the property owner's income. However, two assessment limitations have circuit-breaker elements –offering credits to property owners once value growth exceeds a specified percentage. Such programs do not explicitly limit parcel value growth, but they do mitigate one-year property tax increases attributable to “excessive” value growth.

Following is a list of programs offered in the nineteen states that limit growth in the taxable value of homestead properties, grouped by type. We describe briefly how each program works and provide the relevant legal citations. Certain provisions are applicable to other types of property but are not included since they exceed the scope of this investigation. Fifteen states do this through limiting year-to-year growth in taxable value, two states phase-in revaluation values, one state offers a circuitbreaker based on value growth, and one state (Maryland) both phases in revaluation and also offers a circuitbreaker. Table 1 on the next page summarizes the list.

### *Limited value provisions*

Arizona: Prohibits annual value increases greater than 10% of the prior year's limited market value or 25% of the difference between the prior year's limited market value and

the current fair market value.<sup>2</sup> The limit has been in effect statewide since 1980 and applies on a parcel-specific basis. Limited value does not reset upon sale of the property, but carries forward to subsequent owners.

**Table 1: Homestead Property Assessment Limitations, Effective Payable 2010**

State	Affected Area	Type of Limitation		
		Limited Value	Revaluation Phase-in	Circuit-Breaker
Arizona	Statewide	X		
Arkansas	Statewide	X		
California	Statewide	X		
Colorado	Statewide	X		
Connecticut	Local Option		X	
District of Columbia	District-wide			X
Florida	Statewide	X		
Georgia	Local Option	X		
Illinois	Cook County	X		
Iowa	Statewide	X		
Maryland	Statewide		X	
Maryland	Statewide and Local Option			X
Michigan	Statewide	X		
Montana	Statewide		X	
New Mexico	Statewide	X		
New York	New York City; Nassau County	X		
Oklahoma	Statewide	X		
Oregon	Statewide	X		
South Carolina	Statewide	X		
Texas	Statewide	X		

Source: MTA research.

Arkansas: Prohibits annual value increases exceeding 5% for homesteads or 10% for non-homesteads relative to a property’s pre-appraisal price.<sup>3</sup> The limit has been in effect statewide since January 1, 2001 and applies on a parcel-specific basis. Limited value resets upon the property’s sale.

California: State law limits annual value increases to the lesser of 2% or the change in the California Consumer Price Index, as determined by the California Department of Industrial Relations.<sup>4</sup> The limit has been in effect statewide since 1979 and applies on a parcel-specific basis. Limited value resets upon the sale of the property.

<sup>2</sup> Ariz. Rev. Stat. §§ 42-13301; 42-13304

<sup>3</sup> Ark. Const. amend. 79

<sup>4</sup> Cal. Const. amend. XIII, § 2(b)

Colorado: State law limits the residential share of property taxes statewide to 45%.<sup>5</sup> The limitation works by leveraging the statewide assessment ratio for homestead properties accordingly to generate the desired outcome, meaning that relief is delivered on an aggregate basis. The provision has been in effect since 1983. Since relief is delivered via the assessment ratio, limited value does not reset upon sale of the property.

Florida: Prohibits annual value increases in excess to the lesser of 3% or the change in the Consumer Price Index for all urban consumers, U.S. city average (1967=100).<sup>6</sup> The limit has been in effect statewide since 1995 and applies on a parcel-specific basis. Limited value resets upon the sale of the property.

Georgia: State law allows local governments to freeze homestead values.<sup>7</sup> This local option limitation has been available to local governments since 1983. The provisions apply on a parcel-specific basis, and the limited value resets upon sale of the property. Note that a two-year statewide freeze on homestead values expired in 2011.

Illinois: State law limits annual homestead value increases in Cook County to only a maximum of 7%.<sup>8</sup> The provision applies on a parcel-specific basis and has been in effect since taxes payable 2004. Limited value resets upon the sale of the property.

Iowa: Limits revaluation-related increases in residential property value to a maximum of 4% in the aggregate, with the statewide assessment ratio “rolled back” to generate the desired outcome.<sup>9</sup> Aggregate residential property value may not increase at a faster rate than aggregate agricultural property value. The limit has been in effect since assessment year 1978. The limitation does not reset upon sale of the property since the relief is delivered through manipulating the assessment ratio.

Michigan: Prohibits annual value increases greater than 5% or the change in the Consumer Price Index, whichever is lesser.<sup>10</sup> The limitation has been in effect statewide since payable 1995 and applies on a parcel-specific basis. Limited value resets upon the sale of the property.

New Mexico: State law limits annual value increases for homesteads to 3.0% over one year or to 6.1% over two years.<sup>11</sup> The provision has been in effect since taxes payable 2001, and applies on a statewide basis. The limitation is parcel-specific and limited value resets upon the sales of the property.

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<sup>5</sup> Colo. Rev. Stat. § 39-1-104.2; Colo. Const. art. X, § 3

<sup>6</sup> Fla. Stat. § 193.155; Fla. Const. Art. VII §4(c)

<sup>7</sup> Ga. Code § 48-5-50.1

<sup>8</sup> 35 Ill. Comp. Stat. § 200/15-176

<sup>9</sup> Iowa Code § 441.21

<sup>10</sup> Mich. Comp. Laws § 211.27a; Mich. Const. art. IX, § 3.

<sup>11</sup> N.M. Stat. § 7-36-21.2

New York: State law limits the growth in homestead values in New York City and Nassau County only to 6% over one year and 20% over five years.<sup>12</sup> The provision applies on a parcel-specific basis and limited value resets upon the sale of the property. The limitation was enacted in 1981.

Oklahoma: Limits annual homestead value increases to 5%.<sup>13</sup> The limitation has been in effect statewide since taxes payable 1997 and applies to parcels on an individual basis. Limited value resets upon the sale of the property.

Oregon: State law limits annual homestead value increases to 3%.<sup>14</sup> The limitation has been in effect statewide since payable 1997 and applies on a parcel-specific basis. Limited market value does not reset upon sale of the property, but carries forward to subsequent owners.

South Carolina: The provision limits homestead value increases to a maximum of 15% over a five-year period<sup>15</sup>. The limitation has been in effect statewide since taxes payable 2007 and applies on a parcel-specific basis. Limited value resets upon the sale of the property.

Texas: State law limits annual homestead value increases to 10%.<sup>16</sup> The limitation applies on a parcel-specific basis and has been effect statewide since taxes payable 1998. Limited value resets upon the sale of the property.

### ***Revaluation phase-in provisions<sup>17</sup>***

Connecticut: State law allows municipalities to phase in assessment changes over a five-year period.<sup>18</sup> Municipalities have flexibility to design their own phase-in provisions, with the only requirement being that at least 15% of the value change must be recognized in any one year. This option has been available to municipalities since 1978. Phased-in value does not reset upon sale of the property.

Maryland: State law requires a three-year phase in period for assessment changes.<sup>19</sup> It is not immediately apparent when the provision was enacted. Phased-in value does not reset upon sale of the property.

Montana: State law requires assessment increases to be phased-in over a six-year period, with decreases phased in immediately.<sup>20</sup> Property value increases resulting from

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<sup>12</sup> N.Y. Real Property Tax Law § 1805

<sup>13</sup> Okla. Const. article X, §8B; Okla. Stat. tit. 68, § 2817.1

<sup>14</sup> Or. Const. article XI, §11; Or. Rev. Stat § 308.146

<sup>15</sup> S.C. Const. article X, §16; S.C. Code § 12-37-3140

<sup>16</sup> Tex. Const. article VIII, §1; Tex Tax Code § 23.23

<sup>17</sup> Note: By their nature, revaluation phase-ins apply on a parcel-specific basis.

<sup>18</sup> Conn. Gen. Stat. § 12-62c

<sup>19</sup> Md. Code, Tax-Property § 8-103.

<sup>20</sup> Mont. Code § 15-6-193 and § 15-7-111

reappraisals have been mitigated in some way since the introduction of Montana's 1972 constitution. Phased-in value does not reset upon sale of the property.

***Circuit-breaker provisions***

District of Columbia: District law provides homeowners a credit for property taxes levied against any value that exceeds 10% growth from the previous year.<sup>21</sup> The program has been in effect since taxes payable 2001.

Maryland: State law provides homeowners with a credit against property taxes levied against any value that exceeds a certain amount of growth from the previous year.<sup>22</sup> For purposes of state taxes, the allowable growth rate is 10%; the allowable growth rate for local governments varies based on local preferences. The program has been in effect since at least taxes payable 1991.

