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State-by-State Property Tax at Glance

Full Volume 2024

Our State-by-State Property Tax at a Glance visualization tool and narratives is a dynamic web-based visualization tool that illustrates the great variety across states in the ways state and local governments use the property tax. Its interactive maps and charts along with its expert-authored narratives tell the unique story of the property tax in each of the 50 states and the District of Columbia.

This 52-narrative volume is a compilation of the of the 2024 print version of the U.S. summary and reports for each of the 50 states and the District of Columbia. Each account begins with highlights of the state's property tax system and discusses property tax reliance, administration and assessment, property tax limits, property tax relief and incentives, key property tax history, and recent developments. These narratives provide data and state rankings for local property tax reliance, common measures of property tax burden, and property tax policy features.

Our researchers updated the data in these narratives in 2024. Data on local government property tax reliance and measures of tax burden come from the 2021 Annual Survey of Government Finances from the U.S. Census and from 5-year 2017–2021 data estimates from the American Community Survey, another U.S. Census survey. Data on property tax features were obtained from the 2022 update of Significant Features of the Property Tax, the Lincoln Institute's signature property tax database.

The glossary at the end of this volume defines property tax terms in plain English. The glossary includes selected state-specific definitions.

The unique story of each state's property tax system is crucial to understanding the context of policy developments and the variation in property tax reliance and tax burden across states. We hope this research will bring clarity to the nuances of each state's system by setting the data against the backdrop of policy experience and history.

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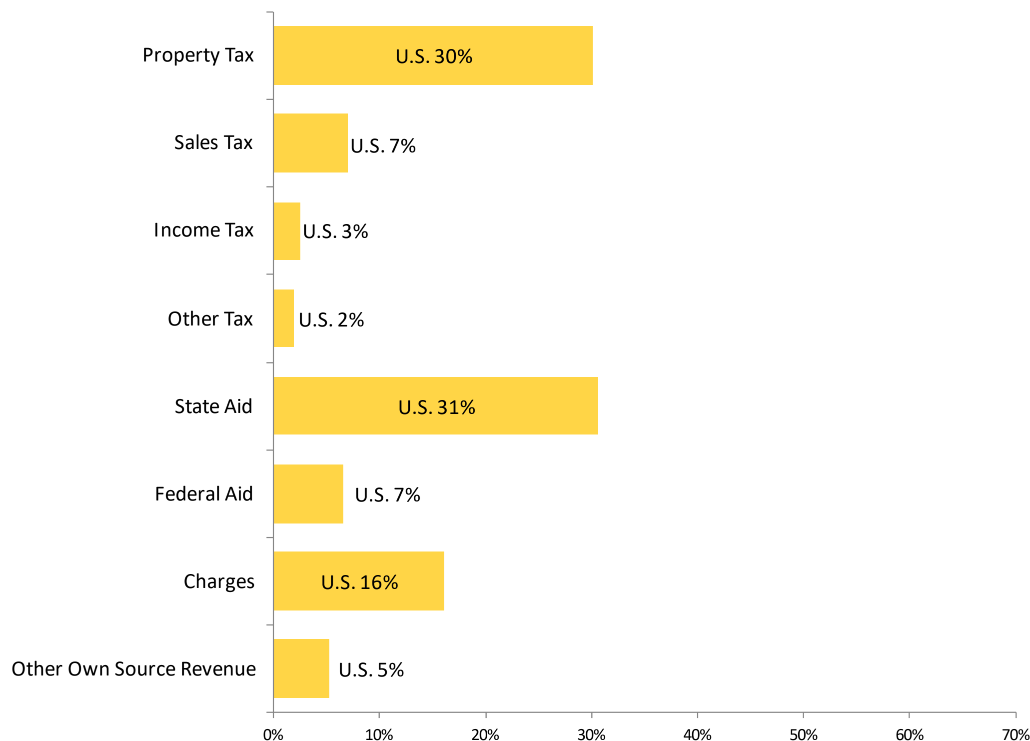
United States

Highlights

Reliance on the property tax varies markedly across the United States. In New England, local governments rely heavily on the property tax, with local governments in five of the six New England states (Connecticut, Massachusetts, Maine, New Hampshire, and Rhode Island) deriving at least half of their general revenue from the property tax. In contrast, local governments in the East South Central region (Alabama, Kentucky, Mississippi, and Tennessee) rely on property taxes for no more than 26 percent of their general revenues, lower than the U.S. average of 30.1 percent (figure U.S.-1; Garcia-Milà, McGuire, and Oates 2017).

Property tax systems across the United States exhibit amazing variety along many dimensions, as described in later sections of this narrative. Additionally, two states stand out for each having two distinct property tax systems. In Illinois, Cook County's property tax structure is distinct from that of the rest of the state; the same is true for New York City and New York State (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2022, 48).

Figure US-1
Sources of Local General Revenue, U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

The language used to describe features of state and local property tax systems often varies from state to state. For example, Indiana calls its rate limit (1 to 3 percent of assessed value) a circuit breaker; in other states, the term circuit breaker is reserved for residential relief programs under which relief rises as household income falls (Bowman et al. 2009).

Property Tax Reliance

State and local property tax burden measured as property tax per capita ranged from $659 in Alabama to $4,497 in the District of Columbia in 2021. Property tax revenue accounted for about 15.5 percent of state and local revenue nationally (table U.S.-1); however, the share of revenue varied by state from 6 percent in Alabama to 33 percent in New Hampshire. The effective tax rate on a median-value owner-occupied home ranged from 0.3 percent in Hawaii to 2.5 percent in New Jersey.

Table US-1
Selected United States Property Tax Statistics, 2021[1]

	U.S. Average
Per capita property tax	$1,898
Property tax percentage of personal income	3.1%
Total property tax as percentage of state-local revenue	15.5%
Median owner-occupied home value[2]	$244,900
Median real estate taxes paid for owner-occupied home[2]	$2,690
Effective tax rate, median owner-occupied home[3]	1.1%

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In the majority of states, assessment is the responsibility primarily of counties (table U.S.-2). However, in other states, assessment may be carried out either centrally by the state, as in Maryland and Montana, or may be a function of municipal governments such as cities and towns, as in Connecticut.

Not every state levies property taxes on 100 percent of a property’s market value. In New Mexico, for example, taxable value is defined as 33 1/3 percent of market value; so, the taxable value of a home with a market value of $300,000 is $100,000.

Classified property tax systems in 25 states permit local governments to treat particular types, or classes, of property differently. Typically, such systems result in a lower tax on residential property than on other property classes such as commercial and industrial. States achieve classification in one of two ways. Rhode Island is an example of a state in which local governments employ classification by applying different tax rates to four different classes of property (residential, commercial, personal property, and motor vehicles). Nebraska is an example of a state that applies different assessment ratios to three different classes of property.

Limits on Property Taxation

States have imposed legal limits on property taxation since at least the 1850s (Paquin 2015). In 2021, 45 states and the District of Columbia restricted property taxation either through limits on rates, limits on levies, limits on growth in assessed values, or some combination. In 2021, limits on property tax rates, the oldest and most widespread type of limit, existed in 36 states, and 36 states plus the District of Columbia had limits on property tax levies, while 18 states restricted growth in property values through assessment limits (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Almost all states provide some form of direct property tax relief. Homestead exemptions for principal residences and property tax credits provide residential property tax relief to qualifying homeowners in 46 states and the District of Columbia, and many states have multiple programs. Homestead exemptions are the most common form of relief available in 33 states. Although most programs provide relief to all homesteads, some restrict relief to homesteads owned by seniors (Langley and Youngman 2021; Significant Feature of the Property Tax). In addition, many states provide property tax credits or exemptions targeted to specific groups of property taxpayers, such as veterans, disabled residents, and first responders (Significant Features of the Property Tax).

Circuit breaker property tax relief programs provide income-targeted residential property tax relief that declines as income rises. Many states restrict these programs to elderly homeowners; although in some places, homeowners and renters of all ages may qualify (Bowman et al. 2009). In 2019, 31 states and the District of Columbia authorized property tax circuit breaker programs (Significant Features of the Property Tax).

Property tax deferral programs allow burdened homeowners to defer property tax payments while they own the home, with the deferred taxes and interest payable upon transfer of ownership. These programs, usually limited to seniors with low income, allow qualifying homeowners to remain in their homes using their home equity to secure their property tax obligations. These programs have been available in 17 states since 2018, but utilization is low (Langley and Youngman 2021).

State property tax incentives for economic development generally fall into five categories: abatement programs, firm-specific incentives, tax increment financing (TIF), enterprise zone programs, and tax-exempt industrial development bonds combined with property tax exemptions and sometimes

payments in lieu of taxes. TIF is the most common economic property tax incentive for business, but recent research finds, in many cases, it has failed to promote economic development (Merriman 2018). The use of business tax incentives has increased markedly in the last 50 years. They now exist in all 50 states and DC in one form or another (Kenyon, Langley, and Paquin 2012).

Table US-2
Property Tax Features of State Governments, United States, 2022

Feature	Count for 50 states plus DC
Statewide classification of real property	25
Assessment of property primarily by county	31
Limits on property tax rates or levies	45
Limits on the rate of growth of assessed value	18
Circuit breaker property tax relief program	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The federal government briefly imposed a temporary tax on property a few times, first in 1798 to generate funds for national defense, and most recently in 1861 to pay for the Civil War (Larkin 1988; Wallis 2001). Once a major revenue source for state governments, the property tax is now a miniscule source for most states (Minnesota Center for Fiscal Excellence 2020). Seven states have used state-levied property taxes for school funding (Alabama, Kansas, Michigan, Montana, Minnesota, Vermont, and Washington) (Haveman 2020). However, the property tax has endured throughout U.S. history as the chief revenue source for local governments.

After independence, all states taxed property to some extent. However, when in 1790 the federal government assumed state debt, state reliance on property taxation declined, with a handful of states eliminating property taxes entirely. State property tax reliance increased briefly due to the War of 1812 but afterward declined through the 1830s, then remained fairly constant until 1900 (Wallis 2001).

Local governments, which had continued to rely heavily on property taxes, grew rapidly relative to the national and state governments from 1840 through the beginning of the 20th century (Wallis 2001). It was during this period that states began to enact limits on property taxation, generally capping property tax rates for specific local governments (Paquin 2015). In 1902, the year of the first comprehensive census of governments, the property tax was the most important revenue source for state and local governments in the United States, generating 68 percent of combined state and local revenue.

Between 1900 and 1942, the property tax again diminished as a state revenue source as state governments shifted away from the property tax in favor of sales and income taxes. Local governments in this period generated about 70 percent of their revenues from property taxes (Wallis 2001). Tax protests grew out of the Great Depression and led states to enact additional limits on property taxation, including caps on growth in tax levies (Paquin 2015).

California's passage of Proposition 13 in 1978 led to the most significant property tax limitation movement to date (Paquin 2015). In the five years following its passage, states considered more than 58 ballot measures to limit the property tax. Following California's lead, states began to enact increasingly stringent tax limitations, including, for the first time in history, broad limits on increases in assessments (Paquin 2015; Youngman 2016).

Historically, the property tax has been closely linked to education, providing the largest source of local education funding (Kenyon 2007; McGuire, Papke, and Reschovsky 2015). Although the property tax, by virtue of its immobile base, has provided a stable funding source for schools, inequities among school districts have been the subject of legal challenges across the United States since the 1960s and have led to massive restructuring of many states' property tax systems (Kenyon, Paquin, and Reschovsky 2022).

Recent Developments

In 2021, state and local governments raised $581 billion through the property tax, which accounted for 30.1 percent of local general revenue and 0.8 percent of state general revenue (Significant Features of the Property Tax).

One of the most contentious property tax issues in recent years has involved the valuation of "big box" retail stores. These cases have dealt with a range of issues, including the appropriate treatment of property with special value to its current owner, the effect of a lease on the valuation of the underlying fee interest, and the analysis of owner-imposed deed restrictions on future use. In particular, the appropriate use of vacant or "dark" properties as comparables for the valuation of successfully functioning stores has led to these being termed "dark store" cases. Legal challenges have seen widely differing outcomes in these cases. The Michigan Tax Tribunal was an early leader in approving dramatic reductions in "big box" assessments. Together with the state's limitation on annual increases in taxable value, these resulted in the loss of over $100 million in local tax revenue. A 2016 Michigan Court of Appeals decision was thought by many to signal a potential change by finding the tribunal to be in error when it failed to account for the effect of owner-imposed restrictions on future use of comparable properties (*Menard, Inc. v. City of Escanaba, 2016*). However, in 2022 the court of appeals upheld the tribunal's decision to reduce Menard's assessment by half in that case, and took the same approach in a later Walmart challenge (*Menard, Inc. v. City of Escanaba, 2022*; *Walmart Real Estate Business Trust v. City of Bad Axe, 2022*). At the same time, a 2022 decision by the Kansas Supreme Court unanimously rejected valuations of Walmart and Sam's Club stores based on vacant or "dark" comparable sales, and in 2023 the Wisconsin Supreme Court rejected the use of abandoned and distressed properties as comparables for successful stores (*In re Equalization Appeals of Walmart Stores, Inc., 2022*; *Lowe's Home Centers, LLC v. City of Delavan, 2023*). Although most efforts to address these controversies

through state legislation have been unsuccessful, a Maine enactment required consideration of all methods of valuation and limited the use of restricted properties as comparable sales (Murphy 2022).

In December 2017, the Tax Cuts and Jobs Act (TCJA) was enacted, the first major overhaul of the federal tax code since 1986. This tax act impacted property taxation in two important ways. First, the federal government capped the allowable deduction of state and local income, sales, and property taxes at $10,000 per year. Several states attempted to enact workarounds, most of which were thwarted by new IRS rules, though in 2020 the IRS cleared the way for entity-level workarounds (Walczak 2020). By July 2023, 36 states had enacted entity-level taxes with pending legislation in Maine, Pennsylvania, and Vermont. Four states sued the federal government claiming it violated state sovereignty, but a federal judge dismissed the lawsuit in 2019 (Reitmeyer 2019). The U.S. Supreme Court declined to hear the case in 2022 (State Tax Notes 2022). The second way the tax act impacted federal tax deductibility of property taxes was that the near doubling of the standard deduction significantly reduced the percentage of federal taxpayers who itemized deductions. Both TCJA changes make it more difficult for state and local governments to raise property taxes (Tannenwald 2018; Tax Policy Center 2018).

The Covid-19 pandemic had an uneven effect on state and local government revenues. Initially, states saw steep declines in tax revenues, but for most governments tax collections fell less than projected and started to recover sooner than expected. By February 2021, 29 states had brought in as much or more tax revenue in the first 12 months of the pandemic as they had in the 12 months prior to the pandemic (Rosewicz, Theal, and Fall 2021). In response to concerns about taxpayers' abilities to keep up with property tax payments, state and local governments across the United States adopted one-time policies, most commonly extending property tax due dates or deferring interest and penalties for late payments (Ryan 2020). Record growth in state revenues in 2021 and 2022, and infusions of federal stimulus funds fueled large surpluses, higher spending, and tax cuts. Several states cut property taxes, and others, like Maine, Nebraska, and Oregon, created or expanded property tax relief programs (NASBO 2023).

The pandemic accelerated a shift toward remote work, reducing demand for commercial office property particularly in cities (Ramani and Bloom 2021). Declining commercial property values along with rapidly appreciating home values can present local tax challenges. Some major cities are projecting a downward shift in commercial property tax revenue (Brosy 2023; Chernick, Copeland, and Merriman 2021).

About a dozen states authorize governments to take absolute title to properties in property tax foreclosure without refunding the excess sale proceeds to the taxpayer. In recent years, the Pacific Legal Foundation (PLF) has represented plaintiffs challenging this practice in states across the country including Massachusetts, Michigan, New Jersey, and Nebraska. In 2023, a Minnesota plaintiff represented by PLF won a unanimous verdict on takings grounds in the U.S. Supreme Court in *Tyler v. Hennepin County* (2023) (Liptak). Wisconsin (2022), Nebraska (2023), and Maine (2023) recently reformed their laws to refund excess proceeds to the delinquent taxpayer.

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Alabama

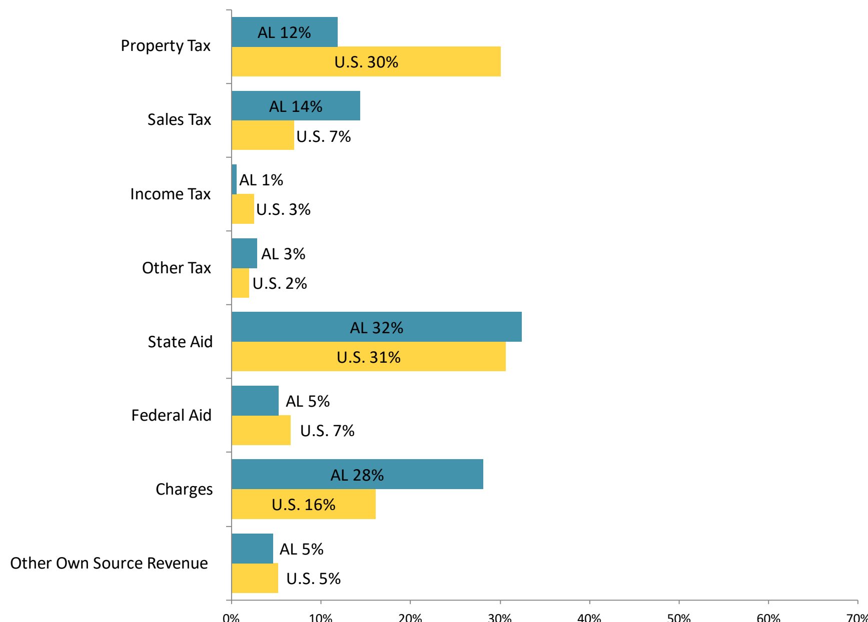
Highlights

Local government reliance on the property tax is very low in Alabama compared to that of the rest of the United States. After state aid, Alabama's local governments rely most heavily on charges, followed by sales taxes and property taxes, which comprise 14 percent and 12 percent of Alabama's local general revenue respectively (figure AL-1).

Alabama has a classified property tax system, with four different classes of property that have different assessment ratios. Residential property, which is included in Class 3, is assessed at 10 percent of market value. This means that a home valued at $100,000 is assessed at $10,000.

Constitutional limits play a major role in the state's property tax policy. Provisions that would be state statutes in many other states are part of Alabama's constitution. In November 2022, Alabamian voters approved a ballot measure to replace Alabama's *Constitution of 1901* with the Alabama *Constitution of 2022* and a companion amendment (Swetlik 2022). Alabama's constitution is the longest in the United States at over 373,000 words (Alabama Secretary of State; Public Affairs Research Council of Alabama 2022). In reaction to excesses during Reconstruction, it severely limits actions of local governments. Property tax classification is part of the state's constitution, as are the various property tax rate and levy limits.

Figure AL-1
Sources of Local General Revenue, Alabama and U.S., 2021



Source: U.S. Census via Significant Features of the Tax

Property Tax Reliance

Alabama ranks either 50th or 51st among the states and DC in property taxes per capita, property tax as a percentage of personal income, property tax as a percentage of state-local revenue, and the effective tax rate on a median-value owner-occupied home (table AL-1).

Table AL-1
Selected Alabama Property Tax Statistics, 2021[1]

	Alabama	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$659	$1,898	*51*
Property tax percentage of personal income	1.4%	3.1%	*51*
Total property tax as percentage of state-local revenue	6.1%	15.5%	*51*
Median owner-occupied home value[2]	$157,100	$244,900	*46*
Median real estate taxes paid for owner-occupied home[2]	$646	$2,690	*51*
Effective tax rate, median owner-occupied home[3]	0.4%	1.1%	*50*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are levied by the state government as well as by counties, municipalities, and school districts.

Assessment is primarily conducted by the state's 67 counties (table AL-2). The state's classification system employs four different classes: utilities; residential, agricultural, forest, and historic; private cars and trucks; and all other, including business personal property. Class 3 (residential, agricultural, forest, and historic) has the lowest assessment ratio (10 percent), while Class 1 (utilities) has the highest assessment ratio (30 percent).

Property eligible for current use includes not only agricultural and forest, but also homestead and historic property.

The Alabama Department of Revenue directs all tax assessors to reappraise property values at their full market value (Significant Features of the Property Tax).

Limits on Property Taxation

Alabama employs various property tax rate limits and a levy limit. All are part of the state's constitution.

Detailed property tax limits apply to property taxation by the state, counties, municipalities, and school districts. State property taxation is limited to 6.5 mills. Counties are limited to 5 mills for general purposes and 2.5 mills for debt service. Municipalities may levy 10 mills for debt service and an additional 5 mills for other purposes. School districts are required to levy a minimum of 10 mills (Significant Features of the Property Tax).

The levy limit applies to properties by class. For example, Class 3 property, which includes residential property, cannot be subject to total property taxation of more than 1 percent. If taxation initially exceeds these limits, the amount of each taxing jurisdiction shall be reduced proportionately (Significant Features of the Property Tax).

Tax Relief and Incentives

Alabama has several property tax relief programs, but no circuit breaker. The standard homestead exemption on the 6.5 mill statewide property tax on $4,000 of assessed valuation means a homestead appraised at $40,000 and assessed at 10 percent pays no state property tax. An exemption from state-level property taxes is also granted at 100 percent for homeowners over 65 years of age with limited income, or those who are retired due to permanent and total disability, regardless of age, or who are blind. Local property tax exemptions are also available.

Alabama statute authorizes property tax abatements for economic development, which can be granted by multiple authorities for up to 10 years. These include, but are not limited to, municipal industrial boards, downtown redevelopment authorities, county industrial development boards, county industrial development authorities, tax increment financing authorities, and municipal medical clinic boards. The granting of these abatements reduces the ad valorem tax revenue to the state as well as to local governmental entities. Such abatements are authorized only for noneducational millages.

The Small Business Relief and Revitalization Act of 2022 (House Bill 82) provides an exemption of up to $40,000 of market value from the state business personal property tax. Counties and muncipalities may also provide an equivalent exemption from local taxes by resolution or ordinance.

Table AL-2
Alabama Property Tax Features, 2022

Feature	Alabama	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

State taxation in Alabama has two distinct historical periods. The first period, spanning from statehood through Reconstruction (1819 to 1874), was characterized by traditional reliance on the property tax as controlled by statute. The second period, from 1875 to the present, has been characterized by constitutional limits on both state and local property taxation and debt.

Major changes to the property tax occurred in the twentieth century to gradually erode yield. These changes included reducing the assessment ratios, creating homestead exemptions and economic development abatements, and introducing current use. Most of the changes have been constitutional amendments, as no property tax can be levied without specific constitutional authorization.

In the 1970s, a class action suit was brought to the federal court challenging Alabama's variable assessment of property values for tax purposes, with assessment ratios ranging from near 0 to 30 percent. In *Weissinger v. Boswell*, the court agreed that this was a deficiency by U.S. constitutional standards and ordered uniform statewide assessment. But in 1978, Amendment 373 created four statewide classes of property. This was accepted by the court and procedures were set in place for uniform administration statewide. The net effect was that assessment ratios have been reduced to around 15 percent on average. In addition, Amendment 373 implemented current use for Class 3 property. By statute, current use may be granted to a homeowner whose dwelling has unreasonably increased in value; to cropland, pastureland, and timberland; and to historic buildings and sites. Amendment 373 was also referred to as the “Lid Bill" because it placed a maximum yield that could ever be collected as property tax by class of property from any combination of state and local millage rates.

Lynch v. Alabama, filed in 2008, charged that underfunding of the state’s K-12 public education system was based on clauses of the constitution written after Reconstruction with the specific intent to limit funding for schools attended by Black children. The suit was dismissed as the court ruled that plaintiffs

did not prove violation of the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution or of Title VI of the Civil Rights Act of 1964. U.S. District Judge C. Lynwood Smith Jr.'s ruling concluded that "plaintiffs have proved a disparity in funding among the state's public school systems, but not a disparity along racial lines" (SchoolFunding.Info).

Alabama is one of many states that has been impacted by challenges to commercial property tax valuations under the dark store assessment theory (Farmer 2016). Starting in 2013, Lowe's Home Centers began filing property tax appeals in Alabama. In 2016, the legislature passed a measure to counter property tax appeals, SB 128, which authorized counties to hire outside counsel to handle the appeals (Sharp 2016; Webb 2016). In 2018, Alabama enacted a law that blocks the use of dark stores as comparable sales when appealing valuations of commercial or industrial properties. Act No. 2018-265 states, "it shall be inadmissible for a taxpayer to introduce evidence in support of an appraisal or opinion using a comparable sale or lease of property that either was vacant when sold or contains use or deed restrictions that prohibit the property, on which a building or structure sits, from being used for the purpose for which the building or structure was designed, constructed, altered, renovated, or modified." According to a report by the *Alabama Daily News*, in 2016 the Alabama Department of Revenue entered into a two-year, $200,000 contract with a private law firm to provide litigation support to counties and in 2019, entered into a new, larger two-year contract. In 2019, 20 counties were facing challenges to big box store valuations as well as challenges from owners of low-income housing properties (Sell 2019).

Recent Developments

Developers of low-income housing who qualify for Low Income Housing Tax Credits (LIHTCs) have been challenging their valuations in Alabama, arguing the properties are subject to restriction on income and rent and should not be valued like conventional housing complexes (Sell 2019). In 2020, an Alabama circuit court ruled in favor of the developers, finding the land use restrictive agreements (LURA) may not be ignored in valuing low-income housing projects (*Glenbrook at Oxmoor I, LLC v. Magee*, No. CV-2017-900036 (Ala. Cir. Ct. Jefferson County, Bessemer Div. January 29, 2020)).

In *Douglas v. Roper*, No. 1200503 (Ala. June 24, 2022), the Supreme Court of Alabama ruled that counties must return the surplus funds that are generated from selling properties for delinquent taxes. The court concluded that property owners have a vested right to recover the equity in their property above the debt they owe for overdue taxes. This ruling may lay the ground for thousands of taxpayers across the state who have lost equity in such sales to file a class action lawsuit. According to the Pacific Legal Foundation that filed an amicus brief in the case, there are at least 11 states across the U.S. that have laws similar to Alabama's (Whites-Koditscheck 2022).

In 2022, Governor Kay Ivey signed two bills providing personal property tax relief to businesses. House Bill 82, the Small Business Relief and Revitalization Act of 2022, provides an exemption of up to $40,000 of market value from the state business personal property tax (Office of the Governor, State of Alabama 2022a). Counties and municipalities may provide an equivalent exemption against local taxes by resolution or ordinance. This eliminates the state portion of the business personal property tax for 75 percent of small businesses in Alabama (Addleman 2022). House Bill 400 exempts from ad valorem

taxation the grain bins used exclusively for the purpose of storing, holding, drying, preserving, or otherwise preparing grain for market (Office of the Governor, State of Alabama 2022b).

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Alaska

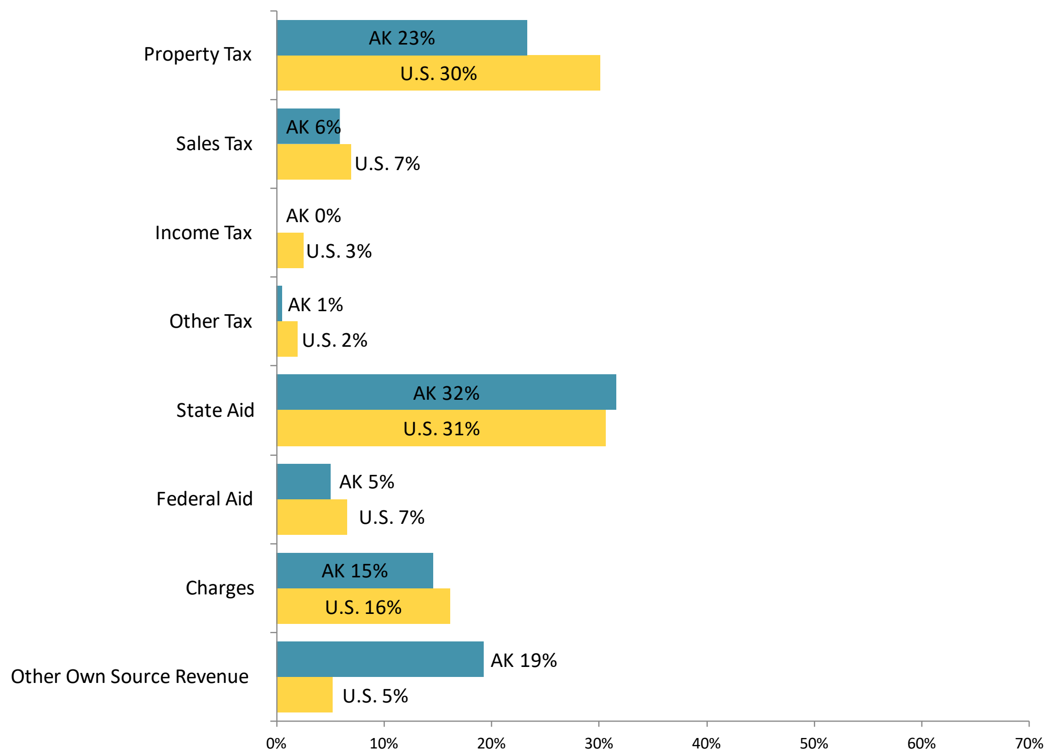
Highlights

For most of Alaska's history, both the state and local governments have derived a significant amount of their revenue from oil and gas. The state levies neither a general sales tax nor an income tax. Instead, it levies a severance tax and a statewide property tax on oil and gas exploration, production, and pipeline transportation. Local governments also derive a significant portion of their property tax revenue from oil and gas property.

Alaska has a large land area and a small population and in many ways is still a frontier state. More than one-third of the state has no organized local government (McGee 2015).

Property taxes are the most important local government tax, even though many local governments do not levy a property tax (figure AK-1). Municipalities and boroughs (equivalent to counties) can also levy sales taxes and a number of special taxes such as those on alcohol, tobacco, car rental, or raw fish.

Figure AK-1
Sources of Local General Revenue, Alaska and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although Alaska ranks low in terms of total property tax as a percentage of state-local revenue, it ranks 11th among the states for per-capita property tax and 12th for property tax as a percentage of personal income (table AK-1).

Table AK-1
Selected Alaska Property Tax Statistics, 2021[1]

	Alaska	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,325	$1,898	*11*
Property tax percentage of personal income	3.6%	3.1%	*12*
Total property tax as percentage of state-local revenue	12.3%	15.5%	*35*
Median owner-occupied home value[2]	$282,800	$244,900	*17*
Median real estate taxes paid for owner-occupied home[2]	$3,464	$2,690	*15*
Effective tax rate, median owner-occupied home[3]	1.2%	1.1%	*18*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Of the 164 borough and municipal governments in Alaska, only 36 levy a property tax (State of Alaska, Office of the State Assessor 2022). Most real and personal property is assessed at the local level, and there is no fixed schedule for revaluation.

There is a statewide property tax on real and tangible personal property used in the oil and gas business, and this property is assessed by the state. The Alaska state assessor also determines the value of taxable property (or potential taxable property) within each school district for purposes of the state's foundation education aid program. This is most challenging for areas where local governments do not levy a property tax.

Limits on Property Taxation

Alaska employs both a municipal tax rate cap and a municipal tax levy cap. The property tax rate limit for first-class cities is 30 mills, and for second-class cities, 20 mills. There is no ability to override. First-class

cities have 400 or more permanent inhabitants; second-class cities have 25 or more permanent inhabitants (Alaska Municipal League 2021).

The levy limit in Alaska states that municipalities cannot levy taxes that exceed $1,500 a year per resident. There is no override process for the levy limit, but this limit does not apply to taxes levied or pledged to pay principal or interest on bonds (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Alaska does not have a property tax circuit breaker (table AK-2). The most important property tax relief program is a mandatory exemption of $150,000 of a homeowner's property value for seniors or disabled persons. Local governments have the option of increasing this exemption (Significant Features of the Property Tax).

Agricultural land and farmland in the state are eligible for full or partial property tax exemption as well as current-use valuation of their property. Historic property is also eligible for full or partial exemption from the property tax (Significant Features of the Property Tax).

Alaska also employs economic incentive programs. The property tax exemption or deferral program for economic development allows local governments to exempt and/or defer property taxes for economic development property for a designated time period. Alaska also has a tax increment finance program.

Table AK-2
Property Tax Features of State Governments, United States, 2022

Feature	Alaska	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Alaska has relied on property taxation since it became a state in 1959. The discovery of North Slope oil less than a decade later altered the state's fiscal landscape. The state government abolished its income

tax in 1980, as it was able to derive about 85 percent of its revenue from oil and gas (Barone and McCutcheon 2014).

In the early 1980s, the state required all municipalities to exempt the first $150,000 of homestead property for seniors. At first, the state government reimbursed local governments for the revenue loss, but it no longer does.

Alaska's public schools are funded primarily through the state's foundation funding formula that was adopted under Senate Bill 36 in 1998. While there have been cases challenging the constitutionality of the state's funding of capital projects and operating costs, there has not been legislation introduced to change the foundation funding formula. During the 2019–2020 school year, state funds accounted for about 64 percent of public school funding in Alaska compared to the United States average of about 47 percent (U.S. Census Bureau 2022).

An adequacy and equity suit was filed against the state of Alaska in 1997. In *Kasayulie v. State*, rural parents and school districts claimed that the state's method of funding capital projects for education violated the education and the equal protection clauses of the state's constitution. Additionally, the suit claimed the funding method violated the implementing regulations of Title VI of the federal Civil Rights Act of 1964. The Superior Court ruled in favor of the plaintiffs, stating that the system for funding school facilities was dual, arbitrary, unconstitutional, and racially discriminatory. The court also held that education is a fundamental right in Alaska. After the Superior Court rejected a motion from the state to reopen the decision in 2001, the state allocated a significant amount of funds for the renovation and construction of rural schools, but it did not change the system of facilities financing that was ruled unconstitutional. The case remained open and inactive until 2011 when the legislature approved funding for the replacement or repair of schools in remote Western Alaska villages (SchoolFunding.Info 2015a).

A different group of plaintiffs filed a lawsuit against the state in 2004 claiming that the state's education finance system was inadequate and inequitable in funding operating costs. In *Moore v. State*, the trial court ruled that the state violated the education clause of the state's constitution because it failed to identify schools that were not giving children a meaningful opportunity. It also ruled that the state unconstitutionally violated due process by requiring students to pass an exit exam to graduate high school, since not all students had a meaningful opportunity to learn the material. After the court found that the state had failed to meet its obligations, the case was finally settled in March of 2012 and it provided a one-time appropriation of $18 million that was distributed among Alaska's 40 lowest-performing districts (SchoolFunding.Info 2015a).

Recent Developments

The state's finances are dependent upon revenue from the oil industry and the state's fiscal health fluctuates with changes in the price of oil. In 2017, Governor Bill Walker announced a downgrade of the state's credit rating, noting that "in the last three years, Alaska has gone from the highest credit rating in the nation to the third lowest, better than only Illinois and New Jersey" (State of Alaska, Office of the

Governor 2017). In 2019, Governor Mike Dunleavy vetoed $440 million from the state budget approved by lawmakers to address chronic deficits, largely due to trailing oil tax revenues (Albright 2019; Bates 2019). The crisis worsened in 2020 when oil prices fell to historic lows, devastating the state's oil industry and compounding its revenue crisis (Iversen 2020). By 2021, oil prices had rebounded and Alaska's revenue projections in the spring of 2021 were less dire than in late 2020 (Alaska Department of Revenue 2021a). General fund petroleum revenue grew from 1.3 billion in fiscal year 2021 to 3.6 billion in fiscal year 2022 (Alaska Department of Revenue 2021; 2022a).

In 2022, the Alaska legislature passed H.B. 411, which includes a provision that gives local municipalities the option to increase the residential property tax exemption from $50,000 to $75,000. The measure was in response to significant increases in property assessments and became effective without the governor's signature in October 2022 (Iversen 2022).

Voters in Juneau approved Proposition 4 in 2022, repealing a recently adopted ordinance that requires sharing real estate sales prices with the city assessor's office. Supporters of the ballot measure claimed that the mandate is an invasion of privacy and will lead to higher property taxes, while opponents asserted that disclosure of sales prices will lead to fairer and more accurate assessments (Hsieh 2022).

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LINCOLN INSTITUTE
OF LAND POLICY

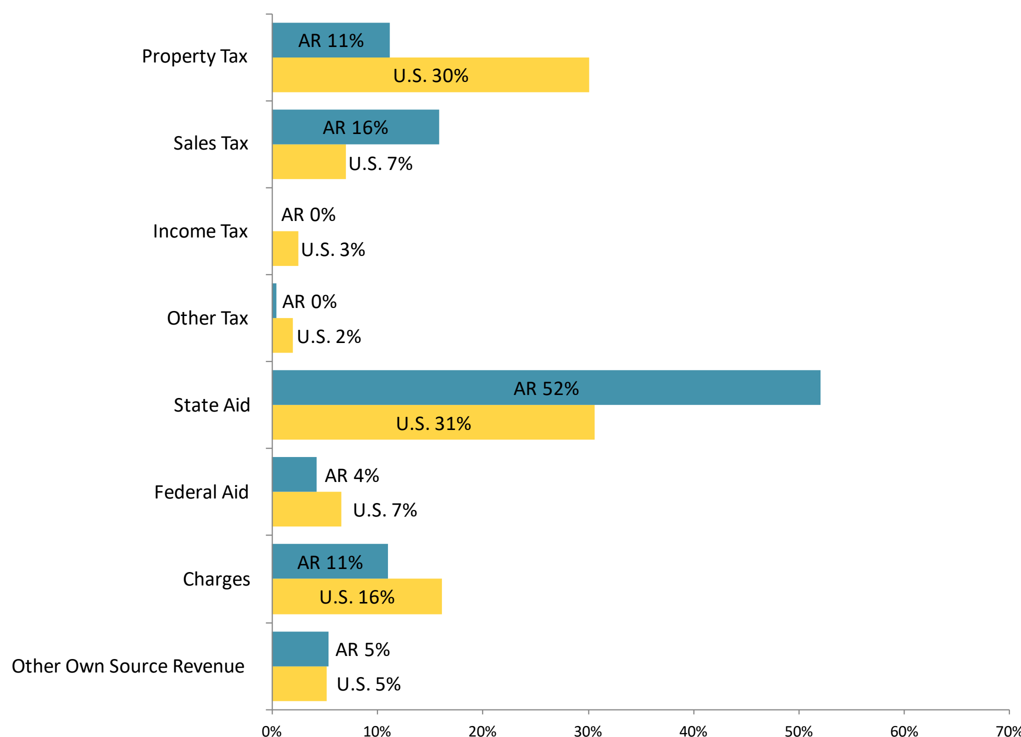
Arkansas

Highlights

Arkansas is one of the least property-tax-reliant states in the country. One reason for this low reliance is the increased state aid for schools that has resulted from decades of school funding litigation. State aid is a much greater contributor to local general revenue in Arkansas than for the average state (figure AR-1).

Another reason for the state's low reliance on the property tax is that most of its cities and counties levy sales taxes. Arkansas is heavily dependent on the sales tax; the average combined state and local sales rate was 9.47 percent in 2022. Only Louisiana and Tennessee had higher average combined sales tax rates (Fritts 2022).

Figure AR-1
Sources of Local General Revenue, Arkansas and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

The property tax burden in Arkansas, by any measure, is among the lowest in the nation (table AR-1).

Table AR-1
Selected Arkansas Property Tax Statistics, 2021[1]

	Arkansas	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$834	$1,898	*50*
Property tax percentage of personal income	$1.7%	3.1%	*49*
Total property tax as percentage of state-local revenue	7.9%	15.5%	*48*
Median owner-occupied home value[2]	$142,100	$244,900	*49*
Median real estate taxes paid for owner-occupied home[2]	$878	$2,690	*49*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*40*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are conducted at the county level (table AR-2). All real property (such as land, buildings, homes, and barns) that is not tax-exempt is assessed at 20 percent of true market value, and all personal property (such as cars, boats, and livestock) that is not tax-exempt is assessed at 20 percent of usual selling price at the time of assessment (UAEX Public Policy Center 2014). Arkansas is one of eight states to fully tax business inventory as personal property (Watson 2019). Each county must reappraise all real property every three or five years, with the interval depending on growth in property values between reappraisals.

Following reassessments in 2022, 14 out of 16 counties will change from a five-year to a three-year reassessment cycle. Arkansas law requires that when counties complete a five-year reassessment that results in an increase of 25 percent or more, the counties must reassess all properties every three years (Hawn 2022).

Limits on Property Taxation

According to Arkansas Code, there is a limit on the number of mills that can be levied by cities and counties. Cities can levy up to 20 mills of property tax (5 mills for general government, 5 mills for bonded indebtedness, 8 mills for library, and 1 mill each for police and fire pensions). Counties can levy up to 21 mills of property tax (5 mills for general government, 5 mills for bonded indebtedness, 8 mills for library, and 3 mills for roads).

There is no limit on the number of mills that can be levied by school districts. However, there is a minimum: school districts must levy a minimum 25-mill tax on real and personal property (Amendment 74).

All millage levies, except for the city general fund and the county general and road funds, must be approved by voters (UAEX Public Policy Center 2014).

The state's property tax levy cap requires local governments to roll back property tax rates if the value of taxable property increases more than 10 percent following a revaluation. The rates must be adjusted to ensure the levy does not grow by more than 10 percent over the previous year (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Amendment 79 (1997) of the Arkansas Constitution provides for property tax relief by limiting the increase in assessed value for property tax purposes as a result of countywide reappraisal and granting a homestead tax credit. The provisions of Amendment 79 may be considered a type of assessment limit.

An increase in the assessed value of a homestead is limited to 5 percent for the year following a reappraisal. If the reappraisal results in an increase of more than 5 percent, assessments in subsequent years will be increased by 5 percent per year until the initial reappraisal assessment is reached. For other real property, assessment increases are capped at 10 percent per year and increased in the same fashion as homesteads.

Amendment 79 also freezes the assessed value of a homestead owned by a disabled person or a person 65 years of age or older. Finally, the state of Arkansas allows for an annual state credit up to $425 against the property tax on a homestead. This homestead tax credit may not exceed the total property tax on the property (Significant Features of the Property Tax).

Arkansas does not have many property tax incentives for economic development, but it does use tax increment finance (TIF) and payments in lieu of property taxes (PILOTs) when local governments issue industrial facilities bonds to attract industry that is building on government-owned property.

Table AR-2
Arkansas Property Tax Features, 2022

Feature	Arkansas	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The school finance system in Arkansas was first challenged in state court in the 1983 case *Dupree v. Alma School District No. 30*. The plaintiff's basic contention, that revenue for school districts is determined in large part by local property wealth leading to great disparities in funds available for education to school districts throughout the state, was similar to arguments put forth in state school finance lawsuits across the country around the same time. The Arkansas State Supreme Court found that the school finance formula in Arkansas violated both the Education Clause and the Equal Protection Clause of the Arkansas Constitution. In response to the 1983 State Supreme Court decision, the state revised its funding statutes by passing Act 34 of 1983, known as "The School Finance Act of 1984." This formula provided Minimum Foundation Program aid to districts funded by a one-cent sales tax passed by the Arkansas General Assembly.

In 1992, there was again dissatisfaction with the school funding system; the school district of Lake View (Phillips County) first brought its case (*Lake View v. Huckabee*) against the State of Arkansas, claiming that the funding system for its public schools violated the state's constitution because it was inequitable and inadequate. In the 1994 *Lake View* decision, a lower-court judge found the school funding system unconstitutionally inequitable. In response, the Arkansas legislature took a number of actions, including increasing school aid and requiring that each school district levy at least 25 mills on the property tax (Choate 2015).

Despite these legislative responses, the Lake View school district filed several additional complaints and the state filed numerous appeals. In 2004, the legislature passed tax increases for additional funding for schools. The state sales tax rate of 5.125 percent was increased to 6.0 percent, some services were subjected to taxation for the first time, and the corporate franchise tax was increased. These increases represented a larger state commitment of roughly $450 million, or a 24 percent increase in a single year

(Ritter 2005). After the conclusion of the special session in June 2004, the Supreme Court signaled its satisfaction by removing itself from a direct supervisory role.

During the 2005 session, lawmakers devoted additional resources to school facilities and teacher health insurance but left the per-pupil foundation amount at $5,400. Because there was no cost-of-living increase to this amount, school leaders in 49 districts requested that the Supreme Court reopen the lawsuit. In a contentious vote in June 2005, the judges agreed to again consider whether the funding system was in constitutional compliance. The Supreme Court chose to reappoint the two "special masters," who concluded one year earlier that the state's response was constitutional, to look into the matter once again and advise the court by October 2005 (Ritter 2005).

The General Assembly responded to this ruling in 2006 by passing legislation that allocated additional funding to the schools. This response did indeed satisfy the court-appointed special masters, who filed a favorable interim report in 2007. This report was adopted by the Arkansas Supreme Court, which declared the public school funding system constitutional.

Since 2007, the value of local property has increased rapidly, and thus the fraction of total funding that is contributed by local property tax dollars has increased. In fact, in a few districts with relatively high local property wealth, the minimum levy of 25 mills now generates more than enough to satisfy the per-pupil foundation amount. In 2012, the Arkansas Supreme Court ruled in a 4-3 split decision that school districts in such a position can retain the local property tax revenue even if it exceeds funding levels required by law (Choate 2015).

Recent Developments

In 2019, Walmart challenged valuations of 10 properties in Pulaski County based on "dark stores" assessment theory, which holds that assessments should be based on the sales comparison approach to value, with suitable comparable properties being vacant or "dark stores." In recent years, Walmart and other big box retailers have challenged assessments in other states, mostly in the Midwest and Southeast, but this set of appeals is the first major dark stores challenge in Walmart's home state. In August 2019, a Pulaski County judge denied appeals in which Walmart argued the valuations for eight Walmart Supercenters and two Sam's Club stores should be reduced by about half, from $145 million to $74.3 million (Besson 2019a). Walmart has appealed the decision (Besson 2019b). If the courts accept Walmart's valuations, taxing jurisdictions stand to lose about $900,000 in property tax revenue (Besson 2019b). In June 2020, the Little Rock school district entered a motion to intervene in four of the appeals because it is the taxing jurisdiction that stands to lose the most revenue, about $124,000 per year. The court denied the school district's motion. At least two other taxing jurisdictions filed similar motions (Williams 2020).

In 2019, the Arkansas Court of Appeals upheld the tax-exempt status of outpatient clinics operated by employees of a tax-exempt hospital in *Hardesty v. North Arkansas Medical Services, Inc*. A county assessor denied an exemption for the clinics because the hospital had not proven that more than half of the care they provided at the clinics was charity care. Ruling against the county, the Court of Appeals

stated that because the hospital did provide free care both at the hospital and at its clinics, the clinics met the criteria for a charitable property tax exemption based on criteria established by the Arkansas Supreme Court (Baker, Bates, and Hargraves 2019).

Following reassessments in 2022, 14 out of 16 counties will change from a five-year to a three-year reassessment cycle. Arkansas law requires that when counties complete a five-year reassessment that results in an increase of 25 percent or more, the counties must reassess all properties every three years (Hawn 2022).

In 2023, Arkansas increased its homestead property tax credit from $375 to $425. The increase was expected to cost the state $34 million in 2024 (AP News 2023).

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LINCOLN INSTITUTE
OF LAND POLICY

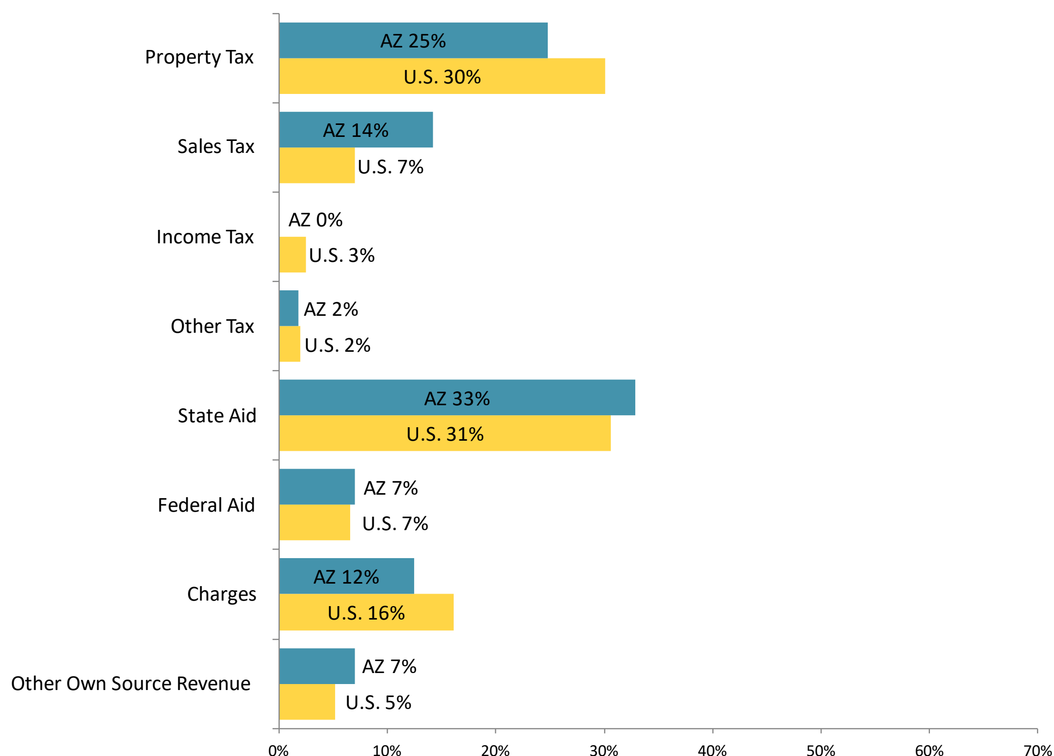
Arizona

Highlights

Although simplified in 2012, Arizona's property tax system is still complex. For assessment purposes, property is divided into nine different classes, with an assessment ratio that ranges by class from 1 to 18 percent. The ratio is 10 percent for residential property, so that a $100,000 house would be assessed at $10,000.

Since 1980, the state has employed two different measures of the property tax base, although a 2012 constitutional amendment is phasing out this distinction. The first measure is full cash value (FCV), which is equal to or less than market value. The second measure is limited property value (LPV), which can never exceed FCV and is limited in the amount to which it can increase each year. Until the 2015 tax year, primary property taxes were levied against LPV to fund maintenance and operating budgets of local governments, such as school districts and cities. Secondary property taxes were levied against FCV to fund voter-approved general obligation bonds, budget overrides, and special districts.

Figure AZ-1
Sources of Local General Revenue, Arizona and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Beginning in 2015, LPV is the basis for levying all property taxes, although FCV will still be estimated. As in prior law, LPV can never exceed FCV and is now limited to the lesser of: (1) the previous year's LPV plus 5 percent; or (2) the current year's FCV. The LPV is referred to as the net assessed value when the tax is computed.

Local governments in Arizona are less reliant on the property tax than are local governments in most states (figure AZ-1). One reason is that cities and counties can levy sales taxes. Another distinctive feature of Arizona's property tax system is that Arizona is the only state in the country that does not use tax increment finance, a common economic development tool.

Property Tax Reliance

Arizona is below the U.S. average in its reliance on the property tax, whether measured as per capita, percent of personal income, percentage of state-local revenue, or effective tax rate on owner-occupied housing (table AZ-1).

Table AZ-1
Selected Arizona Property Tax Statistics, 2021[1]

	Arizona	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,253	$1,898	*36*
Property tax percentage of personal income	2.3%	3.1%	*36*
Total property tax as percentage of state-local revenue	12.5%	15.5%	*34*
Median owner-occupied home value[2]	$265,600	$244,900	*20*
Median real estate taxes paid for owner-occupied home[2]	$1,648	$2,690	*37*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*39*

Sources:, U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessment duties are divided between the Department of Revenue (DOR) and the 15 county assessors (table AZ-2). Generally, geographically dispersed and complex properties, such as mines, utilities, airlines, and railroads, commonly referred to as "centrally valued property," are valued by the DOR. All other properties are valued by the county assessors and are therefore referred to as "locally assessed property." Assessment occurs annually, with some counties using computer techniques for mass

appraisal. Yearly ratio studies are conducted by the Arizona Department of Revenue to ensure accurate calculations of the full cash value.

Arizona divides property into nine classifications, with each class of property assigned an assessment ratio. These classifications and their respective assessment ratios are: mining, utilities, commercial, and telecommunications (17 percent for 2023); agricultural and nonprofit (15 percent); residential (10 percent); rented residential (10 percent); railroad and flight property (assessed by formula); noncommercial historic and special purposes (5 percent); commercial historic property (17 percent for 2023); commercial historic/residential property (10 percent); and certain improvements on government property (1 percent) (CCH Editorial Staff 2022; SB 1093 of 2022). The assessment ratios are applied to values and determine the property's net assessed value. All classifications use the same tax rate. Due to legislation enacted in 2022 (Senate Bill 1093), the assessment ratio for Class 1 and Class 7 property will decline incrementally each year through 2027.

Arizona taxes business personal property unless specifically exempt. Personal property is included in several of the nine property classifications listed above.

Limits on Property Taxation

In addition to the 5 percent limit on growth in LPV, cities, counties, and community college districts are limited to a levy increase of 2 percent per year plus new construction. The levy operates off of a 2005 base-year levy (set by a constitutional amendment). The levy limit increases each year, regardless of use, so there is no loss of the future tax capacity.

There is an additional tax limit on owner-occupied residences. The combined primary tax from all jurisdictions is limited to no more than 1 percent of the FCV. If the tax exceeds that amount, the school district primary taxes are reduced, and the state provides additional financial aid to the school district to make up the difference between the overall primary tax rate and the 1 percent rate cap.

Property Tax Relief and Incentives

Arizona has several property tax relief programs, including a circuit breaker called the Senior Citizen Property Tax Refund Credit, which is limited to those over 65 with maximum household income of $5,500 for married couples and $3,750 for single persons. The maximum benefit is $502.

Arizona provides property tax exemptions for disabled veterans, widows and widowers, and persons with total and permanent disability. Each year the legislature determines the amount of the exemption, and sets limits on incomes and assessed values to qualify. A person may be eligible for only one of these exemptions (Ariz. Rev. Stat. § 42-11111).

Arizona does not allow tax increment financing for new developments, and its general enterprise zone program expired in 2011. However, the state does have an instrument that provides an incentive for development—the Government Property Lease Excise Tax (GPLET). Under a GPLET, certain developers avoid paying property tax by allowing the title to their land to go to the city in exchange for an exclusive

right to lease the property back. Since cities do not pay property taxes, neither does the developer nor the final user. However, the developer or end user does make alternative tax payments based on the size, height, and use of the development, thus explaining why this is an excise tax. After a set period, the GPLET expires and the property goes back on the tax roll.

Property owned by a Native American tribal member is exempt from property taxation if the property is located within a Native American reservation. Additionally, if a Native American tribe or tribally designated housing authority owns property outside of a Native American reservation, that property is exempt if it provides low-income rental housing for Native American tribal members (Arizona Department of Revenue).

Table AZ-2
Arizona Property Tax Features, 2022

Feature	Arizona	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Arizona has had a property tax system since territorial days, with the county sheriff playing the role of both the tax assessor and tax collector. Immediately after statehood in 1912, the legislature reenacted all of the existing property tax laws. There were various changes implemented between 1912 and 1980, particularly regarding appraisal standards, assessment ratios, and classification. In 1980, major changes were enacted. In that year, a special statewide June election established the maximum ad valorem tax on all taxable property, defined full cash value, defined limited property value, limited annual increases in assessment of all taxable property, and restricted the authority of all levels of Arizona government to raise property taxes without a two-thirds majority (Arizona Tax Research Association 2015). Over time, there have been some marginal adjustments to this limit, but it is still the guiding principle for property taxes in Arizona.

The Arizona Legislature has reduced taxation of personal property in recent years. In 2011, the legislature provided additional accelerated depreciation for business property in Class 1 and Class 2 for

property purchased in 2012 or later. In 2017, the legislature passed a broad business tax incentive bill, SB 1416, which also extended this accelerated depreciation benefit to personal property in foreign trade and military reuse zones (Busby 2017; Jones 2017).

Four school districts sued the state in 2017 claiming that state funding for school maintenance was inadequate and violated the constitution (*Glendale Elementary School District v. State of Arizona*). The state quickly filed a motion to dismiss, arguing the case was a political issue and not within the purview of the courts. In 2018, the state asked the court to postpone action on the lawsuit after Governor Doug Ducey proposed full funding for "district additional assistance" (money for expenditures outside of maintenance and operation such as curriculum, technology, and buses) and money for school construction and repairs, but the Maricopa County Superior Court declined to postpone action on the case (SchoolFunding.Info). After a court-approved delay to attempt to resolve issues without a trial, the case is set for trial in May 2024 (Kunichoff 2023; SchoolFunding.Info).

Recent Developments

In 2021, Arizona enacted a workaround to the 2017 federal cap on state and local tax deductions (SALT) (Jones 2021). The SALT cap limits individual income tax deductions for taxes paid to state and local governments, such as property taxes, to $10,000 per year. In 2020, the IRS released regulations that permitted an entity-level tax workaround paving the way for the passage of Arizona's legislation (HB 2838).

In 2022, Governor Doug Ducey signed into law Senate Bill 1093, which requires assessment ratios for Class 1 and Class 7 property to incrementally decline through 2027, from 17.5 percent in 2022 to 15 percent in 2027. Class 1 property includes mining, utilities, commercial, and telecommunications properties while Class 7 property consists of commercial historic property. The continued decline in the assessment ratio for commercial properties aims to increase the state's economic growth and to reduce the property tax burden on commercial property owners relative to homeowners (Edwards 2022).

As part of the budget signed into law in June 2022, Arizona eliminated the state equalization assistance property tax rate (SETR), implementing a major property tax reduction. The SETR was a state property tax that supported funding of education in Arizona. By eliminating SETR, revenue is expected to decline by $338 million in fiscal year 2024 and by $345 million in fiscal year 2025. The state's general fund dollars are expected to replace the revenue loss (Jones 2022).

Arizona voters approved Proposition 130 in 2022, restoring a property tax exemption for disabled veterans in the Arizona Constitution. Disabled veterans had been ineligible for the exemption since 1989, when the Arizona Court of Appeals held the benefit was unconstitutional because it was limited to veterans who were Arizona residents before entering the military. Proposition 130 amended the Arizona Constitution (A.R.S. Const. Art. IX, § 2) to allow property tax exemptions for disabled veterans regardless of when they became Arizona residents. Further, Proposition 130 authorizes the legislature to determine the amount of the tax exemption and eligibility criteria (Ballotpedia 2022, Rihl 2022).

Under Arizona's classified property tax system, assessors apply an assessment ratio to each property's valuation to determine its full cash value and its limited property value. Counties can calculate LPV as either 105 percent of LPV from the previous valuation (Rule A) or a percentage of FCV comparable to similar properties (Rule B). In 2023, the Arizona Court of Appeals rejected the practice of applying different percentages to different neighborhoods under Rule B. The appeals court found that effectively basing assessment ratios on the location of a property does not comply with Arizona's classification law (*Machu Picchu Holdings LLC v. Pinal County* and *Rustin Wayas v. Yavapai County*) (Muse 2023).

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LINCOLN INSTITUTE
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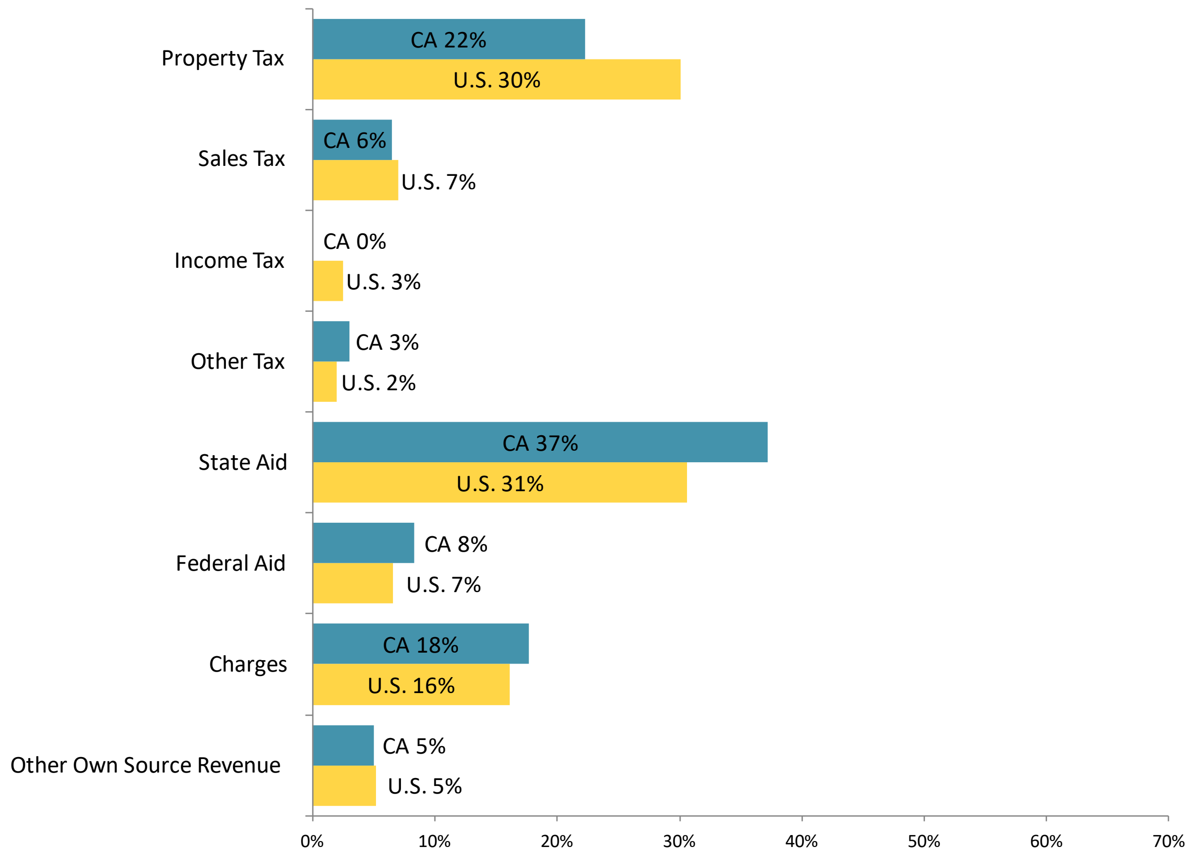
California

Highlights

California is credited with initiating a nationwide tax revolt when voters passed Proposition 13 in 1978. This ballot initiative amended the state constitution and put into place one of the most restrictive property tax systems in the country. Proposition 13 contained four key provisions: a property tax rate cap, a rollback of assessed values, an assessment limit, and a prohibition against state and local governments imposing any other ad valorem property taxes, sales taxes, or transactions taxes on real property.