Thirty-four of the fifty-one states plus the District of Columbia, therefore, offer some sort of explicit or implicit limit on the change in taxable homestead value. Many states offer more than one such provision. Table 1 summarizes our findings.

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<sup>21</sup> DC Code § 47-864

<sup>22</sup> Md. Code, Tax-Property § 9-105.

## Methodology

### Property Assessment Limitations Already Included

MTA's *50-State Property Tax Study* has always included some of the property assessment limits described earlier. Specifically we have included assessment limits that apply similar relief to all homestead properties through manipulation of the assessment ratio (Colorado and Iowa), and those assessment limits where data on the effect of limited value was readily available (Oregon) or was provided by local contacts (Montana).

### Development of Methodology

There is no lack of information available on the amount of property value excluded from taxation under many of these limitation provisions. States that do provide this data generally report on both a statewide and county basis, and often provide property-class specific information. However, the information generally does not supply enough data to perform a distributional analysis – allowing one to determine whether the aggregate amount of exempt property is distributed across a wide variety of parcels, or is instead concentrated in a smaller group of properties. Importantly for the *50-State Property Tax Study*, it is not possible to determine whether more than one-half of the parcels in any given property class receive the benefit – the threshold which the study uses to determine whether to apply any particular property relief program.

Without information on the amount of exempt property for each parcel in the affected jurisdictions in the *50-State Property Tax Study*, MTA resorted to modeling the effects instead. Generally, the value of parcel-specific assessment limitations results from a combination of the length of homeowner tenure and changes in the market value of the parcel relative to the provisions of the applicable limitation. Fortunately, estimates for these variables can be derived from existing data sources.

### Length of Homeowner Tenure

Table B25026 in the Census Bureau's *2010 American Community Survey*<sup>23</sup> (ACS) provides data on length of homeowner tenure for states and selected political subdivisions. MTA estimated average homeowner tenure for major cities using the counties in that city's metropolitan statistical area, as defined by the federal Office of Management and Budget<sup>24</sup>, but omitting those counties for which the Census Bureau did not provide data.

Survey respondents indicate homeownership tenure using date ranges instead of specific dates; the date ranges used for the 2010 ACS were:

- 2005-2009
- 2000-2004

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<sup>23</sup> The Census Bureau implemented the American Community Survey in 2005. This statistical survey gathers information previously obtained using the long form of the decennial census.

<sup>24</sup> See most recently: <http://www.whitehouse.gov/sites/default/files/omb/assets/bulletins/b10-02.pdf>

- 1990-1999
- 1980-1989
- 1970-1979
- 1969 or earlier

We assume that the date range containing the median of this homeowner set contains the average year a homeowner in the area purchased his or her home. To determine the exact year in the date range containing the median, MTA assumed uniform distribution of the population in the target range – i.e. that the 1/5<sup>th</sup> of the total population in the five-year date ranges and 1/10<sup>th</sup> of the population in each of the ten-year date ranges bought their home in each year within the range. This represents a “least-worst” method of distributing the population in each range. Table 2 uses our calculations of the average homeowner tenure in the Miami-Fort Lauderdale-Pompano Beach MSA to provide an example of this process – since 2001 was closest to the median of the set (49.3%); we assume that the average homeowner tenure for this location is nine years (2001-2010).

**Table 2: Estimated Homeowner Tenure for Miami-Fort Lauderdale-Pompano Beach, FL Metropolitan Statistical Area**

Date Range	Estimated Homeowners				
	Broward County	Miami-Dade County	Palm Beach County	Total	Cumulative Percent
Moved in 2005 or later	325,908	363,387	259,264	948,559	27.0%
<i>Estimated 2004</i>	<i>69,450</i>	<i>72,677</i>	<i>51,853</i>	<i>193,980</i>	<i>32.6%</i>
<i>Estimated 2003-2004</i>	<i>138,901</i>	<i>145,355</i>	<i>103,706</i>	<i>387,962</i>	<i>38.1%</i>
<i>Estimated 2002-2004</i>	<i>208,351</i>	<i>218,032</i>	<i>155,558</i>	<i>581,941</i>	<i>43.7%</i>
<i>Estimated 2001-2004</i>	<i>277,802</i>	<i>290,710</i>	<i>207,411</i>	<i>775,923</i>	<i>49.3%</i>
Moved in 2000 to 2004	347,252	360,590	270,531	978,373	54.8%
Moved in 1990 to 1999	322,638	414,823	252,897	990,358	83.0%
Moved in 1980 to 1989	105,834	169,062	92,509	367,405	93.4%
Moved in 1970 to 1979	36,565	95,345	29,120	161,030	98.0%
Moved in 1969 or earlier	14,776	42,804	13,215	70,795	100.00%
<b>Total</b>	<b>1,152,973</b>	<b>1,446,011</b>	<b>917,536</b>	<b>3,516,520</b>	<b>100.00%</b>

Source: American Community Survey, U.S. Census Bureau. Calculations by MTA.

Note that in two states, Arizona and Oregon, limited value does not reset upon sale of the property. In those cases, we used ACS data on the age of the residence itself to determine the amount of value excluded under the property assessment limitation.

### Market Value Changes Relative to Limited Value Changes

The Federal Housing Finance Agency’s (FHFA) *House Price Index* for All Transactions<sup>25</sup> provides data on the average change in residential property values both for the United States as a whole, for the individual states, and – importantly for this work – for metropolitan statistical areas. The methodology assumes that the change in this index for the various metropolitan statistical areas approximates the average change in residential market values for those locations. MTA compared the change in the Housing

<sup>25</sup> Seasonally-adjusted, purchase only index. Available at <http://www.fhfa.gov/Default.aspx?Page=14>

Price Index for affected metropolitan statistical areas (first-quarter to first-quarter annually) over the course of the average homeowner tenure to the allowable growth in taxable value of a residential parcel over the same period. We assume the differential between the two is the portion of market value that is exempt from taxation under the assessment limitation provisions.

Table 3 on the next page demonstrates the use of this methodology using the Miami-Fort Lauderdale-Pompano Beach MSA as an example, where the average homeowner tenure is nine years and residential property value growth is limited to the lesser of 3% or the change in the Consumer Price Index for all urban consumers, U.S. city average (1967=100). The assumed purchase price is \$100,000; substituting higher or lower purchase prices does not change the results for this or other examples (except for those derived for Chicago) since both the changes in market value and the assessment limitations are figured on a percentage basis.

**Table 3: Estimated Average Exempt Homeowner Value Resulting From Assessment Limitations, Miami-Fort Lauderdale-Pompano Beach, FL Metropolitan Statistical Area, Payable 2010**

Payable Year	Home Price Index Change	Estimated Market Value	Allowable Taxable Growth	Estimated Taxable Value	Pct Market Value Taxable
2001	NA	100,000	NA	100,000	100.0%
2002	12.82%	112,820	1.58%	101,581	90.0%
2003	14.53%	129,213	2.28%	103,896	80.4%
2004	15.50%	149,241	2.66%	106,663	71.5%
2005	22.16%	182,312	3.39%	109,863	60.3%
2006	27.91%	233,196	3.23%	113,159	48.5%
2007	10.91%	258,638	2.85%	116,382	45.0%
2008	(7.35%)	238,628	3.84%	119,873	50.0%
2009	(25.73%)	177,971	0.00%	119,873	67.4%
2010	(12.40%)	155,903	1.64%	121,839	78.2%

Source: American Community Survey, U.S. Census Bureau; and Home Price Index, Federal Housing Finance Agency. Calculations by MTA.

One final key assumption: the model represents the experience of a homeowner with an “average” length of tenure. Therefore, if the model returns no excluded value, then we assume that the provision does not apply to half or more of homeowners and therefore does not apply.

## **Findings: Effect of Assessment Limits on 50-State Property Tax Study Results for Urban Cities, Payable 2006 and Payable 2010**

MTA modeled the effect of the assessment limitations on the potentially affected “urban” cities<sup>26</sup> in MTA’s *50-State Property Tax Study*, except for the following:

- Bridgeport, CT; which does not offer the local option revaluation phase-in
- Denver, CO and Des Moines, IA; because the assessment limits for those cities are already accounted for in the study

Note that even though MTA’s *50-State Property Tax Study* does account for assessment limits when calculating tax burdens for Billings, MT and Portland, OR we do model those limits and present the results in this investigation. The baseline we use for those cities is no market value exclusion resulting from assessment limits – and so in those cases the baseline results differ from what is reported in the *50-State Property Tax Study*.

Table 4 details the results of the modeling efforts. As the table indicates, if applied to the payable 2010 study the models would have exempted some level of property value in nine jurisdictions; ranging from a low of 3.3% (Columbia, SC) to a high of 39.5% (Los Angeles). Six jurisdictions would have seen no effect. Interestingly, the modeling indicates that in two jurisdictions combining assessment limitations with episodic or ad-hoc property revaluations created additional property value for our hypothetical parcels. The decline in property values not only eliminated all exempt value but also actually drove the market value below the assessed value as of the previous revaluation – essentially imposing a tax on a higher value than the property would fetch in the open market.

Tax burden changes were significant in some cases. In two cities (Los Angeles and Portland, OR), incorporating this methodology reduced the net property tax burden on our hypothetical \$300,000 residence by over \$1,000. In three other cities, this change reduced burdens by between \$500 and \$1,000. In one case – Baltimore – the change increased the tax burden on the hypothetical property by just over \$500. All other changes in property tax burdens were relatively small.

Ranking changes resulting from incorporation of these assessment limitations were relatively minor. Of the jurisdictions with such provisions, only six changed rank more than two places: Los Angeles moved down 16; Portland, OR moved down 10; Chicago moved down nine; Jacksonville moved down five; New York City moved down four; and Little Rock moved up three. Incorporating these limitations also affected the ranks of many other jurisdictions, usually by only one or two other places. See the appendix to this report for a table detailing the full results from our original report along with the results when included these assessment limitations.

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<sup>26</sup> The largest city in each state, Washington D.C., and the second-largest cities (Buffalo, NY and Aurora, IL) in those states where the property tax system in the largest city differs from the system used elsewhere in the state. We encourage readers to interpret the study as comparing 53 unique property tax systems.

**Table 4: Assessment Limitation Effect on Value Subject to Property Taxes, Property Tax Burdens, and Ranking: Payable 2010 50 State Study, Urban Cities, \$300,000 Homestead**

City, State	Percent Change in Market Value	Resulting Property Tax Change	Resulting Rank Change**
Phoenix, AZ	--	--	+1
Little Rock, AR*	+2.2%	+\$90	+3
Los Angeles, CA	(39.5%)	(\$1,506)	-16
Washington, DC	--	--	+2
Jacksonville, FL	(11.6%)	(\$575)	-5
Atlanta, GA	--	--	--
Chicago, IL*	(19.4%)	(\$809)	-9
Baltimore, MD*	+7.9%	+\$511	+1
Detroit, MI	--	--	--
Billings, MT**	(20.9%)	(\$609)	-1
Albuquerque, NM	(11.9%)	(\$372)	--
New York, NY	(24.9%)	(\$524)	-4
Oklahoma City, OK	--	--	+2
Portland, OR**	(18.4%)	(\$1,163)	-10
Columbia, SC*	(3.3%)	(\$59)	+1
Houston, TX	--	--	+1
* Includes effects of episodic (non-annual) property revaluations			
** Baseline for Montana and Oregon is calculated assuming no value is exempt under the assessment limits; differs from published Payable 2010 results.			

We also modeled the assessment limitation provisions for payable 2006 – much closer to the peak of the housing market. Table 5 provides those results. Note that the set of cities is slightly different:

- Minneapolis appears on the table; Minnesota law provided for an assessment limitation that was effect for payable 2006 but which was subsequently repealed.<sup>27</sup>
- Atlanta disappears from the table; Atlanta only provides the local option homestead freeze to homeowners aged 65 or older – the statewide homestead value freeze was only in effect for payable 2009 and 2010.
- Columbia, SC disappears from the table; the South Carolina limitations did not become effective until taxes payable 2007.

As the results suggest, had MTA applied these exemption provisions to our payable 2006 50-State Property Tax Study, the effects would have been much more dramatic. Only three jurisdictions had no value exempt, with all but one of the other twelve having at least 10% residential value exempt on an average basis. Modeling indicates that three homeowners with average tenure would have had at least 40% of their value exempted, including Los Angeles with 62.8% value exempt.

<sup>27</sup> Minnesota’s “Limited Market Value” law, not described with the other like provisions earlier in this investigation, worked much like the Arizona provisions by limiting taxable growth to the greater of the previous year’s limited market value plus 15%, or a specified share of the difference between the current year market value and the previous year’s limited value – a share which changed over time as the provision was phased out.

The effect on property tax burdens is also more substantial than seen for payable 2010, with burdens in four jurisdictions declining by over \$2,000. The change from payable 2010 is particularly stunning when one notes that the jurisdiction with the largest property tax change – Detroit with almost a \$3,000 decline in burden – had no value exempted in the payable 2010 modeling. The cities with no property tax change – Minneapolis, Houston, and Washington – have comparatively unrestrictive assessment limitations and/or relatively small increases in residential property value in the period prior to taxes payable 2006.

The changes in rankings when including the effects of these assessment limitations are similarly startling. Five jurisdictions moved at least ten spots down; two others moved up or down at least five places. Incorporating these limitations affected the ranks of many other jurisdictions in much more substantially than for payable 2006. The appendix to this report details all changes to burdens and rankings, not just those in Table 5 below.

**Table 5: Assessment Limitation Effect on Value Subject to Property Taxes, Property Tax Burdens, and Ranking: Payable 2006 50 State Study, Urban Cities, \$300,000 Homestead**

City, State	Percent Change in Market Value	Resulting Property Tax Change	Resulting Rank Change**
Phoenix, AZ	(25.7%)	(\$698)	-5
Little Rock, AR*	(10.4%)	(\$419)	-3
Los Angeles, CA	(62.8%)	(\$2,222)	-18
Washington, DC	--	--	+1
Jacksonville, FL	(43.7%)	(\$2,225)	-25
Chicago, IL*	(13.4%)	(\$642)	-7
Baltimore, MD*	(26.9%)	(\$2,004)#	-16
Detroit, MI	(29.6%)	(\$2,959)	-3
Minneapolis, MN	--	--	+4
Billings, MT**	(30.5%)	(\$1,221)	-11
Albuquerque, NM	(18.8%)	(\$644)	-3
New York, NY	(42.9%)	(\$872)	-3
Oklahoma City, OK	(1.6%)	(\$53)	+3
Portland, OR**	(31.6%)	(\$1,851)	-12
Houston, TX	--	--	--
* Includes effects of episodic (non-annual) property revaluations ** Baseline for Montana and Oregon is calculated assuming no value is exempt under the assessment limits; differs from published Payable 2010 results. # Results include a \$493 circuitbreaker credit in addition to the change resulting from the market value exclusion.			

## **Findings: Effect of Assessment Limits on 50-State Property Tax Study Results for Largest 50 U.S. Cities, Payable 2010 and Payable 2006**

We also modeled the effect of the assessment limitations on the fifty largest cities in the U.S.<sup>28</sup>, where applicable; except for Colorado Springs, CO and Denver, CO since the study already accounts for assessment limits when determining the tax burdens in those cities. As before, note that we do model the effect on Portland, OR – the study’s current methodology uses information for all classes of property to estimate the effect of the assessment limitation. This methodology is specific to residential property.

The proportion of cities in the nation’s 50 largest where assessment limits are in effect – 32 of the 50<sup>29</sup> – is considerably higher than for the set of urban cities just studied. Table 6 shows the results of our efforts. If assessment limits had been included in MTA’s *50-State Property Tax Study* for payable 2010 fourteen jurisdictions would have had some level of residential value excluded from taxation; from as low as 9.2% in Sacramento to as high as 39.5% in Los Angeles and Long Beach. Fourteen jurisdictions in Arizona, Georgia, Michigan, Oklahoma, and Texas would have had no value exempt; while the combination of Maryland’s assessment limitations with episodic (i.e. – non-annual) revaluations of property would have added taxable value to the hypothetical \$300,000 residential property.

The average drop in the net property tax burden (for those cities where burdens did drop) was almost \$850. The decline in four jurisdictions – Portland, OR; Los Angeles, CA; Long Beach, CA; and Miami, FL – was over \$1,000. Most changes in tax burden were declines of between \$500 and \$1,000; with one of an increased tax burden (Baltimore) of just over \$500.