These provisions resulted in an entirely new system of local property taxation in California. Prior to Proposition 13, each local government levied its own tax rate. Under Proposition 13, the state legislature devised a complex system by which the total property tax revenue within each county is shared among all of the separate districts.

Figure CA-1
Sources of Local General Revenue, California and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Although local governments lost control over their most important revenue source, California voters benefit from the certainty of knowing that the tax on their property is limited to 1 percent of the purchase price and that the assessed value can increase by no more than 2 percent per year. The property tax is still the largest source of local general revenues after state aid, but charges account for nearly as much as the property tax as a source of local general revenue (figure CA-1).

Property Tax Reliance

The effective tax rate on a median-value owner-occupied home is low relative to the U.S. average as is total property tax as a percentage of state-local revenue (table CA-1).

Table CA-1
Selected California Property Tax Statistics, 2021[1]

	California	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,097	$1,898	*15*
Property tax percentage of personal income	2.8%	3.1%	*24*
Total property tax as percentage of state-local revenue	13.0%	15.5%	*31*
Median owner-occupied home value[2]	$573,200	$244,900	*3*
Median real estate taxes paid for owner-occupied home[2]	$4,279	$2,690	*9*
Effective tax rate, median owner-occupied home[3]	0.7%	1.1%	*36*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

California uses an acquisition-value-based assessment system, meaning that market value assessments occur only when the property is transferred, with ensuing adjustments based on a standard factor rather than on current market value. When Proposition 13 was passed in 1978, it defined the value of real property as its fair market value on March 1, 1975, which is known as a base year value. Proposition 13 stipulated that in subsequent years the assessed value could increase by no more than 2 percent per year or the rate of inflation, whichever is less, unless there is a change in ownership. Every time a property is sold, it is assessed at its full market value, thus receiving a new base year value. Transfers from one spouse to another and, under certain circumstances, transfers from parent to child or from

grandparent to grandchild do not constitute a change in ownership if the property is used as a primary residence. Homeowners who are over age 55, severely disabled, or disaster victims may transfer their favorable tax valuation to another property anywhere within the state (Moll and O'Neall 2021).

California's 58 counties are responsible for assessing property. Personal property is subject to tax, but this excludes most business inventories. Personal property is assessed annually.

Limits on Property Taxation

In addition to limiting growth in property tax assessments to the lesser of 2 percent per year or inflation, California limits property tax rates (table CA-2). Although Proposition 13 set a tax rate cap at 1 percent, rates were allowed to exceed the cap to cover preexisting debt obligations. In 1986, voters approved Proposition 46, which reinstated property tax-financed general obligation bonds as a local government option provided they receive two-thirds voter approval, resulting in some variation in property tax rates across the state.

California also approved a limit on the growth in annual appropriation of tax revenues for the state and most local governments, known as the Gann Initiative, which was enacted in 1979 and modified in 1990 (Coleman 2014). Revenue received by any local government in excess of that allowed must be refunded by a revision in tax rates or fee schedules within the next two fiscal years.

Property Tax Relief and Incentives

Property tax relief is provided to homeowners and disabled veterans. An exemption of $7,000 of assessed value is available for all owner-occupied homes. Veterans with specified disabilities and unmarried surviving spouses of deceased disabled veterans are eligible for an exemption of up to the full value of their principal residence.

With the passage of Proposition 19 in 2020, eligible homeowners (seniors over 55 years old, severely disabled persons, or wildfire and natural disaster victims) can transfer the favorable taxable value of their primary residence to a more expensive replacement residence located anywhere within California. (In California the term "taxable value" is used interchangeably with "assessed value.") If the market value of the new home is more than the taxable value of the old home, an upward adjustment is made with a corresponding increase in the property tax. Seniors over 55 years old and severely disabled persons are allowed up to three such transfers while wildfire and natural disaster victims are limited to one transfer.

Tax increment finance (TIF) was first used in California in 1952, but the program ended in 2011. In 2014, the state authorized Enhanced Infrastructure Financing Districts (EIFD), which can utilize tax increment financing, and in 2015, the governor signed legislation allowing community revitalization and investment authorities, which are similar to TIFs but more limited (Youngman 2016).

California's Capital Investment Incentive Program authorizes local governments to enter into agreements with qualifying manufacturing firms making an initial capital investment of $150 million or

more. Local governments can refund up to 100 percent of property tax revenue on the value of real and personal property exceeding $150 million for up to 15 years (Significant Features of the Property Tax).

Table CA-2
California Property Tax Features, 2022

Feature	California	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

California's Property Tax Law of 1850 established the statewide property tax as the major state revenue source, accounting for over 70 percent of its revenue through 1910. Local governments also imposed property taxes as their primary source of revenue. In the early 1900s, California's first tax revolt led to the eventual elimination of the statewide property tax. Local taxing jurisdictions used this opportunity to increase their property tax rates, absorbing all the savings.

Rapidly rising property values resulting in annual increases in property tax bills as high as 30 percent, a growing state surplus, and changes in education finance brought on by California Supreme Court rulings in *Serrano v. Priest,* all contributed to the passage of Proposition 13 in 1978.

Soon after its passage, the acquisition-value assessment system was under attack as a violation of the Equal Protection Clause of the U.S. Constitution. Under Proposition 13, two owners of identical properties can face radically different taxes simply because they bought their properties at different times. In 1978, the California Supreme Court found that this assessment feature did not violate the U.S. Constitution (*Amador Valley Joint Union High School District v. State Board of Equalization*). Challenges continued, however, and not until 14 years later did the U.S. Supreme Court issue the final verdict concerning the constitutionality of an acquisition-value property tax system. In its 1992 judgment in *Nordlinger v. Hahn,* the court ruled that the assessment features of Proposition 13 did not violate the Equal Protection Clause of the Constitution.

Proposition 13 shifted school funding responsibility from local governments to the state, greatly reducing reliance on the property tax to fund education. The share of school district revenue from school district taxes fell from about half in 1978 to less than a quarter the following year. Per-pupil spending and academic achievement declined in the wake of Proposition 13 (Kenyon, Paquin, and Reschovsky 2022).

Although Proposition 13 prohibited any new or increased ad valorem taxes on real property, the parcel tax, another form of property levy, has emerged as a source of revenue for local jurisdictions, especially school districts. Parcel taxes are usually flat rate taxes imposed on property irrespective of value. In California, they are considered special taxes that require two-thirds voter approval. Some districts have levied parcel taxes that differ for residential and nonresidential properties or that vary according to the square footage of the property (Sonstelie 2014).

In July 2013, California enacted major legislation to reform its education funding system. The new Local Control Funding Formula (LCFF) established uniform base per-pupil funding levels by grade and provided additional need-based funding both on a per-pupil basis and through grants to districts with a high share of needy students. The law eliminated 75 percent of categorical spending restrictions, imposed new reporting requirements, and included funding for Common Core implementation. State aid is based on the gap between a district's target LCFF funding level and their prior-year funding level, with the gap fully funded after eight years. Local property tax revenues count against each district's target LCFF funding level (Kenyon, Paquin and Reschovsky 2022; Taylor 2013).

Recent Developments

In 2020, California voters approved Proposition 19, which not only expanded tax relief to certain eligible homeowners, but also curtailed tax benefits associated with inherited properties. Under Proposition 19, children and grandchildren who inherit their parents' or grandparents' primary residence must use the property as their primary residence to retain their parents' or grandparents' favorable taxable value. (Prior to Proposition 19, the heirs could also use the property for other purposes, such as a vacation or second home or investment property.) The Howard Jarvis Taxpayers Association, the organization behind Proposition 13, attempted to put a measure on the ballot to repeal the new restrictions on transfers to children and grandchildren, but the organizers failed to gather enough signatures (Jones 2022).

Voters in California rejected Proposition 15 of 2020, which would have amended California's constitution to require commercial and industrial properties to be assessed at their market value instead of their original purchase value, creating a split-roll property tax system since residential properties would continue to be assessed based on their acquisition value.

The pandemic devastated the commercial real estate market as workers emptied out of their offices and worked remotely from their homes, and tourists and shoppers stayed away from retail stores. San Francisco was one of the hardest-hit cities in California, with a 75 percent increase in unused office space in 2020 (Rappeport 2021). With rents down and decreased demand for office spaces and retail

stores, commercial property values in cities across the country declined (Rappeport 2021). In San Fransisco, downtown vacancy sat at 30 percent in 2023, down from just 4 percent prior to the pandemic (Ohanian 2023).

California adopted a pass-through entity-level tax in 2021 as a workaround of the cap on the deductibility of state and local taxes (SALT) for federal tax purposes. Since the enactment of the 2017 federal Tax Cuts and Jobs Act, the deductibility of state and local taxes, including property taxes, has been limited to $10,000 per year. The new California policy allows business owners of pass-through entities to pay income taxes at the entity level thereby reducing taxable income before claiming any individual deductions or exemptions, effectively shielding owners of pass-through-entities from the effects of the SALT limit. As of May 2023, 33 states have enacted an entity level tax since the enactment of the cap on SALT deductions in 2017 (Association of International Certified Professional Accountants 2023).

In 2022, California Governor Gavin Newsom extended a law that exempts new solar energy systems from property taxation through 2027; the measure would have expired in 2025 (Senate Bill 1340) (Hirneisen 2022).

Senate Bill 419 extended a property tax exemption for property used in spaceflight through 2028; SpaceX currently benefits from the exemption. The legislation spelled out reporting requirements including metrics the legislature can use to determine whether the company is fulfilling its employment and investment commitments.

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LINCOLN INSTITUTE
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Colorado

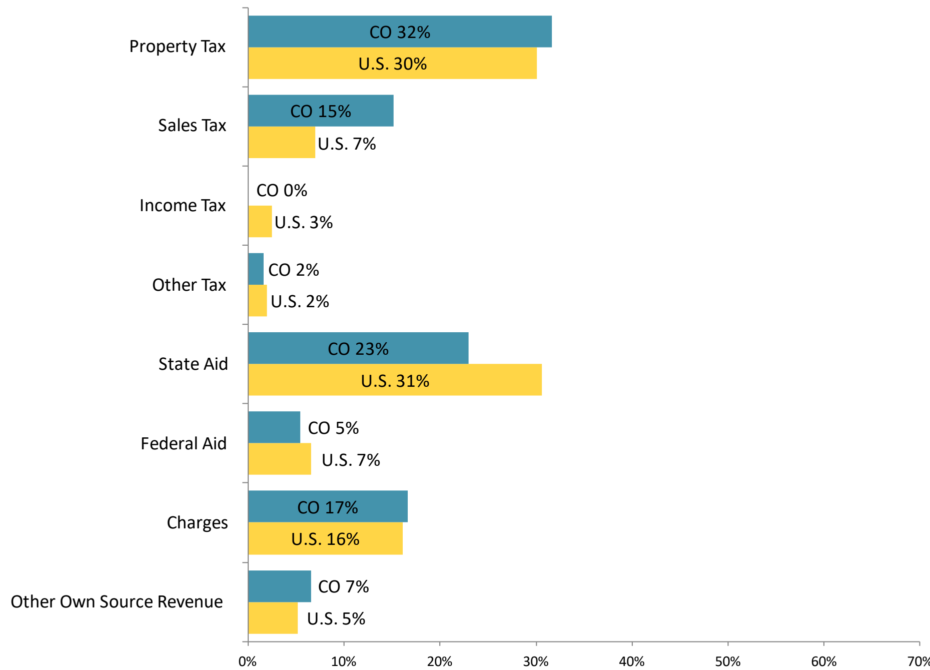
Highlights

Colorado's property tax funds primarily counties, school districts, and special districts. Municipalities are funded predominantly by the sales tax. The state's Taxpayer's Bill of Rights (TABOR) prohibits both local income taxes and statewide property taxes (figure CO-1).

Historically, Colorado relied primarily on local property taxes to fund public education, with state aid accounting for a small share of total education funding. However, policy decisions by the General Assembly prior to 1992 and the interaction after 1992 between the School Finance Act and the local property tax limit in TABOR resulted in the ratcheting down of school property tax mill levies and a shift in the responsibility for funding schools onto the state general fund (Brown et al. 2011).

The property tax has been the most limited of all taxes in Colorado, restricted for many years by both the TABOR and Gallagher Amendments to the state constitution. From its enactment in 1983 until its repeal, effective 2021, the Gallagher Amendment required an adjustment of the residential assessment ratio such that the residential share of total assessed value did not exceed 45 percent. The result was that by 2020, residential property in Colorado was assessed at 7.15 percent of market value, whereas most nonresidential property was assessed at 29 percent of market value (Colorado Department of Local Affairs 2019). In November 2020, Colorado voters approved Amendment B to repeal the Gallagher Amendment. Legislation authorized with the repeal froze the assessment rates at 2020 levels. Amendment B also authorized the legislature to lower the assessment rate, though assessment rate increases still require voter approval under TABOR (Amendment B of 2020).

Figure CO-1
Sources of Colorado Local General Revenue, 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2020, Colorado ranked 16th in per capita property taxes (table CO-1). While residential property in Colorado was assessed at 6.765 percent in 2022, most nonresidential property was assessed at 27.9 percent (Colorado Department of Local Affairs 2023). As a result, Colorado probably has the most highly classified property tax system in the nation. For example, amongst the largest cities in each state, Denver's effective property tax rate on homesteads was 4th lowest in 2022 (0.52 percent), whereas the effective rate on commercial properties was 16th highest (2.14 percent) (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2023). Consequently, measures of overall property tax collections are close to national averages, whereas measures of property tax burdens specifically for homesteads are all far below national averages.

Table CO-1
Selected Colorado Property Tax Statistics, 2021[1]

	Colorado	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,071	$1,898	*16*
Property tax percentage of personal income	3.1%	3.1%	*20*
Total property tax as percentage of state-local revenue	17.4%	15.5%	*13*
Median owner-occupied home value[2]	$397,500	$244,900	*6*
Median real estate taxes paid for owner-occupied home[2]	$2,017	$2,690	*30*
Effective tax rate, median owner-occupied home[3]	0.5%	1.1%	*49*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Assessment and Administration

Colorado authorizes counties, school districts, cities, fire protection districts, and special districts to levy property taxes. Special districts receive 18 percent of total property tax collections in Colorado—nearly five times the national average—with much of this revenue flowing to Metro Districts, which are created by developers to issue bonds to finance infrastructure for new developments (Migoya 2019).

Property assessments are conducted at the county level (table CO-2), with reassessments performed every other year. Once property is assessed, the taxable portion of total assessed value is governed by the assessment rate. Colorado has four classes of property, with assessment rates or ratios ranging from 6.765 percent for residential property to 87.5 percent for oil and gas producing leaseholds in 2022 (Colorado Department of Local Affairs 2023).

Colorado taxes business personal property in addition to real property, but inventories are not taxed. The first $52,000 in personal property value was exempt in 2023, with an annual adjustment for inflation.

Limits on Property Taxation

Property taxes in Colorado are subject to limitations on tax rates and tax levies. In 1913, a levy limit was enacted that applied to counties and municipalities. The Taxpayers Bill of Rights (TABOR) amendment limits both property tax rates and levies, and also includes a revenue/expenditure cap. These three

TABOR limits and the 1913 levy limit operate in conjunction with each other. Colorado repealed its assessment limit effective 2021.

Table CO-2
Colorado Property Tax Features, 2022

Feature	Colorado	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Property Tax Relief and Incentives

A homestead property tax exemption for seniors and qualifying disabled veterans allows for the first 50 percent of up to $200,000 in market value to be free from property tax. In most years, property tax funded jurisdictions are reimbursed for the amount of the exemption by the state general fund (this funding was suspended during the Great Recession).

The state's property tax and rent rebate circuit breaker program provides property tax rebates to elderly and disabled homeowners and renters based on income. In 2021, the maximum rebate was $700. Eligibility for 2021 rebates was restricted to households with income up to $15,591 (single) or $21,057 (married) in 2020 (Significant Features of the Property Tax).

Colorado also offers a property tax deferral program and authorizes local governments to offer tax work-off programs for seniors and certain disabled taxpayers (Significant Features of the Property Tax).

Colorado provides property tax incentives for economic development through a tax increment finance program and an abatement program called Local Incentives for New Business Facilities, which provides up to 100 percent relief from personal property taxes for up to 35 years.

Key Property Tax History

The state of Colorado levied a property tax until 1964, when the legislature repealed all statutes dealing with state-levied property taxes. Since then, property taxes have been levied only at the local level (Colorado Fiscal Institute 2017).

The property tax in Colorado has been very much defined by the constitutional provisions that limit and govern its administration and collection. The first of these provisions was the Gallagher Amendment, passed in 1982 as part of a larger property tax reform effort and repealed in 2020. The second was the TABOR amendment, passed in 1992, which contains specific limits on the growth of property taxes.

The Gallagher Amendment was the most famous provision of a broader-based property tax reform that also included changes to assessment practices; property tax exemptions for livestock, agricultural products, agricultural equipment, business inventories, and materials or supplies held for sale or consumption; a lowering of the assessment rate to 29 percent for all classes of property except for residential; and the creation of the State Board of Equalization to oversee property valuation practices. The Gallagher Amendment required that the residential assessment rate be adjusted such that the share of the property tax attributed to residential property remains constant. At the time of passage of the amendment, residential property represented approximately 45 percent of total taxable property. To maintain that target percentage today, the residential assessment rate sits at 7.15 percent. Colorado repealed the assessment limit in 2020, but froze assessment rates at 2020 levels (Amendment B of 2020).

The second limitation significantly affecting property taxes in Colorado is the TABOR Amendment. Most Coloradans know TABOR as the constitutional requirement that all tax increases be subject to a vote of the people. However, TABOR has many other limits, disclosure requirements, and prohibitions. With respect to the property tax, the following provisions of TABOR are relevant:

- TABOR limits property tax revenue according to a growth formula. Specifically, property taxes may increase by the rate of inflation plus some measure of growth. For school districts, that measure is enrollment growth; for counties, municipalities, and special districts, it is the net change in the value of property from construction. Any collections greater than the limit require both a refund of the additional amount and a reduction in the mill levy to avoid excess collections in the future.
- TABOR prohibits increases in a locality's mill levy without approval of the voters. Thus, when mill levies are forced down, it is difficult to restore the levy.
- TABOR requires approval from the voters to increase any assessment rate.

Since the passage of TABOR, the requirements of the School Finance Act and the limitations in TABOR have interacted, with the practical result that for most districts mill levies have declined and for many of those districts state aid has increased.

TABOR is often considered one of the tightest levy limits in the country, but in practice, many local governments are allowed to retain property tax collections above the growth formula. Local voters can choose to *debruce*, which permanently eliminates TABOR's levy limit. By 2019, voters had chosen to debruce in 177 of 178 school districts, 51 of 64 counties, and 230 of 274 municipalities (Bell Policy Center 2019).

In November 2020, voters repealed the Gallagher Amendment, enacted in 1982, which limited assessment rates so that the residential assessments could not exceed 45 percent of the state's total

property value, even if the market value of residential property rose relative to non-residential property in the state. Every other year, the state automatically adjusted assessment rates to achieve this ratio. Voters' action to approve Amendment B of 2020 at the polls also authorized SB 21-293 to freeze assessment rates at their current level, 7.15 percent for residential property and 29 to 87.5 percent for other classes. Approval of the ballot measure also means the state can lower assessment rates without regard to the share of total property value without voter approval; but under TABOR, voter approval is still required for increases to assessment rates (Hindi 2020).

Recent Developments

In June 2021, the legislature exercised its new authority to lower assessment rates—Senate Bill 21-293 lowered the residential assessment rate from 7.15 percent to 6.95 percent. Senate Bill 21-293 also expanded the state's property tax deferral program to permit all Colorado homeowners to defer property tax increases over 4 percent on their primary residence up to $10,000, beginning in 2023 (Paul and Vo 2021). Then, in November 2021, voters defeated a controversial ballot initiative that would have permanently lowered the residential assessment rate to 6.5 percent and the commercial rate to 26.4 percent (Davis 2021; Vargas 2021). In May 2022, Colorado enacted legislation to reduce both the commercial and residential assessment rates, lowering the commercial assessment rate from 29 percent to 27.9 percent for 2023 (Coltrain 2022).

Colorado also cut personal property taxes in 2021. Senate Bill 21-1312 increased the deduction for business personal property tax from $7,900 to $50,000. The state is required to reimburse localities for associated tax loss (State of Colorado).

In addition to lowering assessment rates in 2022, Colorado adopted several other tax reducing measures. Under HB 22-1223, mobile homes and manufactured homes with market value at or below $28,000 are fully exempt from property taxes (Hollingsworth 2022a). Colorado voters overwhelmingly approved Amendment E at the ballot to extend the state's homestead exemption to Gold Star Spouses (Nelson 2022). The legislature approved a measure reclassifying all nursing homes as residential property regardless of whether the nursing homes provide long-term care or short-term care (Hollingsworth 2022b).

Colorado voters decisively defeated major property tax reform legislation in November 2023 (Kenney 2023). Proposition HH would have reduced residential and commercial assessment rates, increased property tax relief, cut TABOR refunds using the savings to reimburse local governments for property tax relief, and imposed new truth-in-taxation requirements.

A 2021 Colorado Supreme Court ruling paved the way for school districts in Colorado to significantly increase their mill-levy rates. Even after a school district's voters had chosen to debruce and exceed TABOR's levy limit, the Colorado Department of Education had forced school districts to reduce their mill-levy rates to comply with the levy limit, which resulted in large drops in mill rates until they were frozen by the legislature in 2007. The supreme court said proposed legislation (HB 21-1164) to permit school districts to increase their mill-levy rates over up to 19 years to where they had been when voters

debruced "effectuates what the voters have already approved." The legislature passed House Bill 21-1164 the same day the court ruled on the legality of the bill, and the governor signed the bill into law on June 8, 2021 (Paul 2021).

In 2023, the state's highest court heard appeals in a group of cases from business owners seeking to lower their 2020 commercial property assessments because of the Covid-19 pandemic. In 11 related cases, over 1,500 business owners claimed they were entitled to reduced assessments under Colorado's statutory exception to biennial assessments, which allows for reassessment based on "unusual conditions" in a non-reappraisal year. (Cooper 2022; Poling 2022). In June 2023, the Colorado Supreme Court ruled against the commercial taxpayers, rejecting the argument that the pandemic and public health orders were unusual conditions qualifying for revaluation between regular reassessments. The court ruled that pandemic conditions did not fall within the period in which the assessor must consider unusual conditions. The court also ruled that the pandemic was not an act of nature and did not affect property, and that the public health orders did not regulate the use of land, and therefore are no basis for revaluation (Muse 2023).

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LINCOLN INSTITUTE
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Connecticut

Highlights

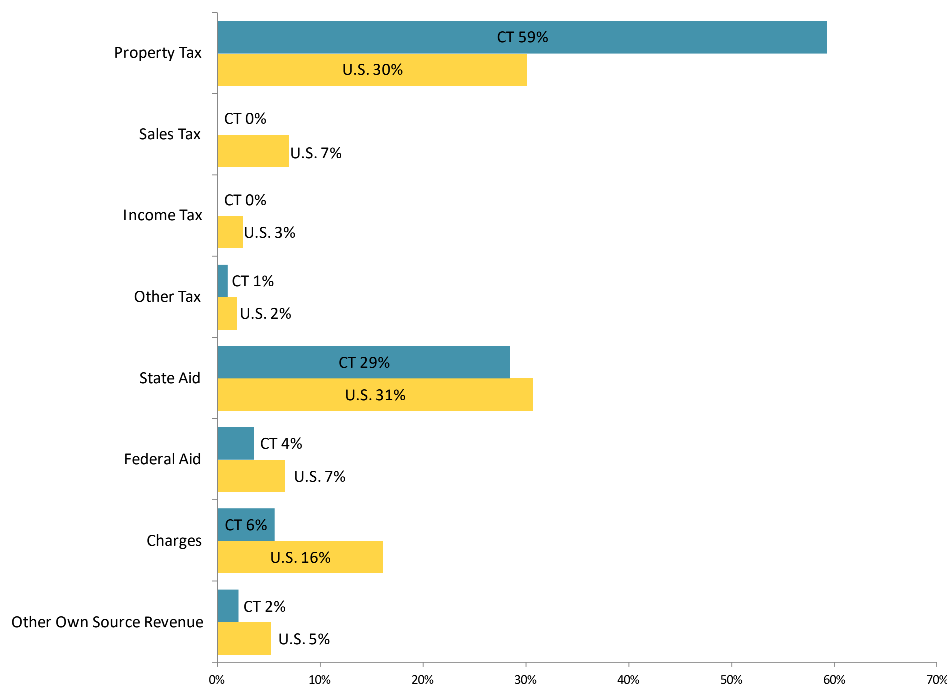
Connecticut ranks as the state with the third highest degree of income inequality among all U.S. states (U.S. Census Bureau 2021). Given this degree of income inequality, it may not be surprising that there are significant fiscal disparities among Connecticut municipalities, mostly driven by an uneven distribution of the property tax base (Zhao 2015).

Local governments in Connecticut rely very heavily on the property tax, which constituted 59 percent of local government revenue in 2021 (figure CT-1).

Connecticut is one of very few states that have considered split-rate property taxation (higher rates on land than buildings).

Connecticut is also unusual in that it is one of only two states (Rhode Island is the other) that reimburses municipalities for revenue foregone because of the property tax exemption afforded to colleges and hospitals. Connecticut terms this a PILOT program (Kenyon and Langley 2010).

Figure CT-1
Sources of Local General Revenue, Connecticut and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

State and local governments in Connecticut rely on the property tax for a greater share of state and local revenue than do all but two other states. In 2021, the median real estate taxes paid for owner-occupied homes in Connecticut ranked second highest among all states (table CT-1).

Table CT-1
Selected Connecticut Property Tax Statistics, 2021[1]

	Connecticut	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,276	$1,898	*5*
Property tax percentage of personal income	4.2%	3.1%	*7*
Total property tax as percentage of state-local revenue	22.5%	15.5%	*4*
Median owner-occupied home value[2]	$286,700	$244,900	*16*
Median real estate taxes paid for owner-occupied home[2]	$6,153	$2,690	*2*
Effective tax rate, median owner-occupied home[3]	2.1%	1.1%	*3*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are conducted at the municipal level (table CT-2). Real property is assessed at 70 percent of market value except in the City of Hartford, which assesses property at 36.75 percent of market value (City of Hartford). With some exceptions, the state does tax personal property. Real property is valued on a five-year assessment cycle, but personal property and motor vehicles are valued annually.

Limits on Property Taxation

Connecticut places no statewide limit on property tax rates or levies. However, municipalities have the option to phase in assessment increases or decreases over a period of five years or less.

In the City of Hartford, voters may petition for a referendum if the levy is set to increase by more than 2.6 percent with an adjustment for inflation (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program in Connecticut provides relief to homeowners who are either completely disabled or at least age 65 and have incomes below specified limits. To be eligible for the tax relief in 2021, 2020 income must not exceed $37,600 for individuals and $45,800 for married couples for a credit of up to $1,000 and $1,250, respectively. A second circuit breaker program for homeowners who are 65 or older or can claim a dependent on their federal income tax return provides income tax credits ranging from $20 to $200 for single homeowners with income up to $109,500 and for married couples with income up to $130,500.

Connecticut provides only three types of property tax incentives for encouraging economic development. One is the Enterprise Zone Program, which allows for 80 percent property tax abatement on eligible property for a period of five years. In 2021, 45 municipalities across 10 different enterprise zone designations were participants in the program (State of Connecticut, Department of Economic and Community Development). Second, individual municipalities are authorized to offer property tax credits. The third type of economic development property tax incentive is a tax increment financing program.

Table CT-2
Connecticut Property Tax Features, 2022

Feature	Connecticut	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The State of Connecticut was one of the first U.S. states to have its school finance system challenged because of its property tax system. In 1977, the state's highest court found that the Connecticut constitution required the state to "provide a substantially equal educational opportunity" for each student and that the current school financing system was unconstitutional because it was based on local property taxes without sufficient state support to equalize disparities in the property tax base. In response, the legislature modified its system of state education grants (SchoolFunding.Info).

In 2005, another school funding lawsuit, *Connecticut Coalition for Justice in Education Funding, Inc. (CCJEF) v. Rell*, was filed, arguing that Connecticut's system of education funding falls short on both equity and adequacy grounds. That case went up to the Supreme Court, which sent the case back for a trial. In a September 2016 ruling, the trial judge, Superior Court Judge Thomas Moukawsher, held that "major components of Connecticut's K-12 educational system were so 'irrational' that they were denying students, especially those in low wealth districts, their constitutional right to an adequate education" (SchoolFunding.Info).

In January 2018, the Connecticut Supreme Court overturned Superior Court Judge Moukawsher's school funding ruling, "declaring that the state had met its minimal constitutional obligations and beyond that, it is up to the legislature to set educational policy." This ruling brought the end to more than a decade of school finance litigation (Kauffman and Mahony 2018).

An alternative method of encouraging local economic development entails levying a split-rate tax on land and buildings, where the tax rate on improvements is lowered and lost revenue is made up by raising the tax rate on land. This approach was considered in Connecticut in 2008, when the City of New London was classified as a distressed municipality and was authorized to implement a split-rate tax (Cohen and Fedele 2012). Although New London chose not to pursue this option, subsequent legislation in 2013 authorized up to three municipalities in the state to apply for consideration in a land value taxation pilot program (Cohen and Fedele 2015). The program ended on December 31, 2020.

In 2014, the legislature began a two-year study of the state's tax system, including the property tax. In December 2015, the tax study panel recommended changes in the property tax, including a move from a five-year reassessment cycle to annual assessment. The panel also recommended folding most local property tax exemptions into an expanded circuit breaker run through the personal income tax and enacting a 1 percent local sales tax to reduce reliance on the property tax.

Recent Developments

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, Connecticut joined New York, Maryland, and New Jersey in a legal challenge to the SALT cap, arguing it interferes with state sovereignty (Civil Action No. 18-cv-6427). A federal judge dismissed the lawsuit, ruling that "[t]he States have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The average amount of the deduction claimed by Connecticut taxpayers in 2015 was $19,655, almost twice the new limit (Tax Policy Center 2017). The second circuit upheld the decision to dismiss the lawsuit in late 2021 (Muse 2021). In April of 2022, the U.S. Supreme Court chose not to review the lower court decision (Muse 2022).

The Connecticut legislature attempted to work around the cap by authorizing municipalities to establish charities to support local services and issue property tax credits for the value of fully deductible charitable donations, but in August 2018 the IRS proposed new rules blocking this approach (Public Act No. 18-49; Federal Register 2018). In June 2019, the IRS set new rules effective in August 2019 that

blocked workarounds by requiring the reduction of any tax credit from the value of a charitable deduction. Any amount donated exceeding the value of the tax credit, the IRS recognizes as a charitable deduction (Federal Register 2019). In 2018, Connecticut adopted another measure to work around the SALT deduction cap, imposing a passthrough entity-level tax and allowing the entity members to claim individual income tax credit on their Connecticut income tax. In 2020, the IRS released proposed regulations that left the door open for entity-level workarounds (Walczak 2020). As of July 2023, 36 states have adopted similar workarounds, but Connecticut is the only state in which entity-level tax is mandatory instead of optional (AICPA; McLoughlin 2021).