Ranking changes resulting from incorporation of these assessment limitations were relatively minor. Of the jurisdictions with such provisions, only five changed rank more than two places: Los Angeles moved down 16, Chicago moved down 10, Jacksonville moved down six, New York City moved down four; Portland, OR moved up 16. Incorporating these limitations also affected the ranks of many other cities, usually by only one or two other places. See the appendix to this report for a table detailing the full results from our original report along with the results when included these assessment limitations.

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<sup>28</sup> Census Bureau estimated population as of July 1, 2009.

<sup>29</sup> However, the set of those 32 cities is not identical: the payable 2006 set includes Minneapolis but not Atlanta; the payable 2010 includes Atlanta but not Minneapolis.

**Table 6: Assessment Limitation Effect on Value Subject to Property Taxes, Property Tax Burdens, and Ranking: Payable 2010 50 State Study, Largest 50 U.S. Cities, \$300,000 Homestead**

City, State	Percent Change in Market Value	Resulting Property Tax Change	Resulting Rank Change**
Mesa, AZ	--	--	+1
Phoenix, AZ	--	--	+2
Tucson, AZ	--	--	+5
Fresno, CA	(21.5%)	(\$794)	-4
Long Beach, CA	(39.5%)	(\$1,326)	-11
Los Angeles, CA	(39.5%)	(\$1,506)	-16
Oakland, CA	(21.4%)	(\$906)	-5
Sacramento, CA	(9.2%)	(\$304)	+1
San Diego, CA	(20.3%)	(\$672)	-4
San Francisco, CA	(24.3%)	(\$849)	-6
San Jose, CA	(17.4%)	(\$664)	-5
Washington, DC	--	--	+1
Jacksonville, FL	(11.6%)	(\$575)	-2
Miami, FL	(21.9%)	(\$1,328)	-4
Atlanta, GA	--	--	+1
Chicago, IL*	(19.4%)	(\$809)	-5
Baltimore, MD*	+7.9%	+\$511	--
Detroit, MI	--	--	--
Albuquerque, NM	(11.9%)	(\$372)	+1
New York, NY	(24.9%)	(\$524)	-4
Oklahoma City, OK	--	--	+4
Tulsa, OK	--	--	+3
Portland, OR**	(18.4%)	(\$1,163)	-4
Arlington, TX	--	--	--
Austin, TX	--	--	--
Dallas, TX	--	--	--
El Paso, TX	--	--	--
Fort Worth, TX	--	--	--
Houston, TX	--	--	+1
San Antonio, TX	--	--	--

\* Includes effects of episodic (non-annual) property revaluations  
\*\* Baseline for Oregon is calculated assuming no value is exempt under the assessment limits; differs from published Payable 2010 results.

As with the urban set of cities, we also modeled the assessment limitation provisions for payable 2006 to provide some sense of what effect these limits had closer to the peak of the housing bubble. Table 4 provides those results, which largely mirror those for the urban set of cities.

Had MTA applied these exemption provisions to our payable 2006 *50-State Property Tax Study*, the effects would have been much more dramatic. A much higher proportion of eligible cities – 23 of 32 (71.9%) now have value exempt, compared with 18 of 32 (56.3%) in payable 2010.<sup>30</sup> On average, over one-third of residential value is exempt in those jurisdictions with any exempt value at all. Only two jurisdictions had less than 10% residential value exempt, with eleven having at least 40% residential value exempted from the property tax; with Los Angeles and Long Beach each having the highest proportion – 62.8% -- of residential value exempt.

The effect on property tax burdens is also more substantial than seen for payable 2010, with burdens in 13 jurisdictions declining by over \$1,500. Miami experiences the sharpest decline in tax burden on an absolute basis, with the model returning a \$3,860 drop in property taxes associated with Florida's assessment limits. Those cities with no property tax change – located in Minnesota, Oklahoma, and Texas – have a combination of comparatively unrestrictive assessment limitations and relatively small increases in residential property value in the period prior to taxes payable 2006.

Ranking changes resulting from incorporation of these assessment limitations were also quite dramatic. Nine jurisdictions experienced rank changes in double digits, with Miami falling 23 places from 10<sup>th</sup> to 33<sup>rd</sup>. The other two cities falling at least fifteen spots were Oakland (17 places, from 23<sup>rd</sup> to 40<sup>th</sup>) and Los Angeles (15 places, from 31<sup>st</sup> to 46<sup>th</sup>). As with the urban set of cities, even those jurisdictions with no assessment limits generally experienced some change in rank – see the appendix to this report for full results.

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<sup>30</sup> Note: 2 of the 32 cities with value exempt are Colorado Springs and Denver, which are not included in Table 8 and Table 9.

**Table 7: Assessment Limitation Effect on Value Subject to Property Taxes, Property Tax Burdens, and Ranking: Payable 2006 50 State Study, Largest 50 U.S. Cities, \$300,000 Homestead**

City, State	Percent Change in Market Value	Resulting Property Tax Change	Resulting Rank Change**
Mesa, AZ	(25.7%)	(\$481)	+3
Phoenix, AZ	(25.7%)	(\$698)	+6
Tucson, AZ	(18.6%)	(\$605)	+6
Fresno, CA	(56.7%)	(\$2,075)	-12
Long Beach, CA	(62.8%)	(\$1,988)	-8
Los Angeles, CA	(62.8%)	(\$2,222)	-15
Oakland, CA	(61.7%)	(\$2,492)	-17
Sacramento, CA	(58.7%)	(\$1,923)	-6
San Diego, CA	(62.6%)	(\$2,066)	-10
San Francisco, CA	(58.8%)	(\$2,001)	-10
San Jose, CA	(59.5%)	(\$2,129)	-14
Washington, DC	--	--	+8
Jacksonville, FL	(43.7%)	(\$2,225)	-14
Miami, FL	(56.5%)	(\$3,860)	-23
Chicago, IL*	(13.4%)	(\$642)	-1
Baltimore, MD*	(26.9%)	(\$2,004)	-8
Detroit, MI	(29.6%)	(\$2,959)	-5
Minneapolis, MN	--	--	+5
Albuquerque, NM	(18.8%)	(\$644)	+4
New York, NY	(42.9%)	(\$872)	-4
Oklahoma City, OK	(1.6%)	(\$53)	+10
Tulsa, OK	--	--	+5
Portland, OR**	(31.6%)	(\$1,851)	-5
Arlington, TX	--	--	+1
Austin, TX	--	--	+1
Dallas, TX	--	--	--
El Paso, TX	(4.5%)	(\$361)	+1
Fort Worth, TX	--	--	+1
Houston, TX	--	--	--
San Antonio, TX	--	--	+1
* Includes effects of episodic (non-annual) property revaluations			
** Baseline for Oregon is calculated assuming no value is exempt under the assessment limits; differs from published Payable 2010 results.			

## **Findings: Effect of Homeowner Tenure on Share of Residential Value Excluded, Urban Cities, Payable 2006 and Payable 2010**

The effect of property assessment limitations varies from parcel to parcel based on two factors. First, the year-to-year change in valuation can vary considerably between similar parcels, even between those in the same or similar neighborhoods. Since the amount of exempt value is a function of the differential between the annual change in property value and the applicable growth limit, differential in value changes has substantial impact on the differential in excluded value. The other factor is (generally) ownership tenure – most assessment limits reset upon the sale of residential property, so owners with longer tenure have had a longer period to accrue benefits under the assessment limitations.

The particular modeling introduced in this investigation does provide some opportunity to estimate the effect of ownership tenure on the value of property assessment limitations. The greater the effect of tenure on property assessment limitations, the more likely it is that longer-term homeowners will resist selling their property and moving; since buying even a similarly-priced home in a similar neighborhood could saddle the family with a substantially higher property tax burden – which in turn affects communities in numerous ways.

To estimate the effects of tenure on assessment limitation benefits, we compared the effective tax rate on two \$300,000-valued homes in the same city. We assume ownership tenure of five years for one home and fifteen years for the other. Both homes are assumed to have appreciated relative to the Federal Housing Finance Agency's Home Price Index for the appropriate metropolitan statistical area. We then created a ratio from the effective tax rates, with the rate for the shorter-tenured owner serving as the numerator and the rate for the longer-tenured owner serving as the denominator. A ratio of 1.0 indicates that both owners paid the same effective rate (in turn signifying that both properties had the same amount of excluded value). A ratio higher than 1.0 indicates that the shorter-tenured owner is paying a higher effective rate than the longer-tenured owner is, because he or she has a smaller proportion of exempt property value.

Table 8 on the next page provides the results of our calculations for this ratio from our set of "urban cities" from Payable 2006. Perhaps surprisingly, Detroit ranks at the top of the list, largely because the property appreciation for the five-year owner was significantly less on average than for the fifteen-year owner. Only three other cities – Los Angeles, Jacksonville, and New York City – register a ratio greater than 1.0, meaning that ownership tenure had little if any effect in the other cities with such provisions.

However, in many ways one might anticipate these results. Two of the cities with ratios of 1.0 – Phoenix and Portland – are situated in states where limited market values do not reset upon the sale of property; so ownership tenure has no impact on the value of the benefits offered by the assessment limitations. In Baltimore and Billings, the limitation is simply a phase-in of revaluations, with the benefit related to the length of the assessment cycle rather than to ownership tenure. In Minneapolis, Oklahoma City, and Houston, value increases were simply not high enough over a sustained period to generate any

exemption at all; and in Little Rock, Chicago, and Albuquerque these limitations were new enough in payable 2006 where longer-term property owners had not had the chance to develop a sizable advantage over shorter-tenured owners.

**Table 8: Ratio of Effective Tax Rates on \$300,000-Valued Residence, Owners with Five and Fifteen Years Tenure, Payable 2010, Selected Cities**

City, State	Effective Tax Rate		Ratio
	5-Year Tenure	15-Year Tenure	
Detroit, MI	3.277%	2.299%	1.426
Los Angeles, CA	0.526%	0.411%	1.279
Jacksonville, FL	0.928%	0.743%	1.249
New York, NY	0.309%	0.253%	1.221
Phoenix, AZ	0.674%	0.674%	1.000
Little Rock, AR	1.106%	1.106%	1.000
Chicago, IL	1.283%	1.283%	1.000
Baltimore, MD	1.204%	1.204%	1.000
Minneapolis, MN	1.308%	1.308%	1.000
Billings, MT	0.925%	0.925%	1.000
Albuquerque, NM	0.903%	0.903%	1.000
Oklahoma City, OK	1.055%	1.055%	1.000
Portland, OR	1.336%	1.336%	1.000
Houston, TX	2.151%	2.151%	1.000

Table 9 on the next page provides the results for the same calculations from Payable 2010. The ratios for Los Angeles, Jacksonville, and New York City are significantly higher; the sharp drops in housing prices since 2006 mean that homeowners with five years of tenure in those cities generally have no exempt value while longer-term homeowners still have some level of benefit being delivered by the assessment limitations. The ratio for Detroit has fallen to 1.000 – the declining real estate market has wiped out exempt value for both short- and longer-term homeowners. Albuquerque’s ratio has moved above 1.0 – the assessment limits there have now been in effect long enough to generate some advantage for longer-term homeowners vis-à-vis those with shorter tenure.

Notably, the ratio for Chicago has fallen below 1.0; meaning that the model returns lower effective tax rates for shorter-term homeowners than for their longer-term counterparts. This is largely the result of the interaction between the assessment limitations and Chicago’s periodic revaluations (which occur every three years).

**Table 9: Ratio of Effective Tax Rates on \$300,000-Valued Residence, Owners with Five and Fifteen Years Tenure, Payable 2006, Selected Cities**

City, State	Effective Tax Rate		Ratio
	5-Year Tenure	15-Year Tenure	
Los Angeles, CA	1.240%	0.650%	1.908
Jacksonville, FL	1.425%	0.917%	1.554
New York, NY	0.646%	0.465%	1.389
Albuquerque, NM	0.965%	0.890%	1.085
Phoenix, AZ	0.749%	0.749%	1.000
Little Rock, AR	1.161%	1.161%	1.000
Atlanta, GA	1.575%	1.575%	1.000
Baltimore, MD	2.329%	2.329%	1.000
Detroit, MI	3.257%	3.257%	1.000
Billings, MT	0.768%	0.768%	1.000
Oklahoma City, OK	1.221%	1.221%	1.000
Portland, OR	1.720%	1.720%	1.000
Columbia, SC	0.587%	0.587%	1.000
Houston, TX	1.945%	1.945%	1.000
Chicago, IL	1.026%	1.068%	0.960

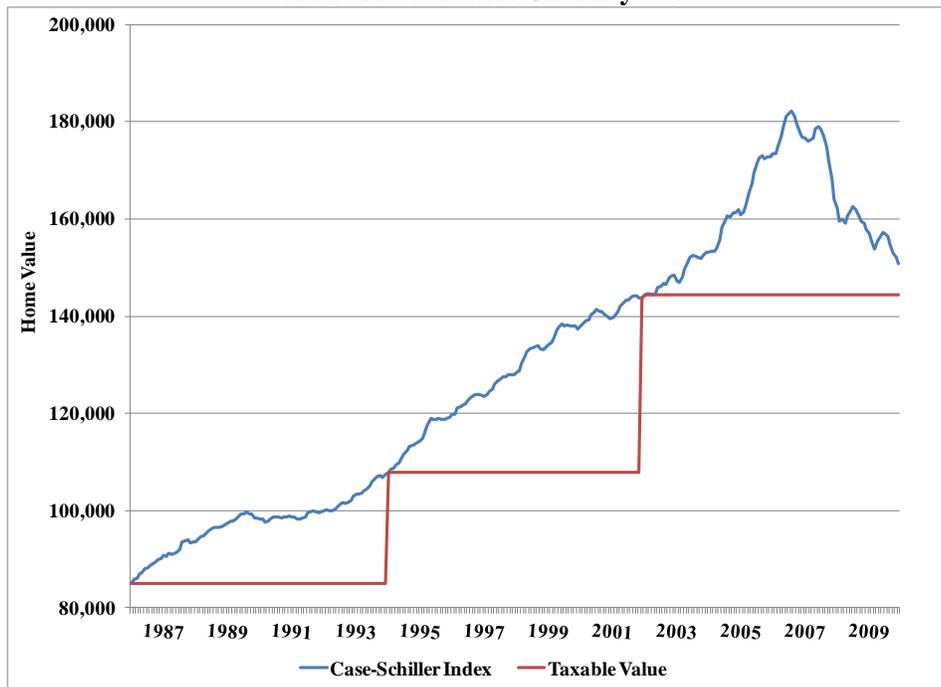
Moving forward, it will be interesting to see if and to what extent homeowner tenure will affect that property relief these newer assessment limitations will deliver as the housing market recovers.

## Looking Forward: Identification and Incorporation of De Facto Homestead Assessment Limitations

As we think about the continued development of the valuation methodology underlying MTA’s *50-State Property Tax Study*, foremost in our minds is the realization that revaluation practices can implicitly limit taxable property values. Many states revalue properties periodically instead of annually, holding a value constant over two or more years.<sup>31</sup> In some cases, values for all properties in a jurisdiction are updated in a certain revaluation year; in other cases, only a certain proportion of properties are revalued in any given year, with all properties revalued within a specified period.

Such practices limit property tax burdens relative to new construction, which are valued as of their completion. These practices generally result in relatively small amounts of burden shifting, largely because the limited values reset periodically, regardless of whether a property is sold or not. However, they can significantly affect the findings of the *50-State Property Tax Study*. Take, for example, a house purchased in Charlotte, North Carolina in January 1987. Mecklenburg County revalued in 1987, 1995 and 2003; holding values constant between revaluations. As Figure 2 demonstrates, this practice can exempt sizable portions of market value from property taxation.

**Figure 2: Estimated Change in Market Value and Taxable Value of \$85,000 Charlotte, NC Residence Purchased January 1987**



Source: S&P/Case-Schiller Home Price Indices, [www.standardandpoors.com](http://www.standardandpoors.com).

<sup>31</sup> Note that “revaluation” – the process of assigning updated taxable values to parcels – differs from “reappraisal” – the physical inspection of a property for purposes of determining taxable value.

Note that, unlike provisions that explicitly limit value increases, periodic revaluations can cut both ways. The practice can serve as a de facto assessment limitation when market values are rising, but when values fall they penalize longer-tenured property owners relative to those who have bought properties since the most recent revaluation.

Given the realization that these “de facto” assessment limitations can affect property values (and therefore, property tax burdens) similarly to “de jure” limitations, it will be important to develop estimates of both types of limitations on our study results. Our preliminary investigation into this topic has been included in the appendix to this report. Incorporating these effects of both de jure and de facto assessment limits will be important as we continue to keep the *50-State Property Tax Study* relevant to policymakers and more representative of the actual experience of property owners across the country.