In 2021, the Connecticut legislature passed a bill (Senate Bill 873) to increase state funding to struggling cities with a high concentration of tax-exempt properties, such as New Haven, where 60 percent of property is tax-exempt. The bill restructured the existing PILOT program by creating three new tiers of cities and distributing payments based on financial needs of the cities (Breen 2021).

Governor Lamont signed House Bill 5506, which increased the property tax credit against the personal income tax from $200 to $300 starting in tax year 2022 and made the credit available to more individuals (Office of Governor Ned Lamont 2022). The bill also reduced property taxes on motor vehicles in 75 cities and towns by capping mill rates. Motor vehicle owners will pay a maximum mill rate of 32.46 (or 3.246 percent) and the state will reimburse cities and towns for any mills above the cap. In 2023, the legislature considered legislation to swap the motor vehicle property tax for a tax on insurers. Instead of approving the measure, the legislature established a task force to study the feasibility of repealing the tax and options to replace the revenue (Substitute Senate Bill 497 of 2023).

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Publication Date

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LINCOLN INSTITUTE OF LAND POLICY

Washington, DC

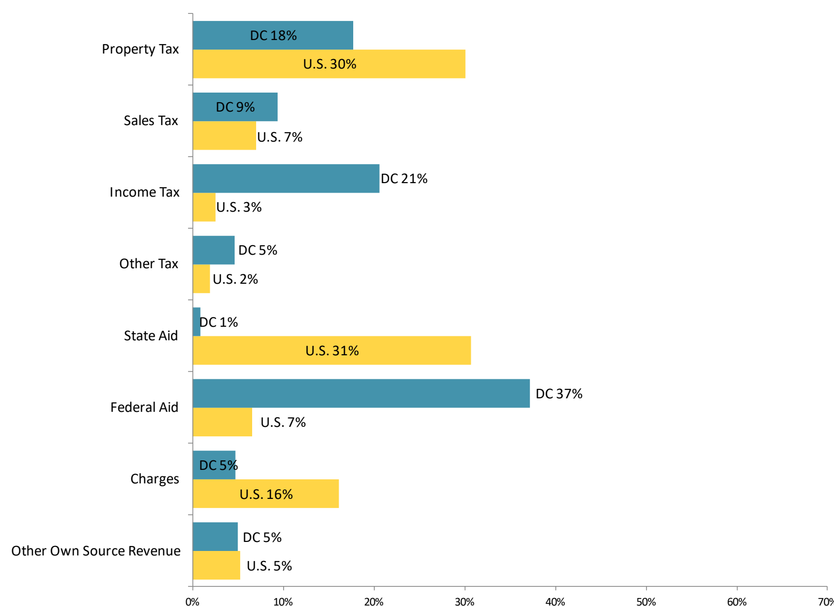
Highlights

The District of Columbia is constitutionally prohibited from being located within the boundaries of any state; as a result, the government in the District takes on both state and local revenue-raising responsibilities. In this diversified revenue system, in which the city levies both sales and income taxes, property taxes account for 18 percent of general revenues—far lower than the property tax's share of local revenues nationally (figure DC-1), but higher than the property tax's share of combined state and local revenues nationally (table DC-1).

As the nation's capital, Washington, DC has a large federal presence. The U.S. government owns about a quarter of all exempt properties in DC, with an estimated market value of $63 billion (53 percent of all exempt value in DC) accounting for nearly $91.2 billion in foregone property tax revenue annually. Foreign governments own an additional 613 exempt properties, accounting for $80.7 million in foregone property tax revenue (District of Columbia Office of the Chief Financial Officer 2022, 52).

The District of Columbia has the lowest residential property tax rate and the highest commercial property tax rate in the Washington-Arlington-Alexandria Metropolitan Area. As a result of low real property taxes, families in the District have the lowest overall tax burden in the metropolitan area (District of Columbia Office of the Chief Financial Officer 2022, 26).

Figure DC-1
Sources of Local General Revenue, District of Columbia and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, the District had the highest per capita property tax levy in the nation, but one of the lowest effective property tax rates on median-valued owner-occupied homes (table DC-1). These statistics reflect the fact that the District of Columbia has high property values and shifts its property tax away from homeowners toward commercial properties.

Table DC-1
Selected District of Columbia Property Tax Statistics, 2021[1]

	District of Columbia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$4,497	$1,898	*1*
Property tax percentage of personal income	4.7%	3.1%	*5*
Total property tax as percentage of state-local revenue	17.8%	15.5%	*12*
Median owner-occupied home value[2]	$635,900	$244,900	*2*
Median real estate taxes paid for owner-occupied home[2]	$3,641	$2,690	*11*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*45*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In the District of Columbia, the property tax is administered by the city (table DC-2). The District's property tax system differs from that of the 50 states as there is only one rather than multiple taxing bodies responsible for assessing, levying, and collecting taxes. All real property is assessed annually at 100 percent of market value. Personal property except for inventory is taxed, with the first $225,000 in assessed value exempt from taxation (Significant Features of the Property Tax).

The District of Columbia has a classified property tax system, whereby four different classes of real property are taxed at different tax rates (District of Columbia, Office of the Chief Financial Officer):

- Residential property is taxed at $0.85 per $100 of assessed value;
- Nonresidential property (mostly commercial) is taxed at $1.65 per $100 of the first $5 million in assessed value, at $1.77 for value over $5 million but less than $10 million, and 1.89 per $100 for value over $10 million;
- Vacant buildings are taxed at $5 per $100 of assessed value; and

- Blighted buildings are taxed at $10 per $100 of assessed value.

As a result, commercial properties in the District account for 41.9 percent of assessed value, but 62.3 percent of tax liabilities (District of Columbia, Office of the Chief Financial Officer 2022, 52). Two elements of the District's property tax system that are fairly unique for U.S. jurisdictions are its graduated rate structure for nonresidential property and its imposition of higher tax rates for vacant and blighted properties.

Limits on Property Taxation

The District has levy limits for both residential and commercial property. It also limits the annual increase in assessed value for owner-occupied residential property to a maximum of 10 percent, or 2 percent for elderly or disabled residents with income under $133,100. If the assessed value increases by more than 10 percent (or 2 percent for qualifying seniors or disabled residents), the owner receives a nonrefundable credit to offset the corresponding increase in the tax bill (District of Columbia, Office of the Chief Financial Officer 2022).

Property Tax Relief and Incentives

The District has many property tax relief programs, the most popular of which are the Homestead Deduction, the credit for senior citizens or disabled property owners, and the Schedule H circuit breaker. For 2023, the Homestead Deduction provides an $84,000 reduction in assessed value for all primary residents, and the credit reduces the property tax liability by 50 percent for taxpayers 65 and older with incomes of $149,400 or less, as well as for the disabled. The Schedule H circuit breaker provides additional relief to both homeowners and renters with incomes below $78,600 (if 70 and older) or $57,600 (if under age 70) (District of Columbia, Office of Tax and Revenue).

The District also offers a wide array of property tax incentives for economic development, including economic development zones and tax increment financing.

Table DC-2
District of Columbia Property Tax Features, 2022

Feature	District of Columbia	Count for 50 states plus DC	
Statewide classification of real property	Yes	25	
Assessment of property primarily by county	No	31	
Limits on property tax rates or levies	Yes	45	
Limits on the rate of growth of assessed value	Yes	18	
Circuit breaker property tax relief program	Yes	31	

Sources: Significant Features of the Property Tax

Key Property Tax History

The District enacted property tax classification in 1979, establishing three classes of property with different tax rates. The classification system has been changed several times since then, and the assessment limit was enacted in 2002 (District of Columbia, Office of Revenue Analysis 2014).

Between 1978 and 2011, the District Council responded to rapidly increasing property values by providing a variety of tax relief measures to homeowners. These measures resulted in a large number of homeowners having zero tax liability. In response, the District Council in 2011 required that the taxable assessed value of homestead properties must be at least 40 percent of their assessed value. This was meant to ensure that every homeowner pays something towards the cost of city provided goods and services, although the credit for senior citizens and disabled persons, schedule H circuit breaker, and other credits and abatements are not subject to the 40 percent limit. These tax relief measures also resulted in substantial differences in effective tax rates across and within groups of taxpayers. For example, in 2012, homeowners 65 or older paid a median effective property tax rate of 0.23 percent, and nonelderly homesteads paid a median effective property tax rate of 0.63 percent. Non-homestead residential property and multi-family residential property are taxed at a median effective rate of 0.85 percent, and large office buildings and hotels/motels have effective tax rates of approximately 1.8 percent (Bell and Muhammad 2013).

In 2013, the District enacted the Property Tax Relief Act of 2012, which doubled the income limit for the non-elderly circuit breaker program, tripled the income limit for the elderly circuit breaker, and increased the benefit cap for both programs effective for 2014 (D.C. Act 19-649; Significant Features of the Property Tax). More recent changes were enacted in 2019, which further increased the maximum credit and the income ceiling and established annual cost-of-living increases for future years. The Homestead Deduction nearly doubled to $60,000 in fiscal year 2006, and has since been increased by annual cost-of-living adjustments, other than a few years during and after the 2007–2009 recession (District of Columbia, Office of Revenue Analysis 2023). In 2005, the District enacted a property tax deferral option for seniors with incomes up to $50,000 and allowed younger homeowners with incomes up to $50,000 to defer property tax increases above 5 percent. In 2014, the city council made the senior deferral interest-free for seniors over 75 with incomes under $12,500 and who have owned a house in the District for 25 years or more (District of Columbia, Office of Revenue Analysis 2022).

In 2018, the District restructured its commercial property taxes to help fund improvements to the Washington Metropolitan Area Transit Authority (WMATA). The law raised the assessed value threshold for property to receive the lowest-tier rate of $1.65 per $100 of assessed value from $3 million to $5 million, added a new rate of $1.77 for commercial property with assessed value greater than $5 million but less than $10 million, and raised the third-tier commercial property tax rate from $1.85 to $1.89 per $100 of assessed value on properties with an assessed value higher than $10 million (D.C. Law 22-258, Internet Sales Tax Amendment Act of 2018).

Recent Developments

The District's fiscal year 2020 budget (Fiscal Year 2020 Budget Support Act of 2019) reduced the threshold for the homestead assessment cap credit from 10 percent to 5 percent for qualifying residents over age 65 or disabled with household income under $125,000 (District of Columbia Office of the Chief Financial Officer 2018). The Seniors and Individuals with Disabilities Real Property Tax Increase Limit Amendment Act of 2022 further reduced the assessment cap to 2 percent (MyTaxDC 2022).

The Fiscal Year 2020 Budget Support Act of 2019 included the Nonprofit Workforce Housing Properties Real Property Exemption Amendment Act, which exempts non-profit owners of rental properties from property taxes (District of Columbia Office of the Chief Financial Officer 2022, 25). The exemption only applies to rental property owners who are non-profit entities that lease their units based on income thresholds and comply with additional requirements.

According to city officials, the District of Columbia became the first jurisdiction in the United States to fully integrate its property tax system with systems for income, sales, and business taxes when it completed a five-phase technology initiative in 2020. In December 2020, the District's Modernized Real Property Tax System (MRPTS) went live, allowing customers to manage and pay property taxes online at the District's MyTax.DC.gov domain. With the 2020 update, residents could view and pay property taxes, apply for relief online, and appeal assessments. They could also access income tax, business tax, and sales tax systems within the same portal (MyTax.DC.gov; State Tax Today 2019). However, the web site roll out was plagued with errors and documentation issues (Cryder 2021). Although a paper form can be requested, taxpayers are required to apply electronically for the Senior Citizen Tax Relief Program and the Disabled Property Tax Relief Program effective October 1, 2021 (District of Columbia, Office of Tax and Revenue).

In 2022, Mayor Muriel Bowser and the DC Department of Housing and Community Development (DHCD) launched a $50 million Homeowner Assistance Fund to provide financial assistance for payments related to housing, including the property tax. To be eligible for assistance, homeowners must be behind on payments, earn less than 100 percent of median family income, and be impacted by COVID-19 (Executive Office of the Mayor 2022).

In early 2023, District CFO Glen Lee projected that property tax revenue would decline slightly in fiscal years 2023 and 2024 largely due to economic conditions and a “deteriorating real property market”—specifically, declining commercial office building values caused by growth in remote work. Declines in the value of office buildings valued over $50 million was the primary reason for reduced property tax revenue in fiscal year 2022. Lee estimated that between fiscal year 2023 and fiscal year 2027, commercial property tax revenue would fall 0.6 percent per year while residential property tax revenue would grow about 3 percent per year (Office of the Chief Financial Officer 2023).

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LINCOLN INSTITUTE OF LAND POLICY

Delaware

Highlights

Delaware is a small state (second smallest after Rhode Island) with only three counties. It is known as a corporate tax haven, a reputation that derives from its favorable corporate tax policy, regulations, and court system. Indeed, most companies in the Fortune 500 are incorporated in Delaware (Delaware Division of Corporations 2022).

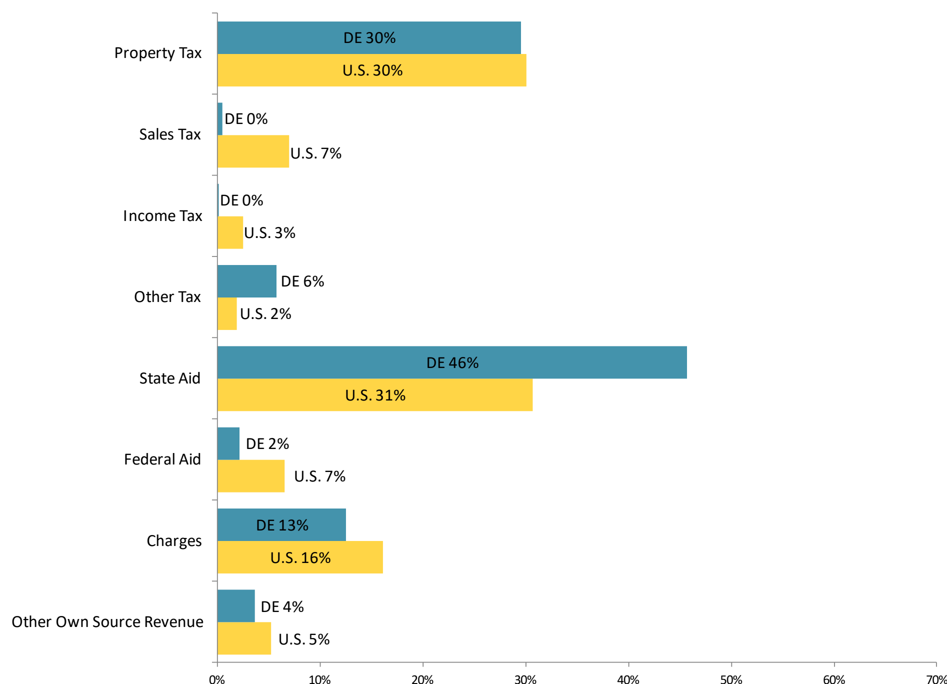
Local governments in Delaware are similarly dependent on the property tax as local governments in most other states and much more reliant on state aid (figure DE-1).

Local governments in Delaware are similarly dependent on the property tax as most other states and

Delaware is unusual in the extent to which county governments are important in administering the property tax, with little interference by state government. For example, the following differ among the three counties: tax payment dates, deadlines for appealing an assessment, treatment of tax-exempt property, abatements and incentives, and property taxation of agricultural property. At the same time, Delaware has no provision for central assessment of property and there is no state commission for equalizing assessments within or among the counties (Significant Features of the Property Tax).

Figure DE-1

Sources of Local General Revenue, Delaware and the U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Delaware is among the least property tax-reliant states in the nation (table DE-1).

Table DE-1
Selected Delaware Property Tax Statistics, 2021[1]

	Delaware	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,105	$1,898	*43*
Property tax percentage of personal income	1.9%	3.1%	*46*
Total property tax as percentage of state-local revenue	7.4%	15.5%	*49*
Median owner-occupied home value[2]	$269,700	$244,900	*18*
Median real estate taxes paid for owner-occupied home[2]	$1,570	$2,690	*39*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*43*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Delaware are imposed at the local level to fund municipal and county governments as well as school districts. If located within an incorporated area, real estate is subject to county property taxes, school district property taxes, vocational-technical school district property taxes, and municipal property taxes. There are no state-level property taxes. In general, tax rates are the same for all types of property, including residential, industrial, and commercial. Personal property is not taxed.

In New Castle County, properties are assessed at 100 percent of market value, and property assessments are based on 1983 property values. In Kent County, properties are assessed at 60 percent of market value, and property assessments are based on 1987 property values. In Sussex County, properties are assessed at 50 percent of market value, and property assessments are based on 1974 market values. Prior to legislation passed in 2023, Delaware had no fixed schedule for revaluation of property (Wilson and Kuang 2020). The three counties agreed to reassess property after a judge ruled the property tax system unconstitutional in 2020 due to the use of outdated property values

(*Delawareans for Educational Opportunity v. Carney*). Once the reassessments are complete, the counties must begin reassessing every five years under House Bill 62 which was enacted in 2023.

Limits on Property Taxation

Delaware imposes a county property tax levy cap that restricts increases in the property tax levy following a reassessment to 15 percent or less. The state also limits the tax rate for vocational-technical school districts, with different limits for each county. Kent County restricts the county property tax rate to 50 cents per $100 of assessed value, a limitation that does not apply to tax rates of taxing districts within the county (Significant Features of the Property Tax).

After a reassessment, Delaware counties and municipalities must calculate a rolled-back rate (one which yields the same tax revenue as in the fiscal year prior). When proposing a tax rate higher than the rolled-back rate, the county or municipality must indicate the percentage increase in the tax rate and advertise it up to 15 days before a meeting is held to consider the tax rate increase (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Delaware offers a homestead exemption called the Senior Property Tax Relief Program to homeowners age 65 or older but only if income does not exceed $3,000 for single individuals or $6,000 for married couples. The maximum exemption is $5,000. Each of the three counties in the state has different income eligibility requirements and increased the exemption amounts.

The state also helps fund a Senior School Property Tax Credit against school property taxes that is 50 percent of taxes remaining after the homestead exemption, up to $500 in 2022. Taxpayers who have moved to Delaware since 2018 become eligible to apply after they have resided in the state for 10 years. There are no property tax circuit breakers in Delaware (table DE-2). The state provides for current-use valuation of forest and agricultural land.

Delaware also authorizes municipalities and two counties (New Castle County and Kent County) to create tax increment financing (TIF) districts. Local governments may abate local taxes for qualifying projects in designated Downtown Development Districts (Significant Features of the Property Tax).

Property tax exemptions exist in the City of Wilmington for certain commercial property developments—new construction, redevelopment, or renovation—and properties in historic districts of the city. At-risk or deteriorating properties that are improved are also eligible for property tax abatements. The cities of Newark and New Castle have adopted similar programs. Kent and Sussex Counties have property tax incentive programs for businesses intended to provide long-term employment opportunities for their residents.

Table DE-2
Delaware Property Tax Features, 2022

Feature	Delaware	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The earliest example of a state-imposed limit on property tax rates was enacted in 1852 in Delaware's Kent County. The state also enacted a rate limit on vocational-technical school property tax rates in 1953 and on county property tax levies in 1972 (Paquin 2015).

There has been considerable discussion in the state about the option of a statewide reassessment of residential and commercial properties. In 2008, a committee charged by the legislature under House Joint Resolution 22 recommended that the state take on the role of implementing such a comprehensive reassessment at 100 percent of market value with annual revaluations. In 2010, a League of Women Voters study of property tax reassessment concluded that "reassessment is extremely important for taxpayer equity, the distribution of school Equalization Funds and to provide simplicity for the property tax system statewide" (Delaware League of Women Voters 2010). After a major court ruling in 2020, all three counties agreed to reassess all property between 2023 and 2025 (Mace 2023). In 2023, Governor John Carney signed a law establishing a five-year reassessment cycle for Delaware's counties (Valdez 2023).

Until 2018, Delaware was one of only five states with no litigation of the constitutionality of its education finance system. In January 2018, Delawareans for Educational Opportunity and the NAACP Delaware challenged the constitutionality of the state's education system on adequacy and equity grounds. The lawsuit cited poor performance of disadvantaged students and funding disparities that disproportionally benefit affluent students. In *Delawareans for Educational Opportunity v. Carney*, the plaintiffs placed blame for funding disparities in part on the counties' irregular assessment standards

and artificially low valuations. Delaware Chancery Court Judge Travis Laster split the lawsuit into two cases: one on tax fairness issues and the other on educational adequacy claims.

Recent Developments

Parties reached a settlement on the educational adequacy issue in October 2020, requiring Governor John Carney to propose legislation making weighted school funding permanent (Kuang and Alamdari 2020). In June 2021, Governor Carney signed Senate Bill 56. The new law ensures direct, classroom-based support for low-income students and English language learners, more than doubling the funding to $60 million annually by fiscal year 2025 (Delaware Office of the Governor 2021).

In May 2020, Judge Laster ruled that Delaware's property tax system is unconstitutional as all three counties calculate property taxes based on outdated property valuations, so that some taxpayers whose property values have increased over the past several decades get a substantial reduction in property taxes while others who live in economically depressed areas pay more property taxes than they should. The judge found these inequities violate the constitutional requirement that property owners be taxed uniformly and a state law requiring that property be assessed at fair market value (Chase 2021; Wilson and Kuang 2020).

By April 2021, all three counties settled the lawsuit and agreed to conduct property reassessments in their counties. All three counties are using Tyler Technologies to conduct the reassessment. Kent County is scheduled to send out tentative assessment notices in late 2023 and New Castle in late 2024. Sussex County was scheduled to have the reassessment done in 2024, but this was pushed to 2025 due to staffing issues at Tyler Technologies (Mace 2023). In August 2023, the governor signed House Bill 62 into law, making reassessment mandatory in each county every five years (Valdez 2023).

In 2022, the Senior School Property Tax Credit was increased from $400 to $500 (Kiefer 2023). Introduced in April 2023, House Bill 29 would further increase the Senior School Property Tax Credit to $750 (Delaware House Bill 29). Opponents of the bill are worried about the growing number of seniors in the state, while proponents are concerned about how the rising cost of living is affecting the senior population (Kiefer 2023).

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LINCOLN INSTITUTE OF LAND POLICY

Florida

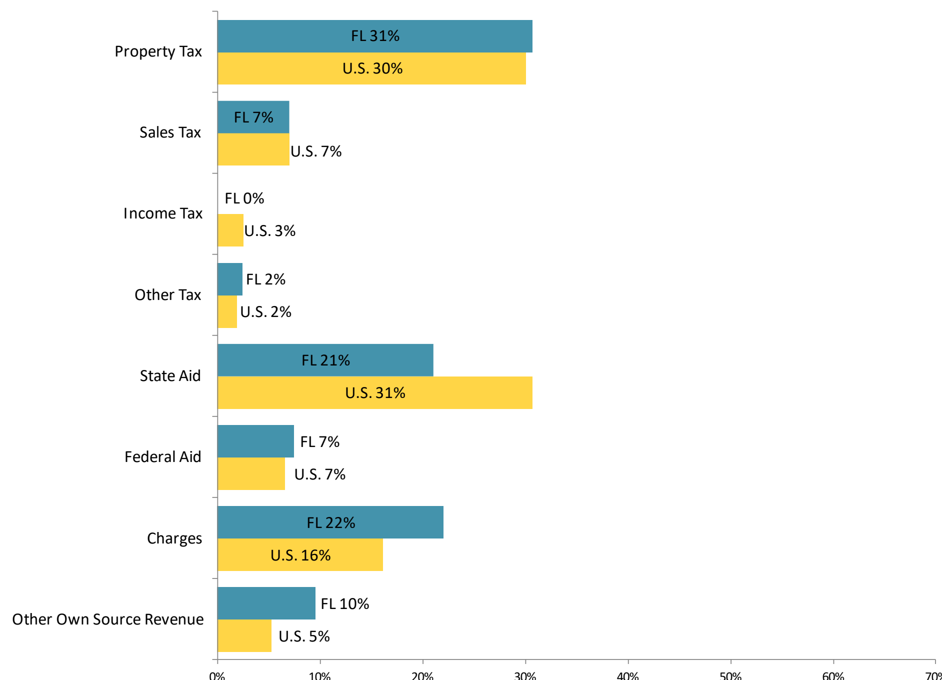
Highlights

The adoption of the Save Our Homes amendment in 1992 profoundly altered Florida's property tax landscape. Beginning in 1995, the law limited growth in assessed values to the lesser of 3 percent or the change in the consumer price index (Youngman 2016). In 2008, Florida became the first state to allow *portability* of assessment limit tax reductions statewide (Cheung and Cunningham 2009).

Florida's constitution governs most property tax law, including certain tax limitations and exemptions. Although the state constitution is generally more difficult to change than state statutes are, Florida provides five paths to amending its constitution, more than any other state. Florida law requires a 60 percent supermajority vote to adopt amendments to its constitution (McCarthy 2011).

Florida ranks third highest among the states for the local share of state and local government general revenue (U.S. Census Bureau 2021). The state depends more on charges and user fees than do most other states (figure FL-1).

Figure FL-1
Sources of Local General Revenue, Florida and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Florida's reliance on the property tax is about average among U.S. states. The property tax, which is exclusively a local tax in Florida, accounts for 30 percent of local revenue and 17.3 percent of combined state and local revenue (table FL-1).

Table FL-1
Selected Florida Property Tax Statistics, 2021[1]

	Florida	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,624	$1,898	*29*
Property tax percentage of personal income	2.7%	3.1%	*26*
Total property tax as percentage of state-local revenue	17.3%	15.5%	*14*
Median owner-occupied home value[2]	$248,700	$244,900	*23*
Median real estate taxes paid for owner-occupied home[2]	$2,143	$2,690	*28*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*28*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

More than 640 local governments in Florida levy property taxes (Florida Department of Revenue 2017). Florida's 67 counties are responsible for real property assessment at 100 percent of "just" or market value subject to assessment limitations (Florida Department of Revenue). Although local governments have exclusive authority to tax property, each year the legislature sets the required local effort (RLE) for all school districts. RLE is the amount of funding for K-12 education each district must raise locally. In fiscal year 2022, the statewide average RLE millage rate was 3.262 mills (Florida Department of Education 2022).

Florida conducts revaluations annually and re-inspections every five years. Florida levies a tax on personal property. Current use valuation provides preferential property tax treatment of agricultural land.

Limits on Property Taxation

The state imposes limits on both property tax rates and property tax assessments. Constitutional rate limitations constrain county, municipality, and school district property tax rates to a maximum of 10 mills without voter authorization. Florida's maximum millage rate statute further restricts growth in local property tax rates. Jurisdictions are also subject to a limit on how much millage rates can increase. The maximum millage rate a jurisdiction can levy without a supermajority vote is 110 percent of the rolled back rate (Significant Features of the Property Tax).

In 1992, Florida adopted the Save Our Homes amendment, which imposed constitutional limits on growth in homestead assessments, with no override provision. Under Save Our Homes, home values may not increase more than the lesser of 3 percent of the prior year's assessment or the percentage change in the consumer price index. In 2008, Florida voters approved another constitutional amendment, Amendment 1, which further restricted property taxation in four important ways: (1) it allowed homeowners receiving reduced taxation under the Save Our Homes limit to *port* or transfer up to $500,000 of tax savings to another property they own anywhere in the state; (2) it expanded the homestead exemption to exempt homestead value between $50,000 and $75,000 from non-school property taxes; (3) it exempted $25,000 of tangible personal property from taxation; and (4) it imposed a 10 percent assessment cap on all non-homestead property for non-school property taxes. The estimated revenue reduction of the Save Our Homes assessment limit for 2023–2024 was $12.4 billion (Florida Revenue Estimating Conference 2022). A *recapture* provision in the Florida Administrative Code requires annual increases in assessments that are below market value by the lower of 3 percent or inflation, until the assessment reaches market value (Significant Features of the Property Tax).

Florida's Truth in Millage (TRIM) statute requires cities and towns to calculate and issue notice of prior-year millage rate, proposed millage rate, and the *rollback* rate, which is the rate required to raise the same revenue as in the previous year, and to issue notice of a tentative budget hearing. Once a tentative budget and millage are approved, local governments must issue notice of and advertise the final budget and millage hearing (Bryant Miller Olive 2010).

Property Tax Relief and Incentives

Florida provides both homestead exemptions and exemptions for active military, disabled veterans, the blind and disabled, and widows and widowers. The state also offers a homestead property tax deferral program for permanent residents. Some exemptions are subject to income limits. The state has no property tax circuit breaker program (table FL-2). The estimated 2023–2024 tax revenue loss attributable to these residential tax relief programs was about $3.3 billion (Florida Revenue Estimating Conference 2022).

Florida exempts up to $50,000 on a homestead property. Florida exempts the first $25,000 of homestead value from all property taxes and an additional $25,000 from homes with values between $50,000 and $75,000 from non-school property taxes only. Therefore, the owner of a homestead valued at $100,000 pays no taxes on the first $25,000 of value, pays full taxes on the second $25,000 of value,

pays only school taxes on the third $25,000 of value, and pays full taxes on the last $25,000 of value (Florida Department of Revenue 2021).

Economic development incentives that provide property tax benefits include an enterprise zone program that exempts up to the full value of qualifying improvements, local-option exemptions not tied to specific geographic areas, refunds for jobs created in target industries, and a tax increment finance program (Significant Features of the Property Tax).

Table FL-2
Florida Property Tax Features, 2022

Feature	Florida	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxation in Florida dates back to 1830, when rates ranged from one-half cent per acre on “first-rate land” to one-eighth cent on “third-rate land.” Florida’s 1885 constitution called for “a uniform and equal rate of taxation.” The state first enacted a homestead exemption in 1934, around the same time that the property tax transitioned from a state revenue source to a local revenue source (Florida League of Cities 2008). In 1940, Florida amended its constitution to restrict the state government from levying real or personal property taxes (Florida Revenue Estimating Conference 2020).

In 1980, Florida passed the Truth in Millage (TRIM) act, which reformed assessment administration practices, imposed full disclosure requirements (Florida Revenue Estimating Conference 2020), and requires cities and towns to calculate and publish a *rollback* rate. The rollback rate excludes new construction, additions, deletions, and annexation (Florida Revenue Estimating Conference 2020).

The Save Our Homes constitutional amendment, on the ballot by voter initiative, passed in 1992 and imposed limits on growth in homestead values to the lesser of 3 percent or inflation, with reassessment upon transfer (Florida Revenue Estimating Conference 2020). Florida enacted major property tax reform again in 2008, passing an amendment to the constitution (Amendment 1) that allowed homeowners relocating within the state to *port* or transfer up to $500,000 of “protected” value on their homes under

Save Our Homes. Florida was the first state to enact statewide portability of assessment cap benefits. Amendment 1 also expanded the homestead exemption, exempted up to $25,000 of personal property value, and imposed an assessment limit on non-homestead, non-agricultural property (Florida Revenue Estimating Conference 2020). In November 2020, Florida voters approved Amendment 5, which extended the period to *port* or transfer the homestead property tax benefit (the difference between a home's assessed value and its market value, known as the "Save Our Homes" benefit) on a primary residence to a new primary residence from two years to three years (Cassels 2020).

In 1995, a group of education advocates unsuccessfully challenged the state's education funding system on adequacy grounds in *Coalition for Adequacy and Fairness in School Funding v. Chiles.* After the Florida Supreme Court dismissed this case, voters amended the state constitution through the initiative and referendum process to strengthen the state's education clause (SchoolFunding.Info).

In 2009, plaintiffs claimed the state had failed to meet the requirements of the education clause in a new case, *Citizens for Strong Schools, Inc. v. Florida State Board of Education.* In May 2016, a circuit court ruled in favor of the state's board of education in *Citizens for Strong Schools*, with the judge finding the state's system adequate and constitutional. His decision stated, "The weight of the evidence shows that the State has made education a top priority both in terms of implementation of research-based education policies and reforms, as well as education funding" (Rohrer 2016). In a December 2017 decision, the First District Court of Appeals upheld the circuit court's dismissal of the case. In January 2019, the Florida Supreme Court affirmed lower-court rulings in *Citizens for Strong Schools*, rejecting the plaintiffs' demand that the court articulate "what resources and standards are necessary to provide a high-quality education to Florida students" (SchoolFunding.Info).

In November 2018, Florida voters passed two property tax amendments. Amendment 2 (House Joint Resolution 21) made permanent a 10 percent assessment cap for non-homestead property that has been in place since 2008 and was set to expire at the end of 2018. The limit does not apply to school district revenues. Amendment 5 (House Bill 7001) requires a two-thirds vote of both houses of the legislature to raise any state tax or fee. Although Florida does not have a statewide property tax, the amendment applies to a state real estate transfer tax that is based on property value.

Recent Developments

In June 2020, Florida's Second District Court of Appeals decided in *Furst v. Rebohlz* (Case No. 2D18-3323) that property assessors are not authorized to divide up a homestead for tax purposes under Florida law, and a homeowner who rents out part of their homestead to tenants is entitled to the full homestead property tax exemption. In October 2020, the Sarasota County property appraiser filed a notice to the Florida Supreme Court to challenge the court of appeals' decision (CBS Miami 2020). In April 2023, the Florida Supreme Court ruled in favor of the appraiser, noting the property was "effectively a boarding house" (Saunders 2023).

In 2022, Governor DeSantis signed House Bill 7071, which allows property tax abatements for residential property destroyed by an unforeseen collapse, as well as prorated property tax refunds for properties

that are “rendered uninhabitable by a catastrophic event” for at least 30 days (Valdez 2022a). Property owners cannot claim both the abatement and the prorated refund. The governor also signed SB 4-A into law in 2022. The first bill provides property tax relief to victims of Hurricane Ian and Hurricane Nicole depending on the number of days a property was uninhabitable (Pertz 2023a).

In May 2023, Governor DeSantis signed a massive tax relief package. Among other changes, House Bill 7063 expands the exemption for property that is used for educational purposes to include certain leased property. The bill also prohibits special assessments from being imposed on agricultural lands, except for those special assessments that are currently pledged for bonds (House Bill 7063).

A public statement by the Walt Disney Company opposing proposed Florida legislation to restrict discussion of sexual orientation and gender identity in schools led to a political tussle between the company and the state’s conservative governor, with property tax implications. In April 2022, in response to Disney’s statement, the legislature dissolved the Reedy Creek Improvement District (Senate Bill 4-C). The independent special district established by law in 1967 gave Disney authority to levy property taxes, pass local legislation, provide public services, and issue debt as an autonomous jurisdiction. The dissolution of this district would have transferred over $1 billion in debt and the financial burden of providing essential public services to Orange and Osceola counties (Florida Senate 2022).

Governor DeSantis’s office promised additional legislation to authorize special districts and stated the new law was not expected to increase property taxes on Florida taxpayers (Schumer 2023; Valdez 2022). Months later, DeSantis signed House Bill 9B of 2023 in February, reauthorizing Disney’s special district and restoring its ability to levy property taxes and issue debt. The legislation changed the name of the special district to the Central Florida Tourism Oversight District and replaced the district’s governing board, previously elected by landowners, with the members appointed by the governor and confirmed by the Senate (Pertz 2023b).

Prior to the instatement of the new board, the Reedy Creek board members passed agreements and restrictive covenants limiting the power of the district and preserving Disney’s control over development decisions (Durkee 2023). The new governor-appointed board quickly revoked the agreements, prompting Disney to file a federal lawsuit seeking to reinstate the elected board’s development agreement and overturn the legislation that gave the state authority to appoint new board members. The appointed board countersued Disney in federal court to uphold the revocation (Dorn 2023). Both lawsuits are pending. The first budget approved by the new board for fiscal year 2024 was up about 3 percent over fiscal year 2023, but because property values were up, the tax rate dropped slightly from $13.90 to $12.95 per $1,000 of assessed value (Swisher 2023).

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Georgia

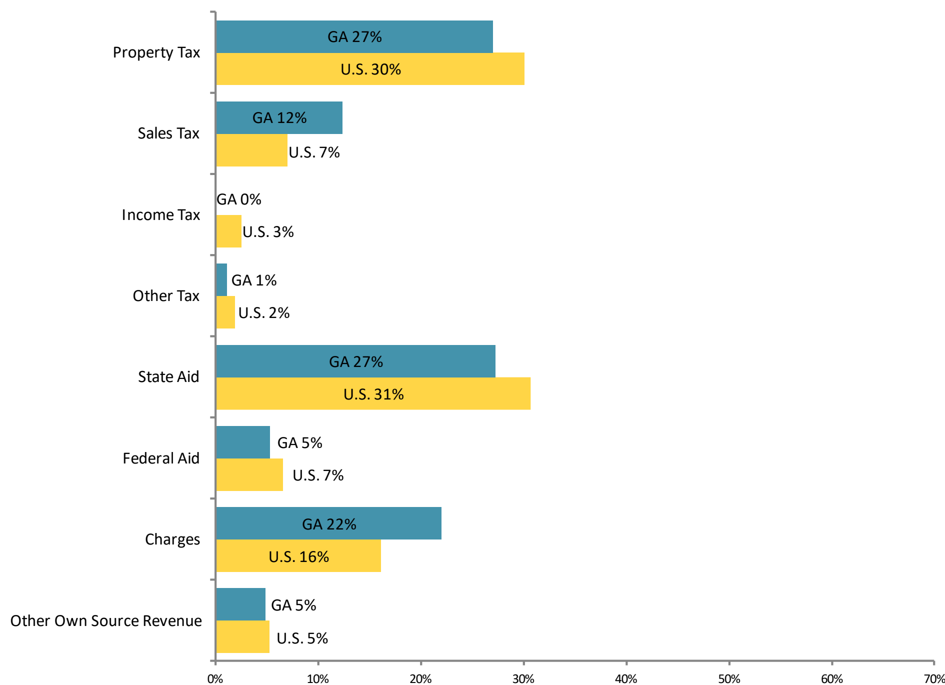
Highlights

Once the primary source of revenue for both the state and local governments in Georgia, the state general property tax was fully phased out in 2016. However, local governments remain dependent on the property tax, which accounted for 27 percent of general fund revenues in 2021 (figure GA-1).

Local governments in Georgia also derive revenue from a variety of local-option sales taxes, including special sales taxes for education, transportation, or to finance property tax homestead exemptions. In 2023, the state sales tax rate was 4 percent, and the average county sales tax rate was 3.732 percent (Sales Tax Handbook).

Georgia allows for current use assessment for certain classes of conservation property (e.g., farm and timber land), but generally property is assessed at 40 percent of fair market value.

Figure GA-1
Sources of Georgia Local General Revenue, 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

By most measures, property taxes in Georgia are lower than in other states. For example, Georgia ranks 33rd in per capita property taxes among the 50 states and DC (table GA-1).

Table GA-1
Selected Georgia Property Tax Statistics, 2021[1]

	Georgia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,398	$1,898	*33*
Property tax percentage of personal income	2.6%	3.1%	*33*
Total property tax as percentage of state-local revenue	15.1%	15.5%	*22*
Median owner-occupied home value[2]	$206,700	$244,900	*29*
Median real estate taxes paid for owner-occupied home[2]	$1,850	$2,690	*33*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*27*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017-2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property is assessed annually at 40 percent of fair market value, with certain exceptions as noted below. With the exception of public utility property and certain railroad and airline equipment, assessments are conducted by the county board of tax assessors in each county (table GA-2). The state tax commissioner enforces uniformity in assessment (Significant Features of the Property Tax).

Preferential assessment programs are available for conservation of homestead property in areas undergoing conversion to commercial use, for historic preservation, and as an incentive for developers to clean up brownfield property.

Limits on Property Taxation

Limitations on property taxes in Georgia include rate caps on school taxes as well as limits on the rate of assessed value growth. School districts are restricted to a maximum millage rate of 20 mills, excluding amounts for debt service, unless a higher rate is approved by local referendum (Significant Features of the Property Tax).

The only direct limitations on assessment growth are on a local option basis by referendum and apply at the individual parcel level to homestead property. Referred to as the Homestead Exemption Valuation Freeze, this exemption is currently offered by 36 of the state’s 159 counties, in some cases with

restrictions based on age or income (Georgia Department of Revenue). Georgia also restricts growth in use-value assessments to 3 percent per year (Significant Features of the Property Tax).

The Georgia Taxpayer Bill of Rights, signed into law in 1999, may have an indirect constraining effect on assessment growth and on millage rates. First, the law strengthened property owners' rights in appealing assessment increases, placing the burden of proof on local authorities to justify increases on appeal and requiring them to pay the legal costs for owners who receive a 15 percent or larger reduction in assessment as a result of an appeal. Second, to prevent indirect tax increases, the Taxpayer Bill of Rights requires a rollback of local millage rates to offset inflationary growth of the tax base. Should the levying authority wish to set its millage rate above the rollback rate, it is first required to publicize its intent and to hold three public hearings at times and with notice requirements as specified in the law (Georgia Department of Revenue).

Property Tax Relief and Incentives

Property that is exempted from the tax includes government property and certain property of religious institutions, nonprofit hospitals, and eligible charitable and veterans' organizations. In addition, homeowners are eligible for state and local homestead exemptions on their primary residence that vary in amount by county, with additional exemptions for seniors, disabled veterans, surviving spouses of U.S. service members killed in action, and peace officers and firefighters killed in the line of duty. Finally, Georgia offers a property tax deferral program that allows qualifying seniors to defer property taxes on their primary residence up to 85 percent of the value of their homestead (Significant Features of the Property Tax).

One general economic development incentive is the use of qualified enterprise zones, where local governments may authorize property tax exemptions to eligible businesses for up to 10 years. Local governments are also able to offer property tax relief for economic development purposes when projects are financed through industrial development bonds and a local development authority retains legal ownership of the property (Monacell 2007). Like most states, Georgia also employs tax increment finance and the districts are called Tax Allocation Districts. Counties and municipalities may elect, with the approval of the voters, to exempt certain inventories of goods in process and finished goods.

The state also provides incentives through the property tax for conservation. Under certain conditions and limits, agricultural land, forest land, and certain environmentally sensitive land can be assessed based on its current-use value rather than fair market value. Alternatively, agricultural land may be assessed at a preferential rate of 30 percent of fair market value rather than the standard 40 percent.

Table GA-2
Georgia Property Tax Features, 2022

Feature	Georgia	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Although the general property tax was adopted in 1852, and a 1913 statute, the Georgia Equalization Tax Act, created the position of state tax commissioner to enforce uniform assessments, assessment practices remained inconsistent across the state in the mid-1960s (Hart 1918). A 1965 court decision required the tax commissioner to enforce statewide uniformity in assessments, while subsequent administrative reforms in 1972 consolidated assessment authority at the county level, required minimum levels of staffing and training for assessors and appraisers, and created county and state boards of equalization to hear and adjudicate assessment appeals (Sjoquist 2008).

The state homestead exemption was adopted in 1937, and narrower statewide exemptions (e.g., the exemption for disabled veterans) were adopted at various times since 1957. The year 1999 saw passage of the Taxpayer Bill of Rights as well as the Homeowner Tax Relief Credit, which extended homestead exemptions to county and school district taxes (a 2002 law extended it further to city taxes) with reimbursement from the state to local governments through annual appropriations. Preferential assessment of agricultural property was passed in 1983. Current use assessment was passed in 1991 for agricultural, environmentally sensitive, and transitional residential property and in 2008 for forest land.

Legislation passed in 2010 phased out the quarter mill state property tax levy over five years beginning January 1, 2012. In the 2012 legislative session, House Bill 386 created a new Title Ad Valorem Tax to replace all annual state and local property taxes on motor vehicles purchased after February 2013 with a one-time tax at the time of purchase or first registration of a motor vehicle in Georgia.

In 2018, Georgia voters passed a constitutional amendment and two legislatively referred referenda related to property taxation. Amendment 3 (House Resolution 51) created a new subclass for timberland property and authorized the legislature to alter the formula used to value forest land.

Referendum A (House Bill 820) authorized a homestead exemption for Atlanta that would exempt taxes on any increase in value over 2.6 percent per year (Collins et al. 2019). Referendum B (House Bill 196) explicitly extended property tax exemptions to nonprofit homes for the mentally disabled even if a business corporation finances construction or renovation of a home. A 2020 ballot measure authorized the exemption of property used by charitable organizations to build or repair single family homes as long as the qualifying nonprofit provides interest-free financing to homebuyers (Referendum A of 2020).

Recent Developments

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. The effect of the cap was to increase the burden of state and local taxes paid (including property taxes) over $10,000. After the IRS signaled it would permit entity-level taxes that allow owners of pass-through entities to receive a credit on individual tax returns allowing them to circumvent the federal State and Local Tax (SALT) cap, Georgia enacted entity tax legislation. House Bill 149 of 2021 gives qualifying business owners the option to pay taxes on earned income at the entity level to circumvent the SALT cap.

Georgia voters passed a constitutional amendment along with two legislatively referred referenda related to property taxation in 2022. Amendment 2 authorizes local governments to grant temporary tax relief to properties that are damaged or destroyed due to a disaster and located within a nationally declared disaster area (Ballotopedia 2022a). Referendum A authorizes the exemption of timber equipment owned by a timber producer from property taxes (Ballotopedia 2022b). Referendum B authorizes the expansion of agricultural equipment tax exemption and produce to include those owned by merged family farms (Ballotopedia 2022c).

In 2023, Governor Brian Kemp signed House Bill 18, which is a one-time property tax relief grant. The grant will return $950 million to homeowners by lowering the assessed value of all homestead property by $18,000 (Georgia Department of Revenue). The state discontinued the property tax relief grant program that was created in the late 1990s after the Great Recession. Since fiscal year 2009, property tax relief grants have only been allowed when current year estimated revenues exceed estimated revenues in the preceding fiscal year budget by at least 3 percent plus inflation (Georgia Department of Revenue). These conditions were met in 2023 due to the state’s excess reserves.

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Hawaii

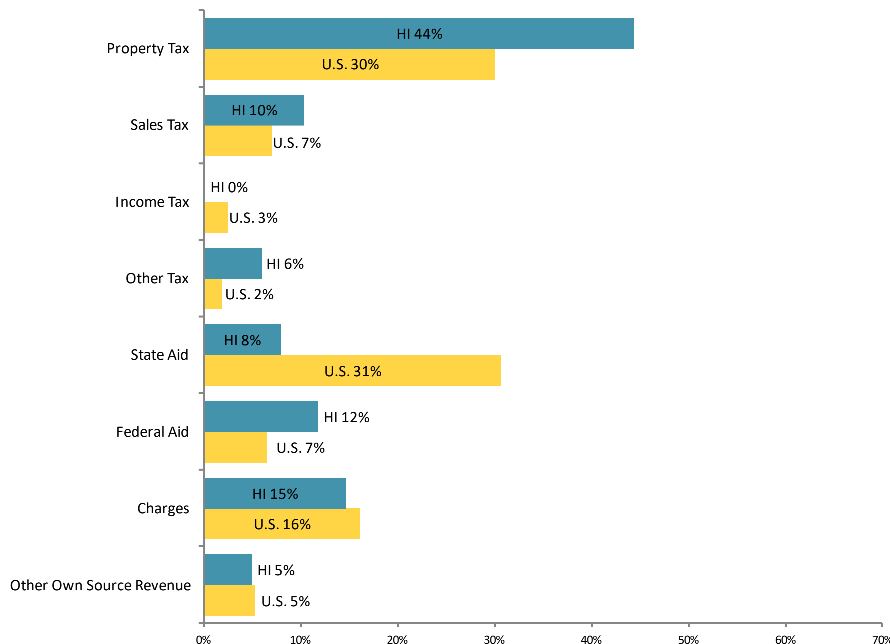
Highlights

Government in Hawaii is highly centralized, with the state government being the dominant player. Local governments comprise essentially four county governments: Hawaii County, Maui County, Kauai County, and the City and County of Honolulu. A fifth county, Kalawao, does not have fully functional county status. The Hawaii State Constitution places responsibility at the state level for the costliest functions of government, including K-12 public education, which explains why state aid makes up a much smaller share of local government general revenue in Hawaii than nationally.

Counties in Hawaii have less revenue-raising authority than local governments do in most states. With limited taxing authority, property taxes account for a much higher percentage of local government general revenue in Hawaii than nationally (figure HI-1).

Hawaii's classified property tax system has nine (Honolulu and Hawaii counties) to ten (Maui and Kauai counties) separate property classes. In this tourism-dependent state, the highest rates are levied on visitor-industry-related properties—hotel and resort properties, vacation rentals, and timeshares—to attempt to export taxes to nonresident property owners and visitors. The lowest rates are applied to owner-occupied residential properties. Just under a third of property taxes are paid by out of state property owners (Hawaii Department of Business, Economic Development, and Tourism 2017).

Figure HI-1
Sources of Local General Revenue, Hawaii and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Between 2017 and 2021, Hawaii ranked first among the 50 states and the District of Columbia in median owner-occupied home value but ranked last in effective tax rate on a median-value owner-occupied home (table HI-1). In 2021, per capita property taxes and property taxes as a percentage of the state's personal income were lower in Hawaii than in many other states (table HI-1).

Table HI-1
Selected Hawaii Property Tax Statistics, 2021[1]

	Hawaii	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,604	$1,898	*30*
Property tax percentage of personal income	2.7%	3.1%	*28*
Total property tax as percentage of state-local revenue	10.6%	15.5%	*39*
Median owner-occupied home value[2]	$662,100	$244,900	*1*
Median real estate taxes paid for owner-occupied home[2]	$1,893	$2,690	*32*
Effective tax rate, median owner-occupied home[3]	0.3%	1.1%	*51*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Hawaii, only the four county governments use the property tax, and only real property is taxed. Each county has sole discretion on property tax administration, including what property to tax, at what rate, and who gets tax relief and how much. All taxable real property is assessed at 100 percent of fair market value, and property is valued and assessed annually. Property tax rates are also adjusted annually. For fiscal year 2022, tax rates range from zero on "public service" properties in Honolulu to $14.6 per $1,000 of net taxable value on timeshares in Maui County (Hawaii Department of Business, Economic Development, and Tourism 2022; Island Sotheby's International Realty).

An unusual feature of Hawaii's residential housing market is that the state has a sizable number of leasehold properties. In leasehold housing, the homeowner owns the improvements but leases the land. For property tax purposes, the land is assessed at its fee simple (rather than its smaller leasehold value), and the semiannual tax bill, which includes both the tax on land and the tax on improvements, is paid by the homeowner (lessee) rather than the landowner (lessor) (Kwak and Mak 2011).

Limits on Property Taxation

Hawaii places no statewide limit on property tax rates and has no state-imposed limit on the rate of growth of assessed valuation, but Kauai limits growth in assessments to 3 percent for homeowners who qualify for a home exemption or a beneficial tax rate due to long-term rental (County of Kauai; Significant Features of the Property Tax).

Property Tax Relief and Incentives

The state of Hawaii delegates all property tax authority to the counties so property tax relief and incentives vary from county to county with no state oversight (table HI-2). The basic home exemption is set by the county and ranges from $50,000 in Hawaii County to $200,000 in Maui County; higher amounts apply to the elderly. To qualify for the home exemption, a property must be the owner's principal residence. Some form of circuit breaker based on income is available in Maui, Kauai, and Honolulu counties, but not in Hawaii County. The blind, the deaf, leprosy (Hansen's disease) patients, totally disabled persons, disabled veterans, low-moderate income housing, churches, charitable organizations, public utilities, schools, credit unions, historic residential properties, and land dedicated for agriculture, among others, also qualify for property tax exemption/relief.

Among other incentives for economic development, Hawaii employs enterprise zones and tax increment financing. Enterprise zones may include a property tax reduction, but the state also provides credits against state income, unemployment, and general excise taxes.

Table HI-2
Hawaii Property Tax Features, 2022

Feature	Hawaii	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Following statehood in 1959, Hawaii's state government administered the property tax. The 1978 revision of the state constitution forced the state to turn over the property tax to the counties, but the counties were not authorized to set their own property tax rates until 1989.

Between 1965 and 1977, Hawaii experimented with a statewide split-rate property tax system to encourage economic growth and land reform (Kwak and Mak 2011). Under the split-rate system, land was taxed at a higher rate than were improvements. The experiment ended partly because the system was thought to be overly complicated to administer and partly because residents no longer desired high rates of economic growth after years of stunning rates of tourism-induced economic growth following statehood.

After the property tax was transferred to the counties, some counties brought back the split-rate property tax at various times. By fiscal year 1999, three of the four counties—Maui being the exception—had brought back this tax. Between fiscal year 1989 and fiscal year 1998, accelerating land values prompted the City and County of Honolulu to provide additional tax relief to all owners of improved residential property by reducing their property tax rate on land while keeping the tax rate on improvements unchanged. This resulted in an unusual, inverted tax structure in which improvements were taxed at a higher rate than was land (Kwak and Mak 2011). In fiscal year 2006, Kauai County also adopted the inverted split-rate property tax for some property classes (Kato, Kwak, and Mak 2011; Kwak and Mak 2011).

As part of a major overhaul of the Kauai County property tax system beginning in fiscal year 2013, the county no longer produces separate assessments for land and improvements and applies a single tax rate for each property class (Schmidt 2012). Today, tax rates vary among the counties; but in all four counties, land and improvements within each class are taxed at a single rate.

In 2013, the City and County of Honolulu created the "Residential A" property classification, whereby a higher property tax rate (currently at $6 per $1,000 of assessed value versus the standard residential rate of $3.50 per $1,000 of assessed value) is applied to residential properties valued at $1 million or more that do not have a current home exemption. Ostensibly, "Residential A" classification targets second-home buyers and investors, many of them from the U.S. mainland and foreign countries (Hawaii Department of Business, Economic Development, and Tourism 2016). However, it is also affecting some local residential property owners, as property values have been rising since the end of the Great Recession. The "Residential A" property classification was appealed, with the attorney for the property owner filing the appeal arguing that "Residential A" property classification violates the equal protection clause under Hawaii and U.S. constitutions (Shikina 2015). A tax appeal judge ruled the "Residential A" property classification unconstitutional, but months later reversed the decision and let the "Residential A" property tax classification and higher tax rate stand (Cocke 2016).

In 2019, Honolulu enacted policies aimed at taxing home-sharing rental units, such as Airbnb. The city council unanimously approved Bill 55 to create a classification for bed and breakfasts (owner-occupied

short-term rentals) for taxation purposes and to treat transient vacation rental units (non-owner-occupied short-term rentals) as hotels (O'Connor 2019).

Recent Developments

In 2021, the legislature considered a bill (HB 1208) to amend the constitution and allow the state to impose a property tax. Supporters of HB 1208 and HB 1209 (which would "suspend" state income taxes on individuals and businesses) hope to achieve an income-for-property tax swap with a state property tax aimed at nonresident property owners (Dayton 2021). In 2018, a constitutional amendment to give the state authority to impose property taxes was invalidated less than a month before the election. The Hawaii Supreme Court ruled the ballot question did not comply with the requirements that the question be "clear and not misleading" (Jones 2018).

In 2023, the Honolulu City Council passed Bill 14, which provides a one-time property tax credit of $300 for the 2023–2024 tax year. To be eligible for the credit, homeowners must already be receiving a homestead exemption from the city. The council also passed Resolution 33, which provides tax relief to owners of second homes. The resolution temporarily lowers the tax rate on Residential A properties from $0.45 per $1,000 of assessed value to $0.40 per $1,000 of assessed value (Resolution 23-33, FD1).

The Honolulu mayor signed two additional property tax relief measures into law in July 2023 (Harjo-Livingston 2023). Bill 37 provides a property tax credit to homeowners who face property tax bills greater than 3 percent of their income. To be eligible, household income must not exceed $80,000 and the amount left on the tax bill cannot be less than $300. Bill 40 increases the base home exemption from $100,000 to $120,000 and the senior citizen exemption from $140,000 to $160,000.

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Idaho

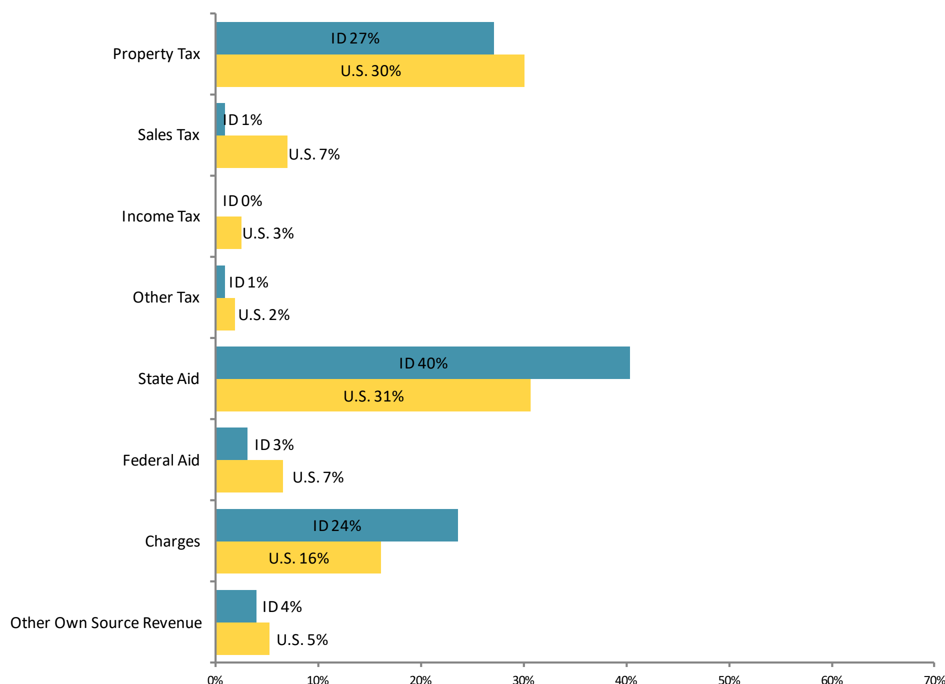
Highlights

State and local government revenue in Idaho is balanced among the three major taxes (sales, income, and property). State revenue is highly dependent on income and sales taxes, while local government revenue is highly dependent on property taxes, albeit slightly less dependent than other states on average (figure ID-1).

Historically, Idaho has relied primarily on state general fund appropriations to fund public education. Prior to a major change in fiscal year 2007, which shifted even more responsibility to the state, public schools in Idaho received 56 percent of their funding from the state with the remainder from local property taxes and federal aid. By fiscal year 2018, the percentage provided by the state had grown to 66.7 percent (National Center for Education Statistics 2020).

The Idaho Constitution has a uniformity clause that has been interpreted by the courts to preclude a classification system, so there are no varying fractional assessment ratios for different classes of property. The same section of the Idaho Constitution grants the legislature exemption authority that has been broadly construed.

Figure ID-1
Sources of Local General Revenue, Idaho and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, property tax as a percent of state and local revenue was lower in Idaho than in most other states (table ID-1). However, the absence of significant local-option non-property taxes and the existence of more than 1,000 local taxing units of government, some of which have very limited alternate revenue sources, make the property tax a mainstay for local governments in Idaho.

Table ID-1
Selected Idaho Property Tax Statistics, 2021[1]

	Idaho	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,107	$1,898	*42*
Property tax percentage of personal income	2.3%	3.1%	*37*
Total property tax as percentage of state-local revenue	11.8%	15.5%	*36*
Median owner-occupied home value[2]	$266,500	$244,900	*19*
Median real estate taxes paid for owner-occupied home[2]	$1,682	$2,690	*35*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*38*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

All property in Idaho is subject to property tax unless statutorily exempt. The basis for the property tax is market value except when there are partial exemptions or specified assessment procedures. Property taxes were levied by 973 local taxing districts out of the 1,110 that existed in Idaho in 2022 (Dornfest 2023). Local taxing districts include county governments, cities, school districts, highway districts, and special purpose districts, such as fire protection, ambulance, flood control, cemetery, community college, and library districts. In 2020, 88 percent of all property taxes were levied in support of counties, cities, schools, and highway districts (Idaho State Tax Commission 2021). Property tax payments are consolidated within counties, which bill taxpayers and distribute payments to the various taxing districts. State law prohibits a state property tax while the state sales tax is in effect.

Valuation of property subject to tax is largely a function of county government. The state has direct valuation (assessment) authority for operating property of public utilities, telecommunications

companies, and certain transportation companies, including railroads, railcars, and barge lines. Except for very small railcar companies, the state apportions the values to each county and taxing district and for most taxing districts, this value is included when levies are set (Dornfest 2018).

All property that is not exempt or otherwise subject to special statutorily provided assessment systems is assessed at 100 percent of market value. Assessments are redone annually, and locally assessed real property is physically inspected as part of required reappraisal at least once every five years. Operating property and personal property are reappraised annually.

Limits on Property Taxation

There are strict laws capping annual property tax budget increases (generally, the limit is 3 percent plus an allowance for new construction and annexation), provided however, the total increase from these provisions does not exceed 8 percent without voter approval, and each district's property tax amount is subject to county and state review. Although the budget limits usually prevail, most taxing districts also have rate limits that they cannot exceed (table ID-2). For example, county rates for general purposes are limited to the greater of 2.6 mills or a rate sufficient to raise $250,000; cities are limited to 9 mills for general purposes (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Idaho has two major ongoing state funded property tax relief programs for homeowners: a circuit breaker, which provides up to $1,500 as a property tax credit and is income tested using a sliding scale benefit that phases out as income increases; and a 100 percent disabled veteran's benefit, which is not income tested and provides up to an additional $1,500 tax credit.

The circuit breaker program, called the property tax reduction program, provides relief if income and certain criteria, including age, disability, or widow status can be met. The benefit is applied annually directly to a claimant's property tax bill. To qualify in 2023, income must be below $37,000. In 2022, there were 26,678 approved claimants, and the average claimant received a tax credit of about $881 (Dornfest 2022). In the same year, 3,568 of the 26,677 claimants qualified under this alternate program and 683 of were enrolled in both programs. Tax credits are subtracted before determining property taxes due from the taxpayer. Credits are not refundable. A property tax deferral program is also available provided the same status criteria are met as for the circuit breaker program (although there is a higher income ceiling), but few Idahoans take advantage of this program.