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## Appendices

### Baseline and Modeling Results

**Table 10: Payable 2006, Urban Cities, \$300,000 Homesteads: Baseline and Alternative Results**

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Birmingham, AL	47	\$2,026	0.675%	45	\$2,026	0.675%
Anchorage, AK	24	4,164	1.388%	20	4,164	1.388%
Phoenix, AZ	41	2,719	0.906%	46	2,022	0.674%
<b>Little Rock, AR</b>	<b>28</b>	<b>3,737</b>	<b>1.246%</b>	<b>31</b>	<b>3,318</b>	<b>1.106%</b>
<b>Los Angeles, CA</b>	<b>33</b>	<b>3,455</b>	<b>1.152%</b>	<b>51</b>	<b>1,233</b>	<b>0.411%</b>
Denver, CO	52	1,590	0.530%	50	1,590	0.530%
Bridgeport, CT	11	5,708	1.903%	10	5,708	1.903%
Wilmington, DE	40	3,041	1.014%	36	3,041	1.014%
Washington, DC	48	2,018	0.673%	47	2,018	0.673%
Jacksonville, FL	16	4,654	1.551%	41	2,429	0.810%
Atlanta, GA	25	4,148	1.383%	21	4,148	1.383%
Honolulu, HI	53	871	0.290%	52	871	0.290%
Boise, ID	43	2,621	0.874%	40	2,621	0.874%
Aurora, IL	4	7,257	2.419%	3	7,257	2.419%
Chicago, IL	17	4,490	1.497%	24	3,848	1.283%
Indianapolis, IN	15	5,188	1.729%	13	5,188	1.729%
Des Moines, IA	14	5,577	1.859%	12	5,577	1.859%
Wichita, KS	31	3,626	1.209%	27	3,626	1.209%
Louisville, KY	36	3,314	1.105%	32	3,314	1.105%
New Orleans, LA	23	4,315	1.438%	19	4,315	1.438%
Portland, ME	19	4,447	1.482%	15	4,447	1.482%
Baltimore, MD	12	5,616	1.872%	28	3,612	1.204%
Boston, MA	51	1,624	0.541%	49	1,624	0.541%
Detroit, MI	1	10,003	3.334%	4	7,044	2.348%
Minneapolis, MN	27	3,924	1.308%	23	3,924	1.308%
Jackson, MS	21	4,382	1.461%	17	4,382	1.461%
Kansas City, MO	22	4,362	1.454%	18	4,362	1.454%
Billings, MT	26	3,997	1.050%	37	2,776	0.925%
Omaha, NE	8	5,997	1.999%	8	5,997	1.999%
Las Vegas, NV	34	6,083	2.028%	30	3,376	1.125%
Manchester, NH	18	3,354	1.118%	14	4,450	1.483%
Newark, NJ	7	7,635	2.545%	7	6,083	2.028%
Albuquerque, NM	35	3,354	1.118%	38	2,710	0.903%
Buffalo, NY	2	7,635	2.545%	1	7,635	2.545%
New York, NY	50	1,631	0.544%	53	759	0.253%
Charlotte, NC	32	3,584	1.195%	29	3,584	1.195%
Fargo, ND	9	5,962	1.987%	9	5,962	1.987%
Columbus, OH	29	3,686	1.229%	25	3,686	1.229%
Oklahoma City, OK	38	3,218	1.073%	35	3,165	1.055%
Portland, OR	10	5,860	1.183%	22	4,009	1.336%

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Philadelphia, PA	3	7,290	2.430%	2	7,290	2.430%
Providence, RI	39	3,215	1.072%	34	3,215	1.072%
Columbia, SC	37	3,258	1.086%	33	3,258	1.086%
Sioux Falls, SD	30	3,665	1.222%	26	3,665	1.222%
Memphis, TN	13	5,605	1.868%	11	5,605	1.868%
Houston, TX	6	6,453	2.151%	6	6,453	2.151%
Salt Lake City, UT	45	2,235	0.745%	43	2,235	0.745%
Burlington, VT	20	4,438	1.479%	16	4,438	1.479%
Virginia Beach, VA	46	2,222	0.741%	44	2,222	0.741%
Seattle, WA	42	2,646	0.882%	39	2,646	0.882%
Charleston, WV	44	2,423	0.808%	42	2,423	0.808%
Milwaukee, WI	5	6,977	2.326%	5	6,977	2.326%
Cheyenne, WY	49	1,943	0.648%	48	1,943	0.648%
<p>Note: Baseline results assume no value exclusions related to assessment limits; this differs from results published in MTA's <i>50-State Property Tax Study</i></p> <p>Note: Cities with changes in net tax and effective tax rate in <b>bold</b>.</p>						

**Table 11: Payable 2010, Urban Cities, \$300,000 Homesteads: Baseline and Alternative Results**

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Birmingham, AL	46	\$2,011	0.670%	46	\$2,011	0.670%
Anchorage, AK	26	3,982	1.327%	25	3,982	1.327%
Phoenix, AZ	44	2,246	0.749%	43	2,246	0.749%
Little Rock, AK	30	3,696	1.232%	27	3,786	1.262%
Los Angeles, CA	29	3,721	1.240%	45	2,214	0.738%
Denver, CO	52	1,557	0.519%	51	1,557	0.519%
Bridgeport, CT	12	5,702	1.901%	11	5,702	1.901%
Wilmington, DE	49	1,867	0.622%	48	1,867	0.622%
Washington, DC	37	3,109	1.036%	35	3,109	1.036%
Jacksonville, FL	23	4,276	1.425%	28	3,701	1.234%
Atlanta, GA	19	4,725	1.575%	19	4,725	1.575%
Honolulu, HI	53	712	0.237%	53	712	0.237%
Boise, ID	35	3,279	1.093%	33	3,279	1.093%
Aurora, IL	2	8,332	2.777%	2	8,332	2.777%
Chicago, IL	27	3,886	1.295%	36	3,077	1.026%
Indianapolis, IN	39	2,955	0.985%	37	2,955	0.985%
Des Moines, IA	9	6,242	2.081%	8	6,242	2.081%
Wichita, KS	28	3,819	1.273%	26	3,819	1.273%
Louisville, KY	31	3,688	1.229%	29	3,688	1.229%
New Orleans, LA	33	3,434	1.145%	31	3,434	1.145%
Portland, ME	17	5,197	1.732%	16	5,197	1.732%
Baltimore, MD	6	6,464	2.155%	5	6,975	2.325%
Boston, MA	51	1,686	0.562%	50	1,686	0.562%
Detroit, MI	1	9,771	3.257%	1	9,771	3.257%
Minneapolis, MN	24	4,124	1.375%	23	4,124	1.375%
Jackson, MS	21	4,433	1.478%	21	4,433	1.478%
Kansas City, MO	22	4,310	1.437%	22	4,310	1.437%
Billings, MT	40	2,912	0.721%	41	2,303	0.768%
Omaha, NE	10	6,147	2.049%	9	6,147	2.049%
Las Vegas, NV	34	3,420	1.140%	32	3,420	1.140%
Manchester, NH	8	6,249	2.083%	7	6,249	2.083%
Newark, NJ	13	5,692	1.897%	12	5,692	1.897%
Albuquerque, NM	38	3,041	1.014%	38	2,669	0.890%
Buffalo, NY	5	6,835	2.278%	6	6,835	2.278%
New York, NY	48	1,939	0.646%	52	1,415	0.472%
Charlotte, NC	36	3,187	1.062%	34	3,187	1.062%
Fargo, ND	20	4,714	1.571%	20	4,714	1.571%
Columbus, OH	14	5,472	1.824%	13	5,472	1.824%
Oklahoma City, OK	32	3,662	1.221%	30	3,662	1.221%
Portland, OR	7	6,323	1.141%	17	5,160	1.720%
Philadelphia, PA	3	7,854	2.618%	3	7,854	2.618%
Providence, RI	18	5,099	1.700%	18	5,099	1.700%
Columbia, SC	50	1,821	0.607%	49	1,762	0.587%
Sioux Falls, SD	25	4,050	1.350%	24	4,050	1.350%