There are numerous property tax exemptions in Idaho. The state's homestead exemption provides an exemption of 50 percent of property value, up to $125,000. In addition to broad exemptions for most property owned by state and local governments, there are full exemptions for property used for educational purposes, for property owned by religious or charitable corporations and used for their religious and charitable purposes, and for agricultural equipment. There are also partial exemptions, such as for primary residences, farmland, pollution-control equipment, and personal property (nonagricultural). In 2018, Idaho enacted a property tax credit in the amount of $1,320 for veterans with

100 percent service-connected disabilities. The credit may not exceed taxes owed (House Bill 492). In 2021, the legislature increased the credit to $1,500.

In addition to exemptions, tax increment financing areas, which are present in more than half of all Idaho counties, are extensively used by the state.

Table ID-2
Idaho Property Tax Features, 2022

Feature	Idaho	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property tax has been part of government finance in Idaho since the territory was created in 1863. As other major taxes such as income (1931) and sales taxes (1965) were added to the picture, property tax ceased to be a state tax. Following major changes in school funding in fiscal year 2007, the property tax has diminished somewhat as a local tax source as well. In 1962, prior to the enactment of the sales tax, for example, property tax constituted nearly 60 percent of all state and local tax revenue in the state. By 1982, this proportion had diminished to about 35 percent due to major exemptions accompanied by replacement money derived from the sales tax and the first of many freezes and limits on property tax budget increases. In 2001, there was a major step toward reducing personal property taxes. At that time, agricultural equipment was made exempt, and the state again provided replacement money on an ongoing basis.

Effective fiscal year 2007, most school general operating funds were no longer supported by the property tax. The change was enacted during a one-day special session of the Idaho legislature, with an immediate 19 percent reduction in property taxes that would otherwise have been levied in fiscal year 2007. However, due to an increased state appropriation funded through an increase in the sales tax, the change was at first neutral to overall school funding. Over time, however, state-provided school funding proved inadequate, and use of voter-approved "supplemental" property tax levies increased significantly from fiscal year 2008 through fiscal year 2014 (Dornfest 2013).

In 2013, the first broadly applicable partial personal property exemption was passed and implemented. The legislation provided for a $100,000 personal property exemption per taxpayer per county. In addition, items of personal property costing no more than $3,000 per item and acquired after January 1, 2013 were no longer taxable. The state provided replacement money for the $100,000 exemption ($18.9 million in 2021). In 2021, the legislature increased the personal property tax exemption to $250,000 (HO 389) increasing replacement funding to $22.9 million (Dornfest 2022). The legislature also considered, but did not pass, a bill (HB 218) to phase out business personal property taxes altogether.

Recent Developments

The 2021 legislative session featured major property tax reform in the form of House Bill 389, which expanded property tax relief programs and imposed stricter limits on local property tax levies. HB 389 increased the homeowner's exemption from $100,000 to $125,000, increased the maximum circuit breaker benefit from $1,320 to $1,500, added an asset limit for circuit breaker applicants beginning in 2022, increased the veterans tax credit, and increased the personal property tax exemption to $250,000 (to be reimbursed by the state). The law also imposed stricter limits on local property tax levies. Idaho's property tax levy cap limits growth of property tax revenue (school districts excluded) to 3 percent of the highest levy over the last three years. Prior to the 2021 law, local governments could add revenue beyond the limit for new construction, land use classification changes, and annexation, and they could carry forward unused levy increases for future years. The 2021 measure eliminated increases related to changes of land use, including new construction and annexation, may not exceed 8 percent, and limited the amount of "reserved forgone moneys" that may be used for maintenance and operations.

Idaho enacted four property tax bills in 2022. House Bill 550 authorized the use of a property tax rebate program at the municipality level for homeowners receiving the state circuit breaker. House Bill 481 increased the maximum home value that qualifies for the state circuit breaker from 125 percent of the median home value in the county to 150 percent of the median home value; subsequently, HB 292 increased this limit in 2023 to the greater of $400,000 or 200 percent of the median home value in the county. Senate Bill 1289 changed the reporting requirements for Medicaid earnings on the circuit breaker application, which helps caregivers who previously did not qualify for the circuit breaker. House bill 735 changed how public defense is funded by repealing a property tax levy and replacing it with state sales tax dollars (Westbrook 2022).

Because of large value changes reflected in assessments of owner occupied primary residential property, taxes on this sector grew more rapidly than overall property taxes or property taxes on other sectors in 2022. The primary residential tax base (taxable value) grew 54 percent from 2021 to 2022, leading to an average 9.1 percent increase in taxes on homesteads. Conversely, overall property taxes grew 3 percent on average, and property taxes on commercial and industrial property dropped 13.7 percent (Dornfest 2022). During this same period, the statewide median home assessed value grew from $304,000 in 2021 to $398,000 in 2022 (unpublished analysis of 480,000 home values submitted by counties and compiled by the Idaho State Tax Commission).

The most significant property tax legislation of 2023 was HB 292. This act contained three distinct provisions, each of which will provide property tax relief that will be reflected in tax bills sent this fall. All three types of relief are provided by diverting state funds as replacement for various property tax components. In summary, the three types of relief are: (1) school district facilities funding—$97.7 million in lower school levies for bonds and supplemental levies; (2) homeowner property tax relief—$191.8 million in lower property taxes for primary residential property; and (3) general property tax relief—$24.6 million in lower property taxes for all taxpayers. Amounts were reported by the Idaho State Tax Commission and the Idaho State Department of Education. For comparison, total property taxes levied in Idaho in 2022 were $2.2 billion, half of which fell on homes. HB 292 also increased circuit breaker income limits to $37,000.

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October 2023, data updated March 2024

Illinois

Highlights

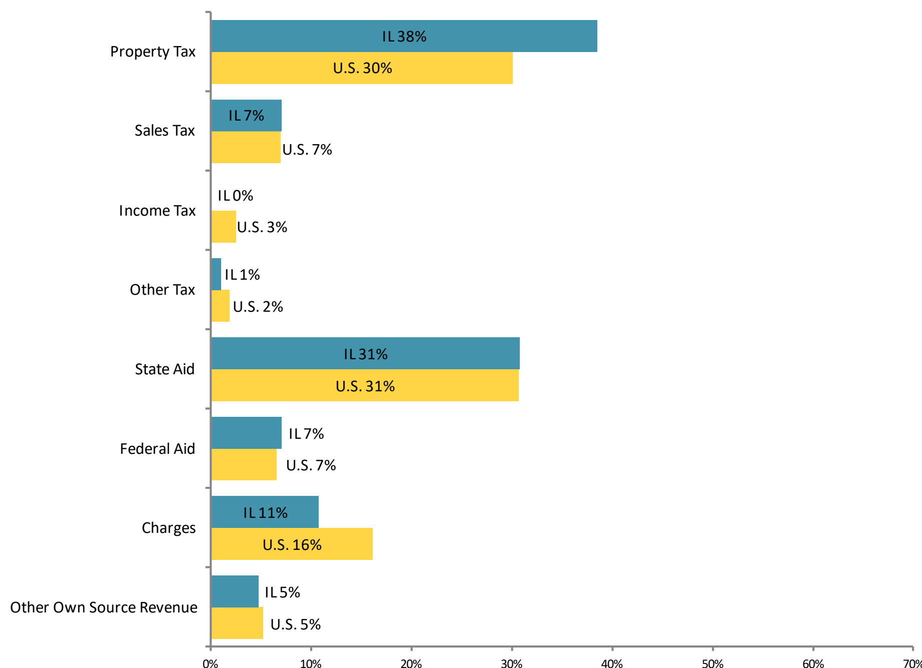
Local governments in Illinois rely on the property tax for 38 percent of local revenue, compared to 30 percent for local governments in the average state (figure IL-1).

Before major education finance reforms in 2017, state aid in Illinois accounted for the smallest share of elementary and secondary education funding in the 50 states—24.1 percent in 2016, compared to a national average of 47 percent (U.S. Department of Education 2018). The Evidence-Based Funding for Student Success Act increased state aid and targeted funds to needy school districts. By 2021, the share of elementary and secondary education from state aid had grown to 42.2 percent (U.S. Department of Education 2023).

Illinois has almost 7,000 units of local government—more than any other state—resulting in a highly fragmented property tax base with 6,000 different jurisdictions levying ad valorem taxes (Census 2017).

Illinois is one of two states, along with New York, in which property tax structures differ substantially across the state. In essence, Cook County (which includes Chicago, which accounts for about half of the county's population) has one property tax system, and the rest of Illinois has a different one.

Figure IL-1
Sources of Local General Revenue, Illinois and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Illinois ranks seventh highest among states for state and local reliance on the property tax. In 2021, property taxes accounted for 20.4 percent of state and local revenues compared to a national average of 15.5 percent. Illinois had the second-highest effective tax rate on median-value residential homesteads among the 50 states and was one of only four states in which the effective tax rate on the median-value home exceeded 2 percent of the home's value (table IL-1).

Table IL-1
Selected Illinois Property Tax Statistics, 2021[1]

	Illinois	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,463	$1,898	*9*
Property tax percentage of personal income	3.7%	3.1%	*11*
Total property tax as percentage of state-local revenue	20.4%	15.5%	*7*
Median owner-occupied home value[2]	$212,600	$244,900	*26*
Median real estate taxes paid for owner-occupied home[2]	$4,744	$2,690	*6*
Effective tax rate, median owner-occupied home[3]	2.2%	1.1%	*2*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Illinois, property taxes are levied by about 6,000 counties, townships, municipalities, independent school districts, and special districts. Assessments are conducted at township level except in counties with no township governments (table IL-2).

In Cook County, the state's largest county dominated by the City of Chicago, property is subject to classification, with 13 different classes. Commercial and industrial properties are assessed at a higher percentage of market value. Cook County is divided into three assessment districts, and one of the districts is revalued each year.

Elsewhere in Illinois, all property is assessed uniformly. All real property, except tracts of land under conservation management, is assessed at 33.33 percent of market value. Property other than farmland is reassessed every four years, and farmland is reassessed annually.

Illinois does not tax personal property.

Limits on Property Taxation

Illinois has two types of tax limits: rate limits and levy limits. Property tax rate limits apply statewide and affect school districts, special districts, community college districts, townships, and all non-home rule counties and municipalities. As a home rule government, Cook County is not subject to tax rate limitations. The Property Tax Extension Limitation Law (PTELL) applies in 38 counties (including Cook County) and limits the increase in the tax levy to the lesser of 5 percent or the rate of inflation.

Property Tax Relief and Incentives

Several residential property tax relief programs provide property tax credits, exemptions, or deferrals for homeowners, the elderly, veterans, and disabled residents. The General Homestead Exemption provides an exemption from the property tax up to $6,000 for homeowners outside of Cook County and contiguous counties, up to $8,000 for homeowners in counties contiguous to Cook County, and up to $10,000 for homeowners in Cook County.

The state also has several property tax incentives for economic development including an enterprise zone program. Tax increment financing (TIF) is used extensively to fund local economic development.

Table IL-2
Illinois Property Tax Features, 2022

Feature	Illinois	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The desire for relief from local property taxes has resulted in increased use of property tax limitation measures in recent decades. The Property Tax Extension Limitation Law (PTELL) was passed in 1991 and applied at first to just the five suburban counties surrounding Cook County, which had seen rapid increases in home prices (Anderson and McGuire 2007). PTELL was later extended to Cook County and then as a local option for all Illinois counties. The evidence suggests PTELL had the desired effect of slowing growth in property tax collections in the affected jurisdictions (Dye, McGuire, and McMillen 2005).

The next big push to mitigate property tax burdens was Cook County's 7 percent assessment growth cap passed in 2004 (Dye, McMillen, and Merriman 2006). Though perceived as tax relief, the measure shifted property tax burdens away from homeowners with the highest growth in assessed values to commercial-industrial property owners and to homeowners with low growth in assessed values (Dye and McMillen 2007a, 2007b). In 2013, the legislature increased the General Homestead Exemption for Cook County in order to offset the expiration of the tax cap which was fully phased out after the 2013 assessment year (Illinois Department of Revenue).

Governor Bruce Rauner signed into law a historic school funding reform package in August 2017 that substantially increased state support for education. The new "evidence-based" school funding formula increased state aid to property-poor school districts by about $350 million annually. The law also funded private school tax credits for low- and moderate-income families, allowed Chicago Public Schools (CPS) to raise property taxes, and contributed to CPS pensions (Burnette 2017).

A 2010 Illinois Supreme Court decision in *Provena Covenant Medical Center v. Department of Revenue* (925 N.E.2d 1131 (Ill. 2010)) attracted national attention when the court ruled Provena Covenant Medical Center did not provide charity care at a level sufficient to justify a charitable tax exemption based on a five-part test the court established in 1968 in *Old Peoples Home v. Korzen*. The legislature responded by passing section 15-86 designed to clarify the charity care requirements for nonprofit hospitals seeking tax exemption (35 ILCS 200/15-86). The statute established a standard that the value of charity care should equal or exceed property tax liability in order to qualify for exemption. In 2017, the Illinois Supreme Court vacated a lower court ruling that found section 15-86 unconstitutional (Collins et al. 2018). In 2018, the court ruled in *Oswald v. Hamer* (2018 IL 122203 (Ill. 2018)) that Section 15-68 does not on its face violate the constitution and that exemption claims made under this section must be evaluated according to constitutional requirements. The court left open the possibility that "while it is possible that specific future applications of section 15-86 may produce actual constitutional problems, it will be time enough to consider any such problems when they arise."

Recent Developments

In 2020, the U.S. Supreme Court let stand a circuit court decision written by Amy Comey Barrett when she served as judge in Virginia's Seventh Circuit. The plaintiff taxpayers argued Cook County assessing methods violated the equal protection clause by applying higher tax rates to some properties; the state prevented the plaintiffs from challenging the assessment methods in state court. Judge Barrett ruled the plaintiffs could pursue their claims in federal court (*Pappas v. A.F. Moore & Associates*), finding "the taxpayers lack an adequate state court remedy" (Hamilton 2020).

Two property tax bills were signed into law in 2021. Senate Bill 508 authorized local taxing jurisdictions to adjust their levy based on prior year assessments if assessments were lower due to the issuance of a certificate of error, a court order, or a final decision of the Property Tax Appeal Board. The bill was meant to hold taxing jurisdictions harmless from overassessment, but critics believe local taxing jurisdictions are now able to collect revenue that never existed (Pearson 2021). Senate Bill 2244 raised the minimum household income for the Senior Citizens Real Estate Tax Deferral program from $55,000 to $65,000 and increased the maximum annual deferral amount from $5,000 to $7,500 through tax year 2025. Beginning in tax year 2026, the income threshold and maximum deferral amount will return to $55,000 and $5,000, respectively.

In 2022, Senate Bill 1975 increased both the General Homestead Exemption and the Senior Citizen Homestead Exemption. The bill also reduced interest rates on tax deferrals for seniors and allowed qualified people with disabilities in Cook County an automatic renewal of the homestead exemption (Illinois Office of the Governor 2022).

In 2023, Governor J.B. Pritzker signed legislation that halved interest rate on late tax payments in Cook County (from 18 percent to 9 percent) and closed a loophole under which investors could reverse tax sales and recoup the amount of the sale plus interest. These two policies were based on recommendations from a study released in 2022 by the Cook County Treasurer (Cherone 2023; Cook County Treasurer's Office 2023).

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Publication Date

October 2023, data updated March 2024

LINCOLN INSTITUTE OF LAND POLICY

Indiana

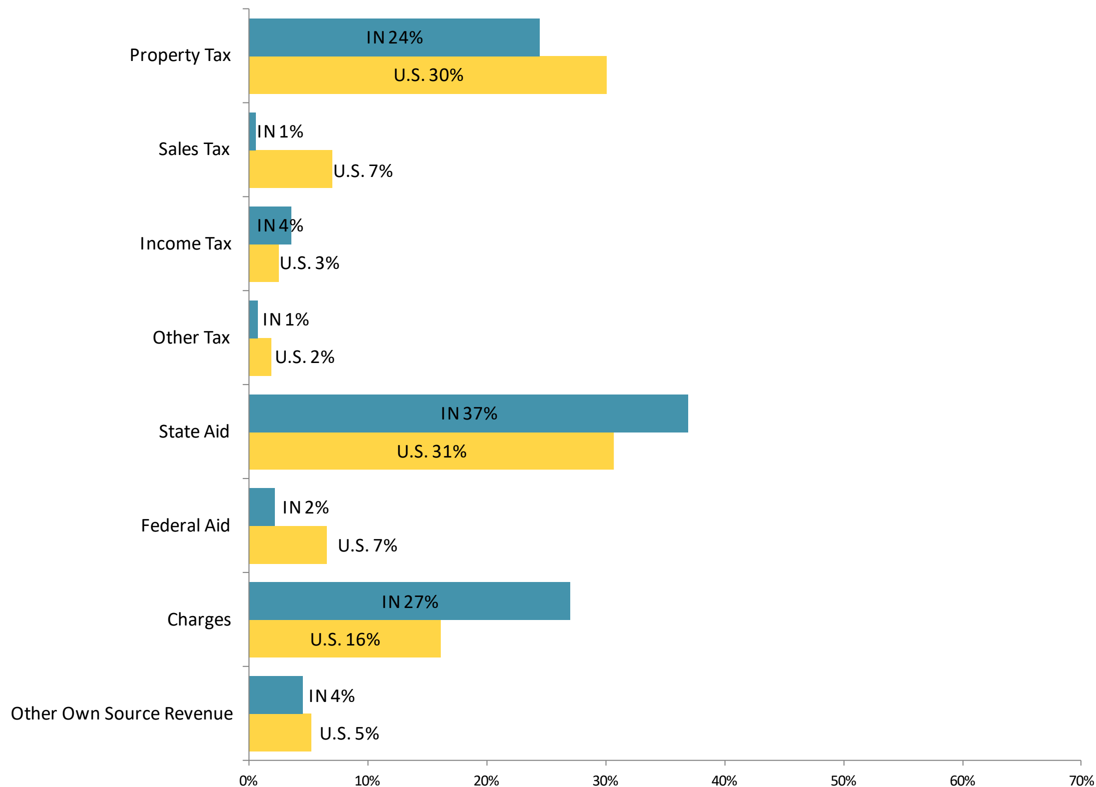
Highlights

Indiana relies less heavily on the property tax than do most other states. The property tax is the second largest component of own source tax revenue for local governments after charges (figure IN-1). Every county also makes use of an income tax, the proceeds of which are split selectively among various local government units according to statutory requirements.

Prior to a tax swap implemented in 2009, public schools relied much more heavily on the property tax. That swap eliminated property tax support for operating revenues and replaced it with a higher state sales tax whose revenues pass through the state general fund. Local property taxes for schools can still be raised to support capital facilities or through a special voter referendum.

The state makes significant use of multiple property tax limitations that restrict the size of the property tax levy and the property tax burden for individual parcels of real property.

Figure IN-1
Sources of Local General Revenue, Indiana and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Indiana is below the national average for all common metrics of property tax burden and property tax dependence (table IN-1).

Table IN-1
Selected Indiana Property Tax Statistics, 2021[1]

	Indiana	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,210	$1,898	*39*
Property tax percentage of personal income	2.2%	3.1%	*40*
Total property tax as percentage of state-local revenue	10.7%	15.5%	*38*
Median owner-occupied home value[2]	$158,500	$244,900	*45*
Median real estate taxes paid for owner-occupied home[2]	$1,308	$2,690	*44*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*31*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Indiana property taxes supply revenues for approximately 2,000 local government bodies that include counties, cities, towns, townships, school districts, and a variety of special districts.

Counties and the larger townships are responsible for property tax assessment (table IN-2), with all real property, except farmland, receiving a gross property assessment of 100 percent of market value-in-use. Market value-in-use, which is not the same as fair market value, refers to the value of “property for its current use, as reflected by the utility received by the owner or by a similar user, from the property” (State of Indiana 2011). Farmland is valued according to use-value, which is based on a number of variables related to agricultural production and profitability. Property is revalued every four years, with trending occurring between years.

Business personal property other than inventories is included in the property tax base.

Limits on Property Taxation

Property taxes are restricted by one rate limit and two levy limits. The rate limit provides that the sum of all tax rates for all political jurisdictions cannot exceed 6.67 mills if the property is inside a city or town,

or 4.167 mills if it is outside a city or town, excluding debt service. One levy limit, enacted in 1973, restricts growth in property tax revenue for each tax unit, except for school districts, to the lesser of 6 percent or the average annual growth rate of Indiana non-farm personal income in the previous six years.

The newest levy limit, also known as an overall tax cap or circuit breaker, caps overall tax bills of individual parcels at a certain percentage of gross assessed value. Property tax bills cannot exceed 1 percent of gross assessed value for residential homesteads, 2 percent for residential non-homesteads, and 3 percent for all other property. The taxpayer does not pay any amount in excess of their cap limit, which consequently creates a revenue loss for the units of government. There are no provisions for coordinating the revenue shortfalls among the units of government (Ross and Dinges 2014).

Property Tax Relief and Incentives

Indiana is unusual in not employing a true property tax circuit breaker program but does provide residential relief through homestead and mortgage deductions and through exemptions and reductions for the elderly, blind, disabled, and veterans. The most common property tax relief programs for homeowners are the homestead standard deduction, the supplemental homestead deduction, and the mortgage deduction, all of which can be considered types of homestead exemptions (DeBoer 2015b). The homestead standard deduction is $45,000 or 60 percent of the homestead's gross assessed value, whichever is less.

Economic development property tax incentives include an enterprise zone program, two standalone property tax abatement programs, and tax increment finance (TIF).

Table IN-2
Indiana Property Tax Features, 2022

Feature	Indiana	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The 1973 Indiana General Assembly passed a package of significant legislative reforms aimed at state and local revenues and expenditures known as the Bowen Tax Package (Faulk 2004). Included in these reforms was a reduction in property taxes funded with increases in state sales and corporate income taxes. A two-percentage-point increase in the sales tax rate funded a new property tax replacement credit (PTRC), a state grant to each taxing unit equal to 20 percent of its general property tax levy. To retain the property tax reduction effect, the revenue swap was bundled with a freeze on the rate at which the levies could grow.

In 1998, the Indiana Supreme Court declared that the administrative formula-based assessment value method was unconstitutional (*Town of St. John v. State Board of Tax Commissioners* (1998)), which ultimately resulted in the state adopting a market value-in-use practice of assessment (Krupa 2012). The market value-in-use standard became practice in 2002 after several years of considerable legislative debate and another court ruling, this time from the Tax Court in 2000, that set a deadline for adopting a constitutionally acceptable set of regulations (Krupa 2012). The resulting change in assessment was widely expected to result in a substantial shift in the property tax burden away from business and toward residential property. In 2004, Indiana voters approved a constitutional amendment that permitted the General Assembly to create exemptions for certain types of property classifications without violating the state's property tax uniformity clause.

Two important events occurred in 2007 that precipitated the creation of the property tax caps in 2008 under HEA 1001 and their constitutional codification in 2010. The first was a 100 percent deduction for the assessed value of business inventories, and the second was the statewide reassessment of 2007. These developments resulted in large shifts of the property tax burden from business property to residential property in some areas of the state (Krupa 2012). This created a significant political demand for predictability in the property tax burden, which eventually resulted in the current system that caps the property tax bill for individual parcels of real property at a fixed percentage of the property's gross assessed value.

Recent Developments

Indiana has moved away from the personal property tax in recent years. In 2014, Governor Mike Pence signed into law a tax reform package that included a local option reduction of business personal property taxes and a phased reduction of the state's corporate income tax rate. The new law allowed local governments to exempt from taxation business personal property up to a $20,000 threshold and/or new business personal property. The law allowed a designated body to establish a project-specific personal property abatement schedule of up to 20 years and established a commission to further study the state's business personal property taxes. In 2019, the legislature passed Senate Bill 233 to raise the exemption threshold to $40,000 and repeal a provision that had allowed counties to levy a $50 service fee on filers claiming the personal property tax exemption (SB 233). In 2021, Senate Bill 336 doubled the exemption again to $80,000.

Big box retailers across Indiana are increasingly appealing property tax assessments based on "dark stores" assessment theory, which supports using vacant or abandoned stores as comparable sales for valuation. In a blow to local governments, the Indiana Supreme Court in April 2017 declined to hear an appeal of a big-box tax assessment case, letting stand a lower court ruling in favor of the plaintiff, Kohl's, which had challenged its valuation based on sales of vacant stores. The retailer's case against Howard County (*Howard County Assessor v. Kohl's Indiana LP*) was the first dark stores assessment case to reach the state's highest court (Caffarini 2017; Thomas 2017). Between 2010 and 2017, Indiana localities refunded retailers over $120 million in successful big box valuation appeals (Collins et al. 2018). The Indiana Tax Court ruled in favor of Boone County in 2020, an important dark stores case brought by Meijer. The court upheld the use of the cost approach to value the grocery store, letting the county's assessment stand (Ban 2021). The legislature enacted legislation requiring use of the cost approach to value new, large retail stores (100,000 square feet or larger) (2022 Ind. Acts No. 54).

There were two property tax-related court cases decided in 2021. In *Terrell v. Harrison Township Assessors Office*, Judge James Patrick Hanlon dismissed a property owner's First Amendment challenge to a change in the tax status of a state property from exempt to commercial. Hanlon cited the comity doctrine, which prohibits taxpayers from using a federal lawsuit to assert civil deprivation claims against the validity of the state tax system (Muse 2021a). In *Southlake Indiana LLC v. Lake County Assessor*, the Indiana Supreme Court ruled that a shopping mall's property assessment be reverted to the previous year's value. The mall's assessed value increased by more than 5 percent, which requires either the taxpayer or the assessor to meet burden of proof (Muse 2021b).

Signed in 2023, Senate Bill 46 allows for counties to offer property tax credits to taxpayers with large increases in property values; this local option is available until January 1, 2028. Under this bill, counties must set a percentage increase in value from one year to the next that a property must exceed to receive the credit. The credit must be equal to the percentage increase over the value set by the county. To receive the circuit breaker tax credit, homeowners must file a certified statement with their county auditor. Homeowners cannot claim both the circuit breaker tax credit and the over 65 property tax credit for the same tax year.

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LINCOLN INSTITUTE
OF LAND POLICY

Iowa

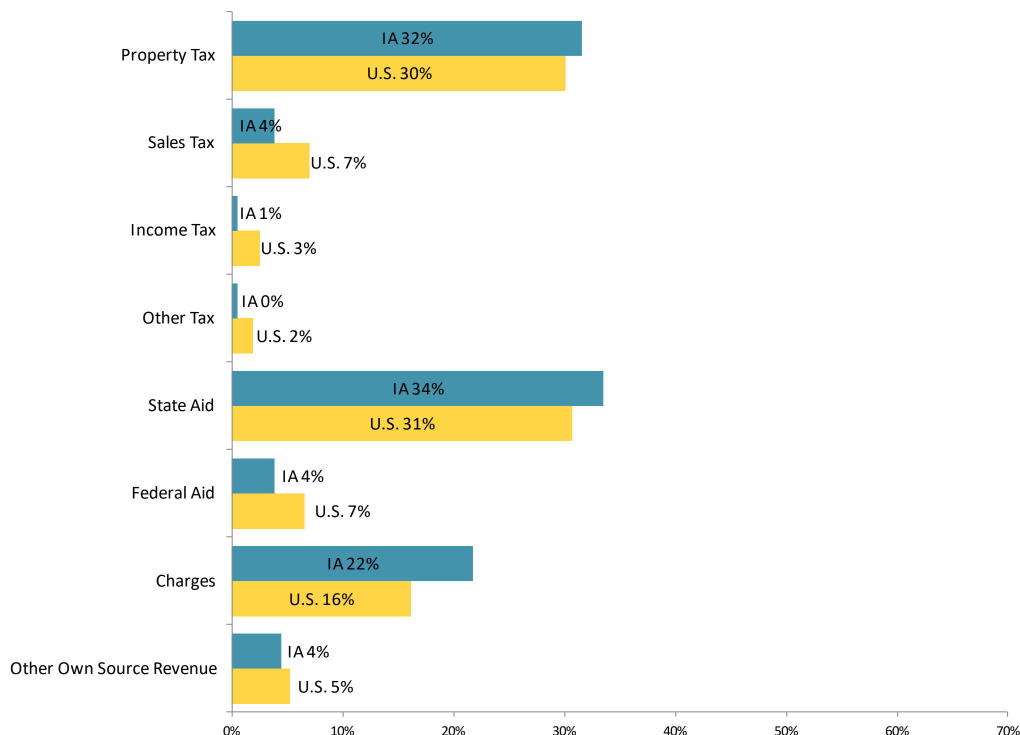
Highlights

The property tax is a major source of revenue for local governments in Iowa (figure IA-1). It would play an even bigger role if cities and counties were not able to levy a local-option sales tax and school districts could not levy a surtax on the state income tax.

Iowa imposes property tax rate limits on counties and cities and requires school districts to make minimum property tax contributions ($5.40 per $1,000 of assessed value). The state's counties and cities may have additional property tax levies to fund services specified in the Iowa Code, while school districts may have separate property tax levies for unemployment benefits, libraries, and capital expenses.

The state divides property into six different classes and since 1978 has implemented a complex system of statewide assessment limitations, also known as rollback provisions.

Figure IA-1
Sources of Local General Revenue, Iowa and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, Iowa's reliance on the property tax was close to the U.S. average, whether measured as a share of state and local revenue, share of personal income, or median taxes paid (table IA-1).

Table IA-1
Selected Iowa Property Tax Statistics, 2021[1]

	Iowa	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,937	$1,898	*17*
Property tax percentage of personal income	3.4%	3.1%	*15*
Total property tax as percentage of state-local revenue	15.8%	15.5%	*18*
Median owner-occupied home value[2]	$160,700	$244,900	*43*
Median real estate taxes paid for owner-occupied home[2]	$2,522	$2,690	*22*
Effective tax rate, median owner-occupied home[3]	1.6%	1.1%	*10*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Iowa, property taxes are levied by more than 2,000 local taxing districts, including county governments, cities, townships, school districts, and special districts such as community college districts, hospital districts, and sanitation districts (Iowa Department of Revenue). Assessments are conducted at the local level. All real property that is not tax-exempt is assessed every two years at 100 percent of market value. Personal property is not taxed.

The six classes into which property is separated are: agricultural, residential, commercial, industrial, utilities, and railroads (Wolters Kluwer Editorial Staff 2022). Assessment limits restrict the growth in assessed value of each property class to a certain percentage or set its taxable value at a certain (less than 100) percentage of assessed value, or both.

Limits on Property Taxation

Iowa places limits on property tax rates for the general funds of counties and cities ($3.50 and $8.10, respectively, per $1,000 of assessed value) (table IA-2). However, counties and cities can have supplemental levy rates for certain services.

Assessment limitations, often referred to as rollback provisions or simply rollback, were passed by the legislature to keep assessed values from rising too quickly. Rollback applies to classes of property and not to individual properties. The Iowa Department of Revenue posts the assessment ratio and assessment limitation by property type each year. For 2023, commercial, industrial, and railroad property valued at $150,000 or more, taxable value was set at 90 percent of assessed value. Growth in utility assessed value is limited to 8 percent. Residential taxable values and commercial, industrial, and railroad properties valued at $150,000 or less are set at 54.6501 percent of assessed value, and growth in assessed value is limited to 3 percent. Agricultural taxable value is set at 91.6430 percent of assessed value, and growth in assessed value is limited to 3 percent. (Iowa Department of Revenue 2022; 2023).

Iowa requires a two-thirds vote of the local legislative body to approve property tax collections that would exceed the previous year's levy by more than 2 percent, including increases attributable to new construction, and requires a majority vote for any increase below 2 percent. Hailed as a property tax cap, the law does not strictly limit levy growth to 2 percent but requires more scrutiny and a supermajority vote to exceed this threshold. Cities and counties must hold a public hearing and post a notice that includes the date and time of the hearing, the current and proposed property taxes, and effective tax rate (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Iowa has several property tax credit programs. The first is a homestead credit. Currently, the credit is equal to the total tax liability on the first $4,850 of taxable property value. Eligible property owners must file an Iowa income tax return and occupy the property for at least six months each calendar year. There is no income requirement. Iowa also has a property tax circuit breaker for both homeowners and renters, which is limited to households with incomes less than $24,205 in 2021. In addition, Iowa offers property tax credits for active military, veterans, and agricultural landowners (Significant Features of the Property Tax).

The state provides various property tax incentives for economic development, including enterprise zones and tax increment financing (TIF). In Iowa, TIF districts are called Urban Renewal Zones. In 2018, Iowa had 3,340 TIF districts, the highest number of any state in the United States (Merriman 2018).

Table IA-2
Iowa Property Tax Features, 2022

Feature	Iowa	Count for 50 states plus DC

Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In a 2002 suit, a group of Iowa school districts and individuals alleged that the state's education finance system violated the state constitution on education equity (SchoolFunding.Info). The suit was later withdrawn, making Iowa one of the few states with no state court decision on the constitutionality of the state's school funding system.

School districts were funded mostly by the local property tax up until the 1960s (Winkler 1979). In 1971, the General Assembly of the Iowa Legislature passed a bill, House File 654, laying the foundation for the current education funding formula in which a guaranteed foundation level of expenditures is financed by a uniform local property tax levy rate (20 mills for fiscal year 1972) and varying state aid (Foeller 1974). Another House bill passed in 1986 established $5.40 per $1,000 of assessed value as the minimum uniform school levy rate.

The Urban Renewal Law, enacted in 1957, authorized cities to use property tax increment financing in slums or blighted areas. An amendment in 1985 allowed TIF adoptions even in the absence of slum or blight conditions. In 1991, counties were authorized to adopt TIF for industrial purposes. Beginning in 1996, TIF was also allowed for development of affordable housing for low- and moderate-income residents.

Iowa introduced rollback in 1978—the same year Proposition 13 was passed in California. A law passed in 2013 made changes to these limitation factors and allowable growth percentages.

Recent Developments

Local governments in the Midwest have experienced a wave of assessment appeals from big-box stores using "dark stores" assessment theory in recent years. The dark stores approach to assessment uses a sales comparison approach with vacant or "dark" stores as comparable properties. While retailers have successfully slashed their assessments in some states, Iowa courts have generally upheld values set by assessors (Polk County Assessor 2018). Indeed in 2021, the Iowa Court of Appeals upheld Johnson County's appraisal of a Lowe's store, rejecting the retailer's dark store theory argument (McLoughlin

2021). Lowe's appealed the 2017 valuation of its property in Coralville, Iowa, assessed at $11.9 million. On appeal, the Property Assessment Appeal Board rejected a $5.2 million valuation submitted by Lowe's' expert appraiser. The Iowa District Court for Johnson County upheld the appeal board ruling. In affirming the District Court ruling in February 2021, the Court of Appeals rejected Lowe's' argument that the property should be assessed as if vacant, citing a rule requiring assessors to "consider conditions existing at the time and the condition of the property in which the owner holds it" (*Lowe's Home Centers LLC v. Iowa Property Assessment Appeal Board*).

In 2021, Iowa eliminated the county mental health property tax levy, which had previously accounted for 5 percent of the overall property tax rate on average. The state government assumed responsibility for funding mental health. This policy change resulted in significant property tax cuts for taxpayers, although about half of Iowa counties had spending increases that partially offset tax savings from eliminating the mental health levy (Curry 2022; Iowans for Tax Relief 2022).

Iowa modified benefits under its Business Property Tax Credit program. In May 2022, the governor signed a bill to replace the state-funded real property tax credit with a property tax exemption program with state reimbursement to local governments. The program reduces real property taxes on part of the value of commercial, industrial, and railroad properties to the amount that would be due applying the residential rollback rate. For the 2020 assessment year, the state provided a credit to reduce property taxes paid on the first $234,663 of property value to the amount that would be paid applying the residential rollback rate. Under the new law, the state reimburses local governments for a similarly structured exemption on the first $150,000 of property value for eligible businesses. The new benefit reduces the value eligible for the exemption, but broadens the program to include telecom properties (previously not classified as commercial) (Legislative Services Agency 2022; Stroka 2022).

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LINCOLN INSTITUTE OF LAND POLICY

Kansas

Highlights

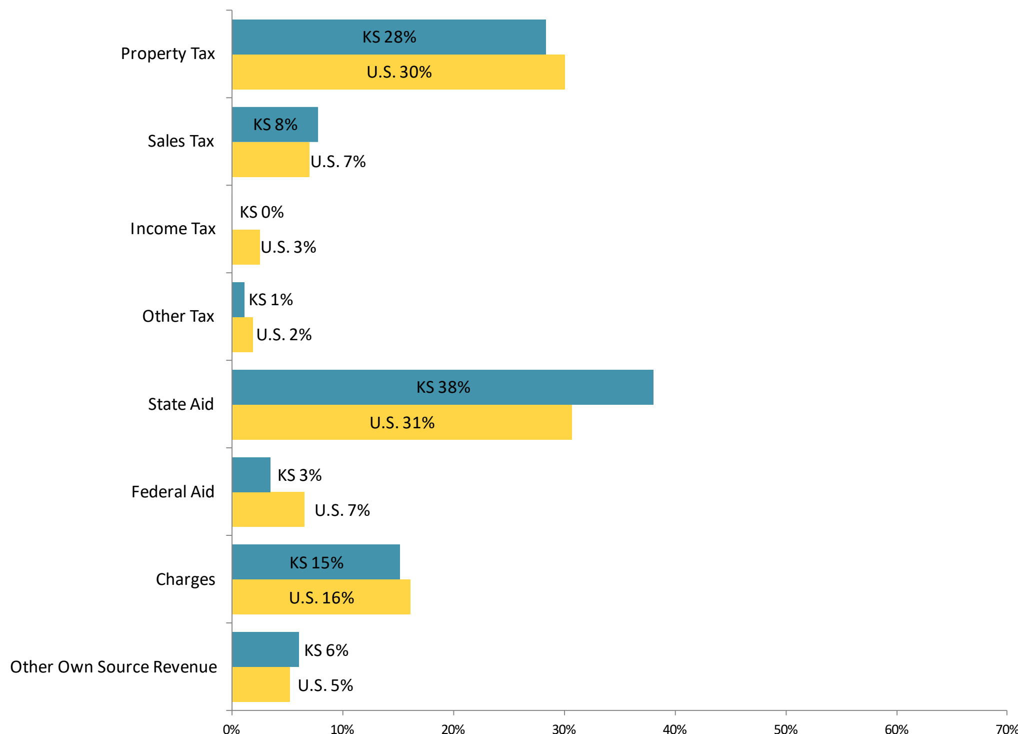
Property taxes support expenditures by the state, counties, cities, townships, schools, and special districts. Almost three-fourths of total general property tax revenue goes to support school and county functions; the state receives only about 1 percent of the total (Kansas Department of Revenue 2023, 72). Kansas local governments receive about 28 percent of their general revenue from the property tax (figure KS-1).

Property is classified into 14 different classes with different assessment ratios. Seven of these classes are for real property, and seven are for personal property. Residential property receives an assessment ratio of 11.5 percent (Kan. Const. Art. 11 §1). Thus, homeowners multiply the stated property tax rate by $11,500, if their home's market value is $100,000 ($100,000 x 0.115), to derive the tax.

Kansas does tax tangible personal property other than business inventories or household goods but has reduced its reliance on this source by exempting commercial and industrial machinery and equipment purchased or leased after 2006. A locally assessed intangible personal property tax is imposed by some counties and by a few cities, but mostly by townships.

Figure KS-1

Sources of Local General Revenue, Kansas and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Traditionally, Kansas sought to be average in national rankings of state-local taxation, and selected property tax statistics mostly confirm that preference (table KS-1).

Table KS-1
Selected Kansas Property Tax Statistics, 2021[1]

	Kansas	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,790	$1,898	*24*
Property tax percentage of personal income	3.1%	3.1%	*18*
Total property tax as percentage of state-local revenue	15.4%	15.5%	*20*
Median owner-occupied home value[2]	$164,800	$244,900	*42*
Median real estate taxes paid for owner-occupied home[2]	$2,355	$2,690	*25*
Effective tax rate, median owner-occupied home[3]	1.4%	1.1%	*15*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The Kansas Constitution requires a "uniform and equal rate of assessment and taxation," with statutes providing a definition of fair market value that county appraisers are required to follow in placing values on property. An exception to fair market value is agricultural land, which is valued on its productivity, or use value.

Each of the state's 105 counties is a separate appraisal district with responsibility for the determination of assessed valuation (and the collection of property taxes) under state oversight. Based on constitutional amendments in 1986 and 1992, real property is divided into seven subclasses (including residential property assessed at 11.5 percent and commercial and industrial property assessed at 25 percent); personal property is divided into seven subclasses.

Local appraisers are certified by the state and hired by counties and must follow state rules to ensure assessment uniformity. The statistical standards were established by a 1993 state district court case and a court-ordered consent decree.

Limits on Property Taxation

Kansas requires notice to taxpayers and public hearings if a proposed tax rate will raise more revenue than the previous year. This is an example of *Truth in Taxation*, a policy intended to require the same procedural steps for a revenue increase due to rising property values as for a revenue increase due to a change in the tax rate (Significant Features of the Property Tax).

Property Tax Relief and Incentives

The Kansas Homestead Refund Program, a type of circuit breaker enacted in 1970, provides a rebate of a portion of the property taxes paid on a Kansas resident's homestead based on the total household income (table KS-2). The maximum refund is $700. A Kansas resident for the entire year is eligible if the total household income is $37,750 (in 2022) or less and the individual is 55 years of age or older *or* is blind or disabled *or* had a dependent child under 18 who lived there all year and was claimed as a personal exemption. Relief is limited to homeowners with a residence valued no higher than $350,000.

Kansas Property Tax Relief for Low Income Seniors ("SAFESR") provides a refundable income tax credit of 75 percent of residential property taxes paid for homeowners 65 or older with low household income who are year-round residents. In 2022, the income limit was $22,000. An individual can claim either the Homestead refund or a SAFESR refund, but not both.

As of 2023, homeowners are eligible for a $40,000 appraised value exemption from the statewide property tax for education (Significant Features of the Property Tax).

Certain businesses affected by Covid-19 closures and restrictions were also eligible for property tax relief through one-time programs enacted in 2021 and 2022 (House Bill 2313 of 2021; House Bill 2136 of 2022).

Kansas allows governmental units to exempt real and personal property, and to enter into in lieu payment arrangements to induce certain economic development activities. These programs are tied to the issuance of industrial revenue bonds, the Economic Development Exemptions program, and/or tax increment financing.

Table KS-2
Kansas Property Tax Features, 2022

Feature	Kansas	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

From 1964 to 1988, all Kansas property was assessed at 30 percent of market value. In 1986, the state moved to a property tax classification system, which was expanded and modified in 1992.

In 1997, a law was enacted allowing homesteads an exemption from the statewide school levy.

In 1998, the legislature enacted an income tax credit against property tax paid on commercial and industrial machinery and equipment. A 2006 law exempted from property taxation all commercial, industrial, telecommunications, and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 (or transported into the state after that date) for the purpose of expanding an existing business or creating a new business. In 2005, machinery accounted for 6.1 percent of statewide assessed valuation; by 2014, it accounted for 2.1 percent with the run-off of older properties continuing.

In 1999, a tight tax lid was allowed to expire and was replaced by a simple "truth in taxation" provision. This provision required a city or other taxing jurisdiction to adopt an ordinance if revenues from property taxes for the next budget year exceeded those of the prior year unless the increase was due to new improvements to real property, annexations, or certain other reasons. The law did not apply to property taxes levied for the sole purpose of repaying debt. The 1999 provision was replaced by a tighter tax lid in 2015. The new tax lid, which took effect in 2017, provided that subject to certain exceptions, no city or county may increase the amount of ad valorem tax to be levied over the amount levied in the prior year by an amount greater than the increase in the consumer price index without a vote of the public (Lefler 2016). In 2021, Senate Bill 13 repealed the property tax lid law applicable to cities and other taxing jurisdictions that took effect in 2017 and replaced it with a truth in taxation measure. The law established new requirements, such as notices to taxpayers and public hearings, for

cities and counties seeking to levy increased property taxes by an amount that exceeds the increase in the consumer price index.

Kansas has a long history of school finance litigation over the adequacy and equity of K-12 funding and the role of property taxes. A long series of school funding lawsuits that began in the 1970s has fortified central control of K-12 education—local property taxes contribute just 17 percent of K-12 funding (Kenyon and Munteanu 2022). In March 2014, the Kansas Supreme Court issued its opinion in the latest lawsuit, *Gannon v. State* (*Gannon I*), reaffirming that there is both an adequacy and equity component in determining whether the legislature has met its constitutional obligations for funding education. In February 2016, the Kansas Supreme Court ruled in *Gannon II* that the legislature had not sufficiently complied with its prior equity order in *Gannon I*. Specifically, the court stated that state aid formulas do not provide students with "reasonably equal access to substantially similar educational opportunity through similar tax effort." In October 2017, for the fifth time in seven years, the Kansas Supreme Court ruled that the state's system for funding education fails to meet constitutional standards for both adequacy and equity. The court approved school funding plans in 2018 and 2019 and continues to oversee the case to ensure spending plans are implemented (Parton 2019; SchoolFunding Info).

The Kansas City Metro Area that spans the border between Kansas and Missouri was the epicenter of a fierce bidding war for business beginning around 2009 (Hamilton 2019). About a decade later, the states agreed to a truce. Kansas Governor Laura Kelly signed Executive Order No. 19-09 on August 2, 2019, and Kansas City, Missouri passed Ordinance No. 190793 on January 30, 2020, putting an end to the notorious bidding war.

Recent Developments

In May 2021, Governor Kelly signed into law House Bill 2134, fully funding K-12 schools for the third year in a row complying with the 2019 legislation to resolve the *Gannon* lawsuit over which the Kansas Supreme Court has retained jurisdiction (Hanna 2021; Kansas Office of the Governor 2021b).

Kansas has enacted two rounds of property tax relief for companies that lost business as a result of the pandemic. In 2021, Governor Laura Kelly signed into law House Bill 2313, providing for reimbursement of property taxes for certain property owners and operators who complied with forced shutdown or restriction orders by the state or local governments resulting from the Covid-19 pandemic (Chung 2021). In 2022, Governor Kelly signed the Retail Storefront Property Tax Relief Act (HB 2136 of 2022) to provide up to $5,000 in property tax refunds to qualifying retailers in operation as of July 2019 that saw revenue decline between 2019 and 2021 (Valdez 2022).

In 2022, Kansas enacted a law that doubled and extended the state's residential property tax exemption and created an entity level tax as a workaround to the federal cap on deductions for state and local taxes. House Bill 2239 of 2022 increased the residential exemption to $40,000 of appraised value for 2023 and future tax years with an annual adjustment for growth in property values (Woodward 2022). An attempt to double the exemption again in 2023 passed the legislature but was part of a tax package

vetoed by Governor Laura Kelly over issues unrelated to the property tax measures (Hollingsworth 2023).

Kansas joined 36 other states enacting an entity level tax. The measure allows qualifying pass-through entities to pay state income taxes at the entity level, thereby shielding the owners' income tax liability from the $10,000 cap on the deductibility of state and local taxes (SALT) for federal tax purposes (AICPA 2023; Woodward 2022).

Kansas, like other Midwestern states, has been waging a property valuation battle against big box retailers that argue their properties should be valued using vacant or dark stores as comparable sales. Legislative attempts to prohibit dark stores assessment appeals have failed. In a unanimous ruling in 2022, the Kansas Supreme Court reversed a ruling by the Board of Tax Appeals in favor of 11 Walmart and Sam's Club stores in Johnson County. The high court found the board erred in rejecting the county's appraisal, which relied on unadjusted build-to-suit leases as comparable sales, and it sent the case back to the Board of Tax Appeals (Bahl 2022).

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LINCOLN INSTITUTE
OF LAND POLICY

Kentucky

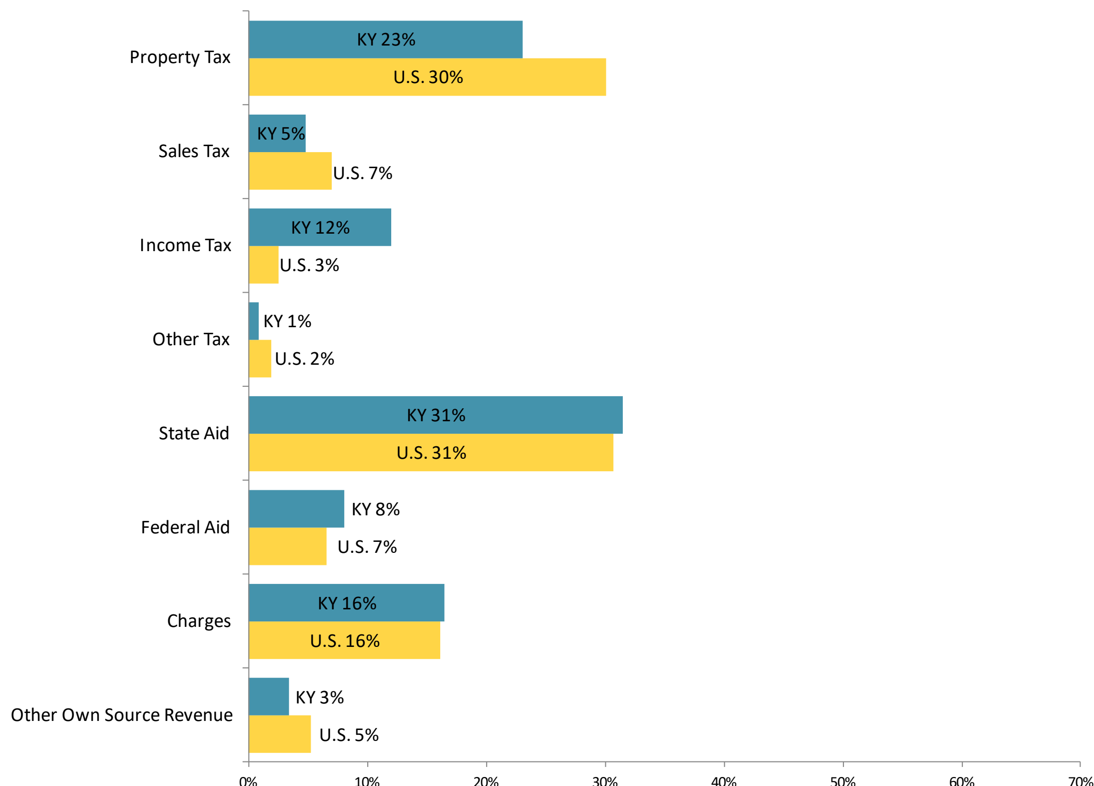
Highlights

Kentucky has a highly centralized system of government. Kentucky localities are less reliant on the property tax than localities in many other states (figure KY-1) because some cities are allowed to levy occupational license taxes and because property taxes are highly regulated. Occupational license taxes are also called occupational income taxes and are generally classified as local income taxes by the U.S. Census Bureau (CBER 2023, 256).

The state taxes personal property and relies more heavily on personal property taxation than do most other states. Kentucky is one of nine states still taxing most business inventories, though in 2018 it enacted an inventory tax credit which provides a credit equal to 100 percent of qualifying inventory taxes (Cammenga 2021; Kentucky Department of Revenue, Inventory Tax Credit).

The Commonwealth of Kentucky uses a detailed system of property tax classification with over 20 different classes of property. Ten of those property classes are taxed by local governments (Significant Features of the Property Tax).

Figure KY-1
Sources of Local General Revenue, Kentucky and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Kentucky ranks among the lowest 10 states in terms of per capita property taxes, property tax as a percentage of personal income, and as a percentage of state and local revenue (table KY-1).

Table KY-1
Selected Kentucky Property Tax Statistics, 2021[1]

	Kentucky	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$968	$1,898	*46*
Property tax percentage of personal income	1.9%	3.1%	*45*
Total property tax as percentage of state-local revenue	8.8%	15.5%	*46*
Median owner-occupied home value[2]	$155,100	$244,900	*47*
Median real estate taxes paid for owner-occupied home[2]	$1,320	$2,690	*43*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*29*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Kentucky, property taxes are levied both by the state government and by cities, counties, school districts, and special districts.

The state oversees assessment within the county structure. Each of the 120 Kentucky counties elects a property valuation administrator (PVA) to conduct its property tax assessment – the PVA serves the county as a state employee (table KY-2). Cities may use the county valuation administrator assessment but must pay a fee to do so. Section 172 of the Kentucky Constitution requires all property to be assessed at the fair cash value, defined as “the price a property would bring at a fair and voluntary sale between a willing buyer and a willing seller, with neither party under duress, given a reasonable amount of time on the market.”

The state system of property tax classification employs over 20 categories, most of which are classes of personal property. While many classes established by the state are exempt from local taxation, 10 property classes are taxed by local governments to some extent. For example, county, city, and school district governments all set local rates for residential, agricultural, and commercial land and improvements (Kentucky Department of Revenue 2022).

Limits on Property Taxation

Kentucky has long adopted a *Truth in Taxation* approach to increases in property tax revenue due to increases in taxable value. Truth in Taxation imposes procedural requirements for revenue increases even without an increase in the tax rate. Local governments are required to provide notice and hold a public hearing if they propose a tax rate that would generate more revenue than the prior year, excluding revenue due to new construction and improvements to existing properties. . If the tax rate adopted by local governments would produce at least 4 percent more revenue than the prior year, excluding revenue attributable to new construction and improvements to existing properties, the portion of the tax rate above the 4 percent limit is subject to a recall vote or reconsideration, initiated by voter petition (Significant Features of the Property Tax).

In addition, Section 157 of the Kentucky Constitution imposes a property tax rate cap that restricts county rates to $0.50 per $100 and city rates to $0.75 to $1.50 per $100 depending on the city size: cities with a population greater than 15,000 are capped at $1.50, and cities with less than 10,000 in population are capped at $0.75. All other cities are capped at $1.00. However, few places exceed these rates because of the constraints imposed by HB 44.

Property Tax Relief and Incentives

Kentucky offers a homestead exemption to seniors or people who are "totally and permanently" disabled. The exemption reduces the assessment by the amount by which it exceeds the value of the property in the first year the owner qualified and received relief, up to a maximum exemption of $46,350 in 2023 and 2024. The state reimburses counties for associated tax loss (Significant Features of the Property Tax).

According to Section 172A of the Kentucky Constitution, agricultural and horticulture land must be assessed at the property's use value, which is determined by the income-producing ability of the land and comparable sales of agricultural land (American Farmland Trust 2004).

Kentucky has a few property tax incentives for economic development, including an exemption for new or relocating manufacturing establishments and tax increment finance. Kentucky authorizes local governments to freeze assessed values for qualifying residential or commercial property for up to five years for repair, rehabilitation, or restoration. Structures must be at least 25 years old to qualify (Significant Features of the Property Tax).

Kentucky also offers a tax credit against the distilled spirits ad valorem tax or "bourbon barrel tax." The credit offsets property taxes paid on barrels of aging bourbon. The credit, which is claimed on the state income tax return, must be used for capital improvements related to producing, storing, shipping, or marketing of distilled spirits (Ky. Rev. Stat. Stat. Ann. § 141.389). Kentucky enacted legislation to phase out the so-called "bourbon tax" between 2026 and 2043 (Schreiner and The Associated Press 2023;

Significant Features of the Property Tax). Under the 2023 legislation, the credit will be replaced after 2024 as described under recent developments.

Table KY-2
Kentucky Property Tax Features, 2022

Feature	Kentucky	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Following statehood, Kentucky established a property tax that originally provided over 80 percent of state government revenue. Prior to 1965, the majority of real and personal property was assessed well below market values, and most taxing jurisdictions set tax rates near the Section 157 constitutional limits. However, in *Russman v. Luckett* (1965) the Court of Appeals ruled that real property must be assessed at 100 percent of its real market value (Legislative Research Commission 2016).

The court ruling created worries of large assessment increases without an assurance that tax rates would be reduced. Thus, a 1965 special session enacted a law requiring local tax authorities to roll back tax rates to a rate which results in approximately the same amount of revenue that was raised in the preceding year. Increases in revenue were allowed if due to growth in the assessed tax base or if new properties were added to the base (Fayette Urban County Government 2013; Legislative Research Commission 2016). This was the first step toward Truth in Taxation in Kentucky.

However, in the 1970s, high inflation rates resulted in substantial increases in assessed values. Tax rates remained relatively constant in this period, but the new 4 percent rate limitation discussed above was introduced to address tax increases due to rising values rather than higher tax rates(Fayette Urban County Government 2013; Legislative Research Commission 2016).

Historically, Kentucky has had substantial inequities in revenue-raising capacity across the state. In *Rose v. Council for Better Education* (1989), the Kentucky Supreme Court declared the system of public

education unconstitutional. In response to the court, the Kentucky Education Reform Act (KERA) attempted to equalize revenue generated at a specific tax rate across districts. Districts are required to put forth a minimum amount of funding equal to 0.30 percent of assessed property value, and the state then grants each district the difference between a calculated guaranteed level of funding and the required local contribution (Clark 2003).

However, despite KERA and the requirement for full value assessment, the tax base in eastern Kentucky, in particular, remains problematic. Every two years the state sends professional appraisers to each county to randomly check assessments against fair market value. Many counties in eastern Kentucky fall below the required assessments, which often results from a lack of property sales in these counties, pressures to keep assessments low due to high poverty rates, and property tax appeals in which owners argue that the value of the property was damaged due to coal mining. In addition, many of these eastern counties have a substantially higher share of disabled or elderly residents than the average county, which results in a depleted tax base from use of the homestead exemption (Cheves 2015).

Recent Developments

Although Kentucky is one of fewer than 10 states that tax inventory, the legislature passed an inventory tax credit effective for the 2018 tax year. The non-refundable, non-transferable credit may be claimed against individual or corporate or LLC entity taxes. The credit was phased in between 2018 and 2021, by 25 percent per year. In the 2021 tax year, eligible taxpayers could claim a 100 percent credit for qualifying inventory taxes (KRS 141.408; Pierzchalski 2018).

In 2022, Kentucky enacted a two year freeze on vehicle assessed values in response to rising used car values. House Bill 6 reset vehicle values to January 1, 2021 values for the purposes of taxation in 2022 and 2023.

In 2023, Kentucky enacted an entity-level tax to shield owners of pass-through businesses from the effect of the cap on the federal income tax deduction for state and local taxes by offering credits against personal income taxes for entity-level taxes paid (House Bill 360 of 2023) (Chamberlain 2023). Kentucky is one of 36 states that have adopted entity level tax workarounds since the enactment of the cap on SALT deductions under the Tax Cuts and Jobs Act of 2017 (AICPA 2023).

Kentucky is home to almost all of the world's bourbon inventory, and its unique state and local personal property tax on "Bourbon Barrels"—actually on the value of the distilled spirits in the barrels—has long been controversial. In 2023, the industry achieved a longstanding goal when the state passed legislation to phase out the tax over 20 years (2023 Ky. Act Ch. 95, HB 5). The 2023 state tax rate was $.05 for every $100 of spirits; school districts and local governments set their own rates. In 2020, over 10 million barrels of bourbon aged in bonded warehouses in the state, and revenues from the "barrel tax" totaled over $27.8 million, with $18.2 million going to school districts, $7.9 million to cities and counties, and $1.7 million to the state (Coomes and Kornstein 2022). These payments served as a credit against state income taxes; although no new credits will be offered after 2023, taxpayers may waive accumulated unclaimed credits and receive either a property tax credit for the assessed value of up to 25,000 barrels

per year or a sales and use tax credit for investing in communities with low or moderate income populations (Chamberlain 2023). The final bill contained replacement revenues for schools, fire departments, and EMS districts.

Kentucky's generous agricultural property tax preferences have been the subject of investigative journalism and periodic reform efforts. Although the farmland protection statute applies to 10 contiguous acres of land used in connection with the production of agricultural products (KRS 132.010), news articles have concluded that "assessments are now automatically slashed for 10 or more contiguous acres once used for farming, no matter how long ago" (Cheves and Blackford 2016). When asked whether he checked the current use of property receiving agricultural assessment, one property valuation administrator (PVA) told reporters, "The previous PVA didn't do it for 30 years, and when I came in I didn't see any point in stirring things up" (Cheves and Blackford 2016). Although efforts to address this issue by legislation were blocked by the Kentucky Farm Bureau, individual PVAs have instituted new procedures to monitor land use (Blackford 2016; 2018).

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Louisiana

Highlights

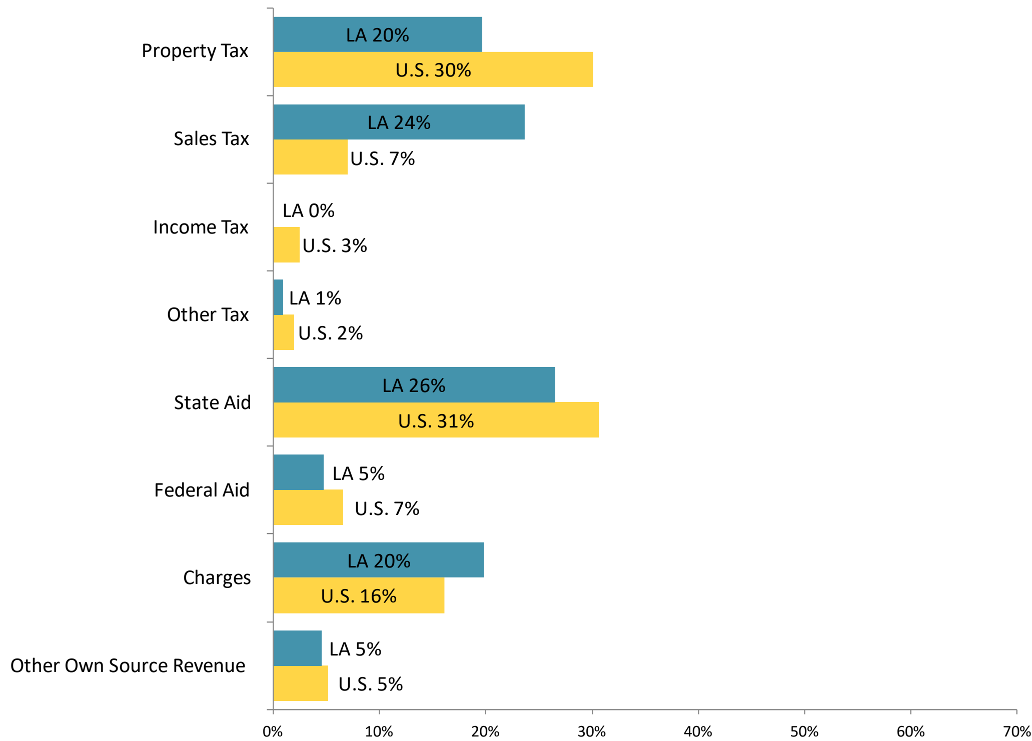
Most property tax law in Louisiana is determined by the state constitution (Louisiana House of Representatives 2014). The constitutionally provided homestead exemption and the state's constitutional authority to provide industrial tax exemptions leave local governments with little ability to tailor the property tax to suit their needs.