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Memphis, TN	15	5,412	1.804%	14	5,412	1.804%
Houston, TX	11	5,834	1.945%	10	5,834	1.945%
Salt Lake City, UT	42	2,423	0.808%	40	2,423	0.808%
Burlington, VT	16	5,251	1.750%	15	5,251	1.750%
Virginia Beach, VA	41	2,485	0.828%	39	2,485	0.828%
Seattle, WA	43	2,276	0.759%	42	2,276	0.759%
Charleston, WV	45	2,218	0.739%	44	2,218	0.739%
Milwaukee, WI	4	7,060	2.353%	4	7,060	2.353%
Cheyenne, WY	47	1,943	0.648%	47	1,943	0.648%
<p>Note: Baseline results assume no value exclusions related to assessment limits; this differs from results published in MTA's <i>50-State Property Tax Study</i></p> <p>Note: Cities with changes in net tax and effective tax rate in <b>bold</b>.</p>						

**Table 12: Payable 2006, Largest 50 U.S. Cities, \$300,000 Homesteads: Baseline and Alternative Results**

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Mesa, AZ	45	\$1,876	0.625%	42	\$1,395	0.465%
Phoenix, AZ	41	2,719	0.906%	35	2,022	0.674%
Tucson, AZ	36	3,258	1.086%	30	2,653	0.884%
Fresno, CA	27	3,572	1.191%	39	1,497	0.499%
Long Beach, CA	40	3,091	1.030%	48	1,103	0.368%
Los Angeles, CA	31	3,455	1.152%	46	1,233	0.411%
Oakland, CA	23	3,943	1.314%	40	1,451	0.484%
Sacramento, CA	39	3,200	1.067%	45	1,277	0.426%
San Diego, CA	37	3,224	1.075%	47	1,158	0.386%
San Francisco, CA	34	3,326	1.109%	44	1,325	0.442%
San Jose, CA	29	3,495	1.165%	43	1,365	0.455%
Colorado Springs, CO	49	1,411	0.470%	41	1,411	0.470%
Denver, CO	48	1,590	0.530%	38	1,590	0.530%
Washington, DC	44	2,018	0.673%	36	2,018	0.673%
Jacksonville, FL	18	4,654	1.551%	32	2,429	0.810%
Miami, FL	10	6,236	2.079%	33	2,377	0.792%
Atlanta, GA	22	4,148	1.383%	17	4,148	1.383%
Honolulu, HI	50	871	0.290%	49	871	0.290%
Chicago, IL	19	4,490	1.497%	20	3,848	1.283%
Indianapolis, IN	16	5,188	1.729%	13	5,188	1.729%
Louisville, KY	35	3,314	1.105%	27	3,314	1.105%
New Orleans, LA	21	4,315	1.438%	16	4,315	1.438%
Baltimore, MD	14	5,616	1.872%	22	3,612	1.204%
Boston, MA	47	1,624	0.541%	37	1,624	0.541%
Detroit, MI	1	10,003	3.334%	6	7,044	2.348%
Minneapolis, MN	24	3,924	1.308%	19	3,924	1.308%
Kansas City, MO	20	4,362	1.454%	15	4,362	1.454%
Omaha, NE	12	5,997	1.999%	11	5,997	1.999%
Las Vegas, NV	32	3,376	1.125%	26	3,376	1.125%
Albuquerque, NM	33	3,354	1.118%	29	2,710	0.903%
New York, NY	46	1,631	0.544%	50	759	0.269%
Charlotte, NC	26	3,584	1.195%	23	3,584	1.195%
Cleveland, OH	17	5,137	1.712%	14	5,137	1.712%
Columbus, OH	25	3,686	1.229%	21	3,686	1.229%
Oklahoma City, OK	38	3,218	1.073%	28	3,165	1.055%
Tulsa, OK	30	3,462	1.154%	25	3,462	1.154%
Portland, OR	13	5,860	1.183%	18	4,009	1.336%
Philadelphia, PA	6	7,290	2.430%	5	7,290	2.430%
Memphis, TN	15	5,605	1.868%	12	5,605	1.868%
Nashville, TN	28	3,518	1.173%	24	3,518	1.173%
Arlington, TX	3	8,077	2.692%	2	8,077	2.692%
Austin, TX	11	6,227	2.076%	10	6,227	2.076%
Dallas, TX	8	6,928	2.309%	8	6,928	2.309%
El Paso, TX	5	7,833	2.611%	4	7,472	2.491%

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Fort Worth, TX	2	8,350	2.783%	1	8,350	2.783%
Houston, TX	9	6,453	2.151%	9	6,453	2.151%
San Antonio, TX	4	7,983	2.661%	3	7,983	2.661%
Virginia Beach, VA	43	2,222	0.741%	34	2,222	0.741%
Seattle, WA	42	2,646	0.882%	31	2,646	0.882%
Milwaukee, WI	7	6,977	2.326%	7	6,977	2.326%
<p>Note: Baseline results assume no value exclusions related to assessment limits; this differs from results published in MTA's <i>50-State Property Tax Study</i></p> <p>Note: Cities with changes in net tax and effective tax rate in <b>bold</b>.</p>						

**Table 13: Payable 2006, Largest 50 U.S. Cities, \$300,000 Homesteads: Baseline and Alternative Results**

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Mesa, AZ	48	\$1,523	0.508%	47	1,523	0.508%
Phoenix, AZ	43	2,246	0.749%	41	2,246	0.749%
Tucson, AZ	39	2,789	0.930%	34	2,789	0.930%
Fresno, CA	29	3,608	1.203%	33	2,814	0.938%
Long Beach, CA	32	3,275	1.092%	43	1,949	0.650%
Los Angeles, CA	26	3,721	1.240%	42	2,214	0.738%
Oakland, CA	<b>21</b>	4,127	1.376%	26	3,221	1.074%
Sacramento, CA	33	3,243	1.081%	32	2,939	0.980%
San Diego, CA	34	3,227	1.076%	38	2,555	0.852%
San Francisco, CA	31	3,411	1.137%	37	2,562	0.854%
San Jose, CA	25	3,728	1.243%	30	3,063	1.021%
Colorado Springs, CO	49	1,343	0.448%	49	1,343	0.448%
Denver, CO	47	1,557	0.519%	46	1,557	0.519%
Washington, DC	45	1,867	0.622%	44	1,867	0.622%
Jacksonville, FL	20	4,276	1.425%	22	3,701	1.234%
Miami, FL	17	5,116	1.705%	21	3,787	1.262%
Atlanta, GA	18	4,725	1.575%	17	4,725	1.575%
Honolulu, HI	50	712	0.237%	50	712	0.237%
Chicago, IL	24	3,886	1.295%	29	3,077	1.026%
Indianapolis, IN	38	2,955	0.985%	31	2,955	0.985%
Louisville, KY	27	3,688	1.229%	23	3,688	1.229%
New Orleans, LA	8	6,464	2.155%	8	6,975	2.325%
Baltimore, MD	46	1,686	0.562%	45	1,686	0.562%
Boston, MA	1	9,771	3.257%	1	9,771	3.257%
Detroit, MI	22	4,124	1.375%	19	4,124	1.375%
Minneapolis, MN	19	4,310	1.437%	18	4,310	1.437%
Kansas City, MO	13	6,147	2.049%	12	6,147	2.049%
Omaha, NE	30	3,420	1.140%	25	3,420	1.140%
Las Vegas, NV	37	3,041	1.014%	36	2,669	0.890%
Albuquerque, NM	44	1,939	0.646%	48	1,415	0.472%
New York, NY	35	3,187	1.062%	27	3,187	1.062%
Charlotte, NC	40	2,704	0.901%	35	2,704	0.901%
Cleveland, OH	11	6,341	2.114%	11	6,341	2.114%
Columbus, OH	15	5,472	1.824%	14	5,472	1.824%
Oklahoma City, OK	28	3,662	1.221%	24	3,662	1.221%
Tulsa, OK	23	3,956	1.319%	20	3,956	1.319%
Portland, OR	12	6,323	1.141%	16	5,160	1.720%
Philadelphia, PA	2	7,854	2.618%	2	7,854	2.618%
Memphis, TN	16	5,412	1.804%	15	5,412	1.804%
Nashville, TN	36	3,098	1.033%	28	3,098	1.033%
Arlington, TX	6	7,231	2.410%	6	7,231	2.410%
Austin, TX	9	6,380	2.127%	9	6,380	2.127%
Dallas, TX	10	6,351	2.117%	10	6,351	2.117%
El Paso, TX	5	7,308	2.436%	5	7,308	2.436%

City, State	Baseline Results			Alternative Results		
	Rank	Net Tax	Effective Rate	Rank	Net Tax	Effective Rate
Fort Worth, TX	3	7,763	2.588%	3	7,763	2.588%
Houston, TX	14	5,834	1.945%	13	5,834	1.945%
San Antonio, TX	4	7,759	2.586%	4	7,759	2.586%
Virginia Beach, VA	41	2,485	0.828%	39	2,485	0.828%
Seattle, WA	42	2,276	0.759%	40	2,276	0.759%
Milwaukee, WI	7	7,060	2.353%	7	7,060	2.353%
<p>Note: Baseline results assume no value exclusions related to assessment limits; this differs from results published in MTA's <i>50-State Property Tax Study</i></p> <p>Note: Cities with changes in net tax and effective tax rate in <b>bold</b>.</p>						

## **Preliminary Investigation into De Facto Assessment Limitations**

Following is a list of states where localities do not by default conduct annual revaluations, with detail (where appropriate) for those cities included in MTA's *50-State Property Tax Study*. Note that this list does not include Delaware's unique revaluation practices, since newly-constructed properties are valued at prices prevailing at the time of the most recent revaluation and therefore all properties are valued on the same footing.

Arkansas: Revaluation period varies; minimum period is every three years.<sup>32</sup> Pulaski County revalues every third year; Randolph County revalues every fifth year.

California: Proposition 13 provides four parcel-specific triggers for revaluation of a parcel: a change in ownership, completed new construction, new construction partially completed on the lien date, or when the property declines in value.<sup>33</sup>

Colorado: Properties are valued every two years, on June 30<sup>th</sup> of even years – this value generates property tax burdens for the subsequent even and following odd year.<sup>34</sup>

Connecticut: Properties are valued every five years.<sup>35</sup>

Georgia: Revaluation period varies, with no set schedule.<sup>36</sup>

Illinois: Cook County properties are revalued every three years on a rolling basis, with all properties in Chicago revalued every third year.<sup>37</sup>

Iowa: Properties are valued every two years, on January 1 of odd years. These values generate property tax burdens for subsequent even and following odd year.<sup>38</sup>

Kentucky: Properties are revalued once every four years.<sup>39</sup>

Louisiana: Properties are revalued once every four years.<sup>40</sup>

Maine: No set schedule, revaluations occur when sales ratio drops below 70%.<sup>41</sup> Portland revalued as of April 1, 2006; Rockland revalued as of April 1, 2005.<sup>42</sup>

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<sup>32</sup> Ark. Code. § 26-26-1902(a)

<sup>33</sup> Cal. Const. amend. XIII, § 2

<sup>34</sup> Colo. Rev. Stat. § 39-1-104

<sup>35</sup> Conn. Gen. Stat. § 12-62(b)

<sup>36</sup> Georgia Department of Revenue (<https://etax.dor.ga.gov/ptd/adm/faq/real.aspx>)

<sup>37</sup> 35 Ill. Comp. Stat. § 200/9-215

<sup>38</sup> Iowa Code § 428.4

<sup>39</sup> Our research suggests values remain unchanged between reappraisal years.

<sup>40</sup> La. Rev. Stat. § 47:2331

<sup>41</sup> Maine Department of Revenue (<http://www.maine.gov/revenue/forms/property/pubs/revaluation.htm>).

<sup>42</sup> Maine Department of Revenue *2010 Municipal Valuation Return Statistical Summary* (<http://www.maine.gov/revenue/propertytax/municipalservices/statisticalsummary.htm>)

Maryland: Properties revalued every three years on a rolling basis.<sup>43</sup>

Mississippi: Communication with Mississippi Department of Revenue staff indicates four-year revaluation periods, with Hinds County revaluing in 2008 and Monroe County revaluing in 2009.<sup>44</sup>

Missouri: Revaluation period: Properties are valued every two years, on January 1 of odd years - affects taxes paid in that year and subsequent even year.<sup>45</sup>

Montana: Properties are revalued every six years.<sup>46</sup>

New Hampshire: Real property is revalued at a minimum of every five years.<sup>47</sup> Manchester is revaluing in 2011, Lancaster last revalued in 2008.

New Jersey: No set revaluation schedule.<sup>48</sup> Newark reassessed in 2003 and again in 2012; Maurice River Twp reassessed in 2010, date prior is not immediately available.

New York: No set revaluation schedule. New York revalues annually; Buffalo revalued in 2008, 2009, and 2010 with none scheduled until 2014; and Warsaw revalued in 2008 and 2010 with none scheduled until 2014.<sup>49</sup>

North Carolina: Generally, properties are revalued using an eight-year cycle.<sup>50</sup> Mecklenburg County (Charlotte) revalued in 2003 and 2011; Wake County (Raleigh) revalued in 2000 and 2008; and Chowan County (Edenton) revalued in 2006.

Ohio: Properties are revalued using a three-year cycle.<sup>51</sup> Franklin County (Columbus) revalued in assessment year 2011/payable year 2012; Cuyahoga County (Cleveland) and Williams County (Bryan) revalued in assessment year 2009/payable year 2010.

Pennsylvania: There is no set revaluation schedule; Philadelphia revalues annually, Elk County (Ridgway) last revalued in 2006.<sup>52</sup>

Rhode Island: Properties are revalued occurs every ninth year, with value updates at three-year intervals. Providence revalued in 2000 and 2009 with updates in 2003 and 2006; Hopkinton updated in 2005 and 2010 with revaluation scheduled for 2013.<sup>53</sup>

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<sup>43</sup> Md. Code, Tax-Property § 8-103, and MTA research.

<sup>44</sup> E-mail communication with Rich Minton, Feb. 8, 2008; and with Warren McKinnon, Oct. 30, 2008.

<sup>45</sup> Miss. Rev. Stat. § 137.115

<sup>46</sup> Montana Code § 15-6-193 and § 15-7-111

<sup>47</sup> N.H. Rev. Stat. § 75:8-a

<sup>48</sup> See generally *The Handbook for New Jersey Assessors*, New Jersey State Division of Taxation, ([http://www.state.nj.us/treasury/taxation/lpt/nj\\_assessors\\_handbook.shtml](http://www.state.nj.us/treasury/taxation/lpt/nj_assessors_handbook.shtml))

<sup>49</sup> New York State Office of Real Property Tax Services *Municipal Profiles*, (<http://www.orps.state.ny.us/MuniPro/>)

<sup>50</sup> N.C. Gen. Stat. §§ 105-186, 105-187

<sup>51</sup> Ohio Rev. Code § 5715.24

<sup>52</sup> Common Level Ratio data from Pennsylvania State Tax Equalization Board (<http://www.steb.state.pa.us/commonmain.asp>)

South Carolina: Properties are revalued on a five-year cycle.<sup>54</sup> Richland County (Charleston) revalued in assessment year 2008/payable year 2009 and Marion County (Mullins) revalued in assessment year 2010/payable year.

Tennessee: Properties are revalued on four-, five-, or six-year cycles.<sup>55</sup> Shelby County (Memphis) revalued in 2009 and is on a four-year cycle; Davidson County (Nashville) revalued in 2009 and is on a four-year cycle; Hardin County (Savannah) revalued in 2006 and is on a six-year cycle.

Texas: By law, properties must be revalued at least every three years, but MTA research indicates that most counties – including those in the *50-State Property Tax Study* – revalue on an annual basis.<sup>56</sup>

Virginia: Revaluation periods depend on the type of local government performing the property assessment.<sup>57</sup> Virginia Beach revalues on an annual basis; Wise County revalues every six years.

Washington: Washington is transitioning to annual revaluations on a statewide basis.<sup>58</sup> King County (Seattle) has revalued annually prior to this change; Stevens County (Colville) had been on a four year cycle with last revaluation in 2010.

Wisconsin: Cities, towns, and villages must revalue at least every five years.<sup>59</sup> Milwaukee reassesses annually; Rice Lake assesses on a five-year cycle with 2010 being the most recent year.

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<sup>53</sup> Rhode Island Department of Administration – Municipal Finance division, (<http://www.muni-info.ri.gov/documents/finances/other%20information/Municipal%20Reval%20Schedule%202005-2018.pdf>)

<sup>54</sup> S.C. Code § 12-43-217

<sup>55</sup> Tenn. Code § 67-5-1601

<sup>56</sup> Tex Tax Code § 25.18

<sup>57</sup> Va. Code §§ 58.1-3250, 58.1-3252

<sup>58</sup> Wash. Rev. Code §§ 84.41.030, 84.41.041

<sup>59</sup> Wis. Stat § 70.05(5)(b)