Louisiana tax policy attempts to incentivize homeownership and manufacturing. This shifts the property tax burden to nonindustrial commercial properties. Moreover, local governments in Louisiana are more heavily reliant on sales taxes and less reliant on property taxes than national averages (figure LA-1). Louisiana is the only state that relies more heavily on local sales taxes than the local property tax to fund K-12 education (Kenyon, Paquin, and Reschovsky 2022).

Louisiana has a classified property tax system with five classes of property with different assessment ratios: land, residential improvements, electric cooperative improvements, public service, and other property. Land and residential property are assessed at 10 percent of market value, public service properties are assessed at 25 percent, and electric cooperatives and all other property are assessed at 15 percent of market value (Louisiana Tax Commission).

One more notable feature of the Louisiana property tax is that commercial inventories are subject to property taxation. Only eight other states fully tax inventories (Fritz and Walczak 2023, 74). However, since 1992, the state has provided a refundable tax credit that can be applied to either corporate or personal income taxes to reimburse businesses for the full value of property taxes paid on inventories (Cammenga 2021).

Figure LA-1
Sources of Local General Revenue, Louisiana and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, only 8.5 percent of combined state and local revenue in Louisiana was raised via the property tax (table LA-1). By all measures, the property tax burden in Louisiana is low relative to other states.

Table LA-1
Selected Louisiana Property Tax Statistics, 2021[1]

	Louisiana	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$922	$1.898	*45*
Property tax percentage of personal income	1.8%	3.1%	*47*
Total property tax as percentage of state-local revenue	8.5%	15.5%	*47*
Median owner-occupied home value[2]	$174,000	$244,900	*39*
Median real estate taxes paid for owner-occupied home[2]	$983	$2,690	*48*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*46*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are conducted by Louisiana's 64 parishes, which are the equivalent of counties (table LA-2). With a few exceptions, such as property owned by utility companies, properties are appraised by the office of the assessor in each parish and taxes are collected by a separate office. Real property must be reappraised at least once every four years, and personal property is reassessed every year.

Property taxes are levied by parishes, cities, school districts, and special districts (such as levee districts), with each selecting its own rate. Local governments frequently have both general millages and millages dedicated to funding specific services. Which public services are funded with a dedicated millage and which are funded by parish or city general funds vary greatly across the state. In Orleans Parish, for example, there are 14 different funds that are financed with a dedicated millage—including funds dedicated to the sewerage and water board, economic development, and the Audubon Aquarium and Zoo. Generally, the largest dedicated millage funds the local school district (Orleans Parish Assessor's Office 2023).

The constitution allows the legislature to impose a 5.75 mill state property tax, but the state does not impose a property tax and has not done so since 1972 (Significant Features of the Property Tax).

Limits on Property Taxation

Louisiana places rate limits on municipal governments, parishes, and schools, but each limit can be overridden by a majority vote of the electorate. A maximum authorized levy applies after a

reassessment and restricts the levy to the amount raised in the prior year, but this levy limit can be overridden after public notice, public hearings, and a supermajority vote of the government board (Significant Feature of the Property Tax).

Louisiana limits assessment increases following reappraisal, phasing in assessment increases above the 50 percent threshold by 25 percent per year. A few other states phase in assessment increases, but no other state limits phased assessments to increases over a set threshold (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Louisiana's largest property tax relief program is a homestead exemption that covers the first $7,500 of assessed value—that is, the first $75,000 of market value—of owner-occupied residential property. Although the exemption is not extended to municipal taxes, it includes all parish taxes, taxes used for school districts, and general taxes for the combined city-parish government of New Orleans. As a result, many homeowners in Louisiana are fully exempt from parish and school taxes. The mechanics of the exemption make it progressive in that it shifts the burden from owners of smaller homes to owners of larger homes. However, it may also shift the burden from owner-occupiers to lessors and renters.

Seniors, disabled homeowners, and certain veterans may qualify for an assessment freeze (called a special assessment) for their primary residence. Claimants must qualify for the homestead exemption and have a household adjusted gross income of $100,000 or less. Surviving spouses of military members or first responders killed in action qualify for property tax exemption. Louisiana also authorizes local governments to provide optional exemptions for heads of households and disabled veterans (Significant Features of the Property Tax).

Louisiana offers a few property tax incentives for economic development. The largest incentive covers manufacturing property approved through the Industrial Tax Exemption Program (ITEP), which offers property tax abatement on new manufacturing investment (Louisiana Economic Development). ITEP exempts up to 80 percent of approved manufacturing establishments and additions, including taxable capital equipment, but not the value of the land or the inventory, from property taxation for up to 10 years (initial term of five years) subject to local approval and job creation agreements (Louisiana Economic Development). Louisiana's local option Restoration Tax Abatement (RTA) program allows local governments to freeze assessed values for qualifying restoration projects in designated districts for up to five years.

Louisiana also has tax increment financing (TIF) as an economic development tool, but in Louisiana TIFs are mostly sales tax rather than property tax based (Significant Features of the Property Tax).

Table LA-2
Louisiana Property Tax Features, 2022

Feature	Louisiana	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes in Louisiana are regulated by the state constitution that was adopted in 1974. The constitution explicitly defines the homestead exemption and assessment rates and grants the state the ability to offer tax exemptions to new manufacturing property for up to 10 years.

The homestead exemption was introduced in 1934 and applied to the first $2,000 of assessed value (Bureau of Governmental Research 2010). This amount was raised to $3,000 with the passage of the 1974 state constitution and increased to $7,500 in 1979 (Richardson and Albrecht 2014). Since the homestead exemption has not been altered since, it is worth substantially less in real terms today. In 1979, approximately 70 percent of owner-occupied homes paid no property tax, but that number fell to about 40 percent in 2013 (Richardson and Albrecht 2014).

Concurrent with the introduction of the homestead exemption, the state created the Property Tax Relief Fund to offset the revenue loss that the exemption would cause. In 1972, a federal court found that manipulation of assessments and millage rates leads to unequal distribution of relief funds. The Property Tax Relief Fund was then replaced with the Revenue Sharing Fund, which was allocated $90 million annually by the 1974 constitution. At the time, this value more than compensated parishes for losses from the homestead exemption (Bureau of Governmental Research 2010). Although the homestead exemption has expanded, the relief fund has not been increased.

A group of parents and school districts filed complaints against the state in two separate cases in 1992. The courts consolidated these complaints into one case, *Charlet v. Legislature of the State of Louisiana*. The plaintiffs claimed that the state was not providing the constitutionally required minimum foundation of education to all children enrolled in public schools. To support this claim, they cited deficiencies in buildings, textbooks, teacher quality, curriculum, student achievement, and other areas.

While defending the funding system, Louisiana retained a nationally recognized education finance consultant to study the system. The consultant recommended formula changes in order to eliminate spending disparities. The revised formula, signed into law in 1992, distributed fewer state funds to high-wealth districts and more to low-wealth districts. The court concluded that the formula met its goal of reducing disparities. In 1998, the Court of Appeals granted the defendants' motion for a summary judgement in *Charlet v. Legislature of the State of Louisiana*. The court highlighted the constitution's use of the term "minimum" and concluded that the state was meeting constitutional obligations (SchoolFunding.Info 2019).

In 2016, Louisiana Governor John Bel Edwards reformed the state's largest property tax incentive program—the Industrial Tax Exemption Program (ITEP)—via a pair of executive orders. The orders required job creation agreements, local government approval, and advanced notification (before project completion); and reduced the initial term of the benefit to five years as well as the maximum abatement percentage from 100 percent to 80 percent (or 93 percent for mega projects). Previously, the state had the authority to award full abatement of local property taxes for up to 10 years without local input (Executive Order No. JBE 2016-26; Executive Order Number JBE 2016-73).

Louisiana adopted its first assessment limit in 2018 by ballot. Amendment 6 limits assessment increases of 50 percent or more following a reappraisal. The limit phases in assessment increases above the 50 percent threshold by 25 percent per year until the value is fully phased in. The threshold trigger is unique among states with phased assessment policies. The law shields properties subject to phased assessment from reappraisal during the phase-in period (Collins et al. 2019).

Recent Developments

In 2022, Louisiana voters approved two ballot measures related to property taxation. Amendment 2 expanded the local-option property tax exemption for 100 percent disabled veterans and added exemptions for partially disabled veterans. After adjusting for Louisiana's 10 percent residential assessment ratio, disabled veterans receiving the standard homestead exemption and the veterans exemption will have property taxes eliminated on at least $100,000 of market value and 100 percent disabled veterans will be fully exempt. Amendment 8 of 2022 eliminated the requirement for disabled homeowners who benefit from the assessment freeze to recertify their income annually (Skinner 2023).

In June 2023, Governor John Bel Edwards signed into law House Bill 597. The law authorizes the Louisiana Legislative Auditor to establish and maintain the State Transparency Portal (Portal), which will replace the current Louisiana Transparency and Accountability website, adding new data including local government finance and tax incentives. The law also creates the Louisiana Transparency Fund to pay for the development and maintenance of the Portal. Like the current website, the new Portal aims to make Louisiana state's government finances and operations transparent and accountable to Louisiana residents and will gradually expand the data available. The provisions of this law become effective in December 2024.

In the fall of 2023, Louisiana voters will weigh in on two constitutional amendments related to property taxation. The first, referred by House Bill 46 of 2023, would deny property tax exemptions for property owned by exempt nonprofits that is deemed to pose a threat to public health and safety. The second would authorize parishes to provide a property tax exemption of up to $2,500 ($25,000 market value) for first responders on top of the homestead exemption. The legislature overwhelmingly supported Senate Bill 127 to refer the amendment to the ballot.

Two recent analyses of Louisiana's Industrial Tax Exemption Program suggest the 2016 ITEP reforms have reduced the cost of the program to local governments. The Louisiana Legislative Auditor found that the parishes that abate the most property tax revenue under the program have higher overall property tax revenue. The 25 parishes with the most foregone revenue per capita raise 48 percent more property tax revenue per capita than the other parishes ($1,458 per capita versus $983). Manufacturers who received abatements paid about $396 per capita in property taxes on their non-exempt property (Louisiana Legislative Auditor 2022). A separate study by the Institute for Energy Economics and Financial Analysis found the 2016 reforms added $16 billion in property value back to the tax base, saving parishes $282 million between 2016 and 2021, almost all attributable the governor's reforms with the savings concentrated in parishes with a large share of manufacturing property. The share of non-exempt manufacturing property grew from 37 percent in 2016 to 50 percent in 2021 and the number of abatement applications fell from 590 per year pre-reforms to 65 per year on average since (Sanzillo 2022).

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Maine

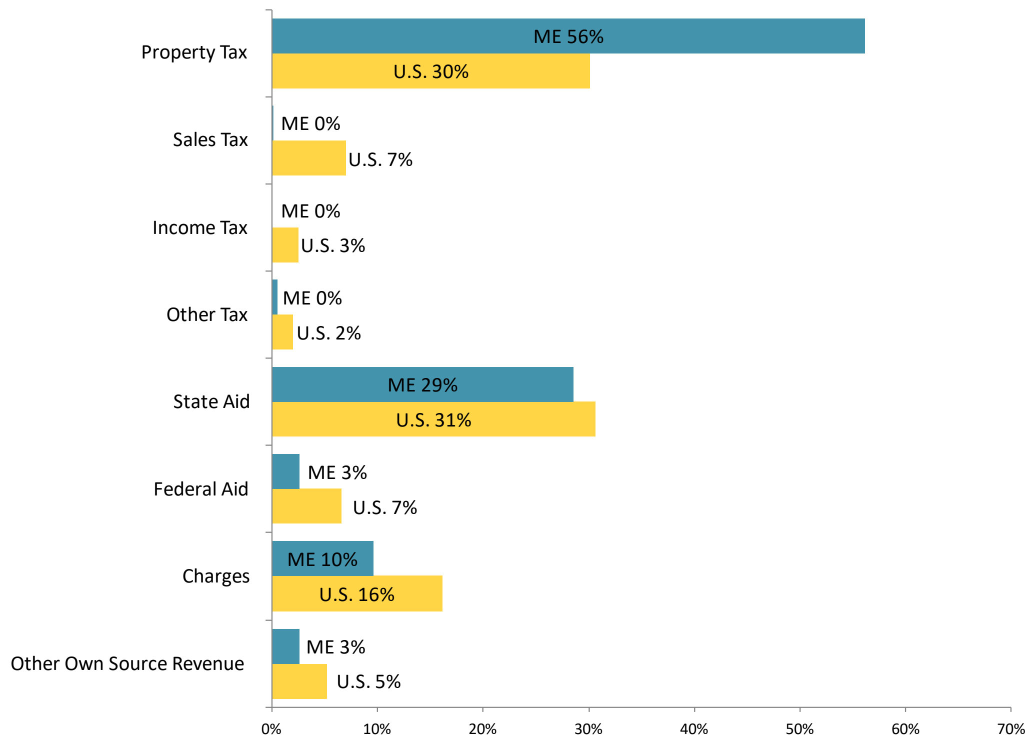
Highlights

Maine relies heavily on the property tax to fund locally provided services (figure ME-1). Local property taxes account for the majority of operating revenue for Maine's municipalities and K-12 schools.

The Maine Constitution sets minimum state reimbursements to municipalities for revenue lost as a result of such statewide property tax exemptions as the homestead exemption and the business equipment property tax exemption. The constitution also attempts to protect municipalities from unfunded state mandates by having the state provide at least 90 percent of the additional funding necessary for municipalities to implement new activities required by changes in state law.

Maine has in place a particularly broad array of state statutes intended to reduce property taxes, including a statutory minimum state contribution to local schools, a municipal revenue sharing program, a homestead exemption, business equipment property tax reimbursements and exemptions, and a property tax circuit breaker for resident homeowners and renters. However, between 2009 and 2015, state lawmakers radically reduced funding for many of these commitments.

Figure ME-1
Sources of Local General Revenue, Maine and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, Maine had the highest property tax burden in the nation as measured by percentage of state personal income. Property taxes accounted for nearly 23 percent of all state and local revenue, which ranked third highest in the nation (table ME-1).

Table ME-1
Selected Maine Property Tax Statistics, 2021[1]

	Maine	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,835	$1,898	*7*
Property tax percentage of personal income	5.3%	3.1%	*1*
Total property tax as percentage of state-local revenue	23.4%	15.5%	*3*
Median owner-occupied home value[2]	$212,100	$244,900	*27*
Median real estate taxes paid for owner-occupied home[2]	$2,722	$2,690	*20*
Effective tax rate, median owner-occupied home[3]	1.3%	1.1%	*16*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Maine has no statewide property tax, and the vast majority of property tax revenue is collected by incorporated towns and cities. Assessments are conducted by town and city assessors (table ME-2). Nonexempt real and personal property is locally assessed at *just*, or market value, as required by the state's constitution. Maine provides current use assessment of property used for agriculture, forestry, and open space.

Limits on Property Taxation

Since 2005, a law known as "LD 1" has limited the growth of municipal property tax revenue that is used to fund municipal operations and services, excluding property tax revenue allocated to pay county taxes and fund K-12 schools. Municipalities determine their tax levy limit every year by calculating the growth limitation factor and applying it to the prior year's limit. The growth limitation factor is based on a formula that combines growth in the value of newly taxable property, statewide growth in real personal

income, and changes in state funding to the municipality. For 2021, the income growth factor was 3.3 percent (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program called the Property Tax Fairness Credit provides property tax relief to eligible homeowners and renters with income up to $86,250 for a married couple filing jointly with at least one dependent (2022). Under current law, individuals may claim a fully refundable credit on their individual income tax return equal to 50 percent of the amount by which property taxes owed or 15 percent of rent exceeds 4 percent of a taxpayer's expanded income, up to a maximum of $1,000 for nonelderly taxpayers and $1,500 for taxpayers over 65.

Maine offers a homestead exemption that exempts from taxation up to $25,000 of the taxable value of a resident homeowner's primary residence. The state reimburses municipalities for half of property tax revenue lost due to the exemption.

Maine's local option Municipal Property Tax Assistance program allows local governments to provide a credit to senior homeowners (62+) on their homestead in exchange for volunteer services (Significant Features of the Property Tax). In 2019, the legislation authorized localities to set additional requirements for age and residency (L.D. 811, Chapter 159, 2019).

Two new property tax relief programs took effect in 2022. The State Property Tax Deferral program allows qualifying senior and disabled residents with income under $80,000 to defer property taxes on their primary residence (LD 897 of 2021). A second program, Property Tax Stabilization for Senior Citizens, allows Mainers who are 65 or older and who have lived in the state for 10 years or more to freeze their property taxes; under the new legislation, the property tax bill stays the same even if they move to a new property (LD 290 of 2022). In 2023, the state discontinued the Property Tax Stabilization program.

Maine also offers a variety of smaller exemptions for the blind, veterans and veterans' widows, and children, and provides for hardship abatements.

For taxable business equipment—a form of personal property subject to property tax—Maine offers a mix of property tax exemptions and reimbursements. The Business Equipment Tax Reimbursement (BETR) provides direct payments from the state to businesses that have paid taxes on eligible equipment, and the Business Equipment Tax Exemption (BETE) exempts eligible equipment and reimburses municipalities for at least 50 percent of the lost property tax revenue.

Under Maine law, municipalities are allowed to establish tax increment financing (TIF) districts for economic development purposes. Of Maine's $167 billion in total taxable value of land and buildings, approximately $4.8 billion is in TIF districts (Maine Revenue Services Property Tax Division 2020).

Table ME-2
Maine Property Tax Features, 2022

Feature	Maine	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state's municipal revenue sharing program began in 1972. Historically, it distributed to towns and cities 5 percent of state income and sales tax revenue, but the legislature routinely reduced revenue sharing by between 20 percent and 60 percent between 2010 and 2015. In 2016, the legislature cut the percentage of state income and sales tax revenue to be distributed to municipalities from 5 to 2 percent for fiscal years 2016 to 2019 (Maine Municipal Association 2018). The legislature increased the revenue sharing percentage to 3 percent for fiscal year 2020 and 3.75 percent for fiscal year 2021 (Me. Rev. Stat. Ann. tit. 30A, §5219-KK (in effect for 2021)).

Maine's constitution was amended in 1978 to require the state to reimburse towns and cities for at least 50 percent of the property tax revenue losses caused by property tax exemptions and credits enacted by the state, such as the homestead exemption and the business equipment tax exemption.

In 1992, Maine amended the constitution to require the state to fund 90 percent of any state mandate imposed upon a municipality by statute, order, or rule. However, mandates are still a controversial issue in the state; and in 2015, the senate president proposed a study of unfunded state mandates on towns.

The Business Equipment Property Tax Reimbursement program was established in 1995 to promote investment in manufacturing and other capital-intensive businesses. In 2004, Maine voters approved a ballot initiative to require the state to pay for 55 percent of the basic cost of K-12 education. In 2005, state lawmakers passed LD 1, which increased the homestead exemption and property tax circuit breaker and implemented spending growth limits at the municipal, county, and state levels of government. The limit does not apply to taxes raised for schools.

In the wake of the Great Recession, state lawmakers balanced the state budget in part by shifting costs to property taxpayers and scaling back property tax relief programs, but in 2015, the state began taking

steps to reverse this downward trend by increasing funding for property tax relief and restoring cuts to municipal revenue sharing (Maine Center for Economic Policy 2018; Maine Municipal Association 2018; Me. Rev. Stat. Ann. tit. 30A, §5219-KK (in effect for 2021)).

Recent Developments

Major brick-and-mortar retailers have appealed dozens of valuations in Maine municipalities in recent years using vacant or "dark" properties as comparable sales to argue for reduced assessments. In 2022, the state enacted a law blocking dark stores assessment theory; the bill became law without the governor's signature (Garofalo 2022). LD 1129 of 2022 states that (1) valuation must be based on a property's highest and best use taking into account cost, income, and sales comparison approaches to value; (2) that assessors must consider "age, condition, use, type of construction, location, design, physical feature and economic characteristics"; and (3) properties subject to restrictions on their use can't be used as comparable sales in determining the value of properties free of restrictions (36 MRSA §701-A).

Maine launched the State Property Tax Deferral program for seniors and disabled residents in 2022. Supported by American Rescue Plan Act (ARPA) funds, the program reimburses municipalities for deferred property taxes for qualifying senior or disabled residents with household income below $40,000 and liquid assets below $50,000. Repayment of deferred property taxes to the program will sustain the program. Maine had a similar program in the 1990s (Maine Office of the Governor 2022).

The Property Tax Stabilization for Senior Citizens became law in 2022 without the governor's signature. Under the new law, homeowners who are 65 who were eligible for the state's homestead exemption and have owned a home in Maine for 10 years or more could have their property tax bill frozen, with the state reimbursing local governments for associated tax loss. The program had no income limit and residents could reapply each year. Once in the program, claimants could continue to pay the *stabilized* property tax amount even if they move to a higher value property (LD 290 of 2022) (Wade 2022). In its 2023 session, the legislature passed legislation to end the program and replace it with expanded benefits under the Property Tax Fairness Credit and Property Tax Deferral Programs. The measure increased the maximum benefit for the Property Tax Fairness Credit from $1,500 to $2,000 and doubled the income limit for the deferral program.

Maine's combination of large, sparsely populated inland counties, a population that is older and less wealthy than that of many other states, relatively high property taxes, and a coastline of spectacular natural beauty attractive to vacationers and summer residents, has led to many debates with fiscal and land use implications. Acadia National Park was the first national park created from land donated by private citizens, including summer resident John D. Rockefeller. In 2016, Roxanne Quimby, founder of natural cosmetics firm Burt's Bees, donated 87,500 acres in rural Maine to the federal government. The large amount of state land held by exempt organizations has occasionally been politically controversial, as with then-Governor Paul LePage's unsuccessful 2018 effort to end property tax exemptions for nonprofit entities (Neumann 2018). Most recently, in 2023, the town of Vinalhaven successfully challenged the tax-exempt status of the Hurricane Island Foundation, whose purpose is to "promote

character development, leadership skills and self-discovery through outdoor educational experiences beyond the traditional classroom" (*Hurricane Island Foundation v. Town of Vinalhaven*, 2023).

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LINCOLN INSTITUTE
OF LAND POLICY

Maryland

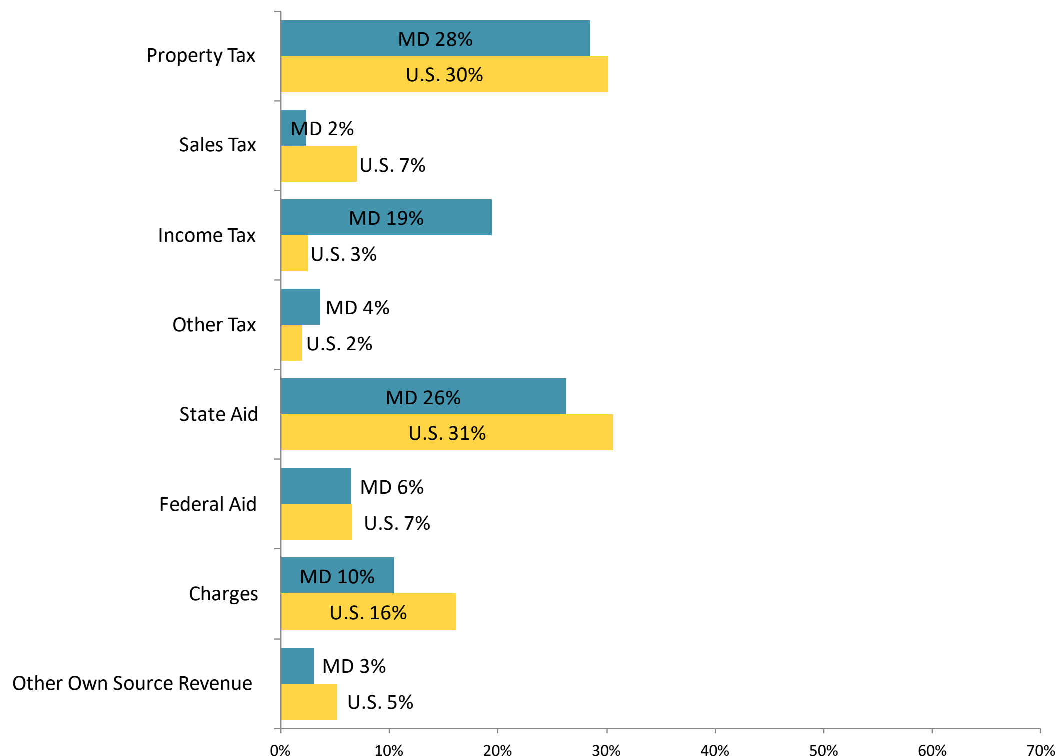
Highlights

Maryland relies less on property taxes than do many other states because county governments levy the highest local income tax per capita of any state in the nation (figure MD-1) (Significant Features of the Property Tax). Each of the state's 23 counties and the City of Baltimore collect an income tax that piggybacks on the state income tax, with rates ranging from 2.25 percent to 3.2 percent of taxable income (Comptroller of Maryland). In Maryland, counties are the dominant form of local government.

Maryland is one of only two states in which the state government is responsible for assessing all property values. The other state is Montana.

Another distinctive feature of Maryland property law is the presence of ground rent. This feature, which occurs mostly in Baltimore City and surrounding counties, involves the ownership of the land under a dwelling by a separate leaseholder. This ground rent leaseholder permits use and development of the land by the tenant in exchange for a regular rental payment.

Figure MD-1
Sources of Local General Revenue, Maryland and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Maryland is near the national average on measures of effective property tax rate on a median value owner-occupied home and property tax as a percentage of state and local revenue, and below the national average for property tax as a percent of personal income (table MD-1).

Table MD-1
Selected Maryland Property Tax Statistics, 2021[1]

	Maryland	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,814	$1,898	*22*
Property tax percentage of personal income	2.7%	3.1%	*32*
Total property tax as percentage of state-local revenue	14.4%	15.5%	*24*
Median owner-occupied home value[2]	$338,500	$244,900	*11*
Median real estate taxes paid for owner-occupied home[2]	$3,633	$2,690	*12*
Effective tax rate, median owner-occupied home[3]	$1.1%	1.1%	*21*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Maryland are collected principally by local governments (counties, municipalities, and municipal subunits), with 2022–2023 county real property rates ranging from 0.682 percent to 2.248 percent. Municipal property tax rates range from 0 to 1.44 percent. School districts in Maryland are dependent on parent governments (mostly counties) and do not directly levy property taxes.

Assessments are conducted by the state on a rotating three-year cycle. The City of Baltimore and each county reimburse the state for the cost of real property valuations. Increases in assessed values are then phased in over the subsequent three-year cycle (Significant Features of the Property Tax).

Limits on Property Taxation

Maryland places no limit on property tax rates or levies. It does, however, limit growth in assessments via the Homestead Property Tax Assessment Freeze (table MD-2). This program provides a tax credit that effectively limits the taxed assessed value to 110 percent of the previous year's assessment for

qualified residential properties. The practice described above of phasing in changes in assessed values over three years after revaluation also constrains growth in assessed values.

Property Tax Relief and Incentives

Maryland has a Homeowners' Property Tax Credit program for applicants with income under $60,000 and net worth under $200,000, excluding the primary residence and retirement accounts. Only taxes paid on the first $300,000 of assessed valuation are eligible for relief. Property owners who qualify for the program have their property taxes reduced by up to 100 percent depending on their income (Maryland Department of Assessments and Taxation). Maryland also offers exemptions or credits for blind individuals, low income or elderly renters, and disabled veterans, and has various local option relief programs.

The state has a wide array of property tax credits and other programs to promote economic development, including tax increment financing districts and enterprise zones.

Table MD-2
Maryland Property Tax Features, 2022

Feature	Maryland	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxation in Maryland dates to the Lords Baltimore of the 17th century although the state briefly eliminated property taxes in the 1830s, relying instead on corporation tax revenue and dividends from investments. Maryland imposed a state property tax in 1841 after defaulting on its debt following the collapse of financial markets (Wallis 2001). Between 1914 and 1916, Maryland enacted major reforms to its property tax system, establishing a three-member State Tax Commission in place of a single commissioner with broad authority to oversee and standardize local assessments, and requiring regular reassessment every five years (Hare and Papenfuse 2002).

The Department of Assessments and Taxation, founded in 1959, made Maryland one of the first states to centralize property assessment at the state level. By 1973, assessment was fully centralized and counties no longer exercised assessment authority.

In July 2001, property assessment was changed to reflect 100 percent of the full market value of the property (Hare and Papenfuse 2002).

In 2007, the state legislature forbade establishment of future ground rents and required that all ground rents be registered with the state by a set deadline, or the property interest in the ground would be forfeited. However, in 2011, in *Charles Muskin v. State Department of Assessments and Taxation*, the Maryland Court of Appeals found that the forfeiture of ground rent rights was unconstitutional and overturned this portion of the law (People's Law Library of Maryland).

In 2012, Maryland introduced a controversial fee for property owners to pay for stormwater runoff pollution. This fee, which applies to property owners in the 10 most populous counties in the state, has been derided in popular media as a "rain tax." Some counties charge a flat rate to all homeowners, while others charge varying amounts based on the area of nonporous surfaces on the property (Cappiella 2014). Repeal of the "rain tax" was one of the key proposals of the campaign of Governor Larry Hogan. In 2015, the new administration repealed the state mandate for the fee, but most counties have chosen to keep the fee in place (Wood and Wheeler 2015).

Recent Developments

In 2022, The U.S. Supreme Court upheld the Second Circuit Court's dismissal of a case brought by Connecticut, Maryland, New York, and New Jersey challenging the constitutionality of the federal $10,000 cap on the deductibility of state and local taxes in the Tax Cuts and Jobs Act of 2017 (Muse 2022). The circuit court dismissed the lawsuit in September 2020, finding that "The States have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The average SALT deduction claimed by Maryland residents who itemized in tax year 2016 was $13,089 (Tax Policy Center 2017). In May 2020, Maryland became the seventh state to enact an entity-level tax to shield owners of pass-through businesses from the effect of the cap by offering credits against personal income taxes for entity-level taxes paid (SB 523 of 2020) (Lundstedt 2023; Walczak 2020). Six months later, the IRS released regulations to permit an entity-level tax workaround like the one in Maryland (IRS Notice 2020-75).

Counties and municipalities in Maryland will receive notice from the state of any successful commercial property tax appeal resulting in a value decrease of 20 percent or more and will have 90 days to appeal the new valuation. House Bill 69 also removed the requirement that the taxpayers must use the assessed values of comparable properties to make their case (House Bill 69 of 2022) (Branham 2022).

The 2022 legislature increased the business personal property tax exemption eight fold from $2,500 to $20,000 effective fiscal year 2023. The fiscal note to HB 268 of 2022 estimated the measure

would reduce local government revenues by $1.5 million and save small businesses $104 on average (Kinnally 2022).

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LINCOLN INSTITUTE
OF LAND POLICY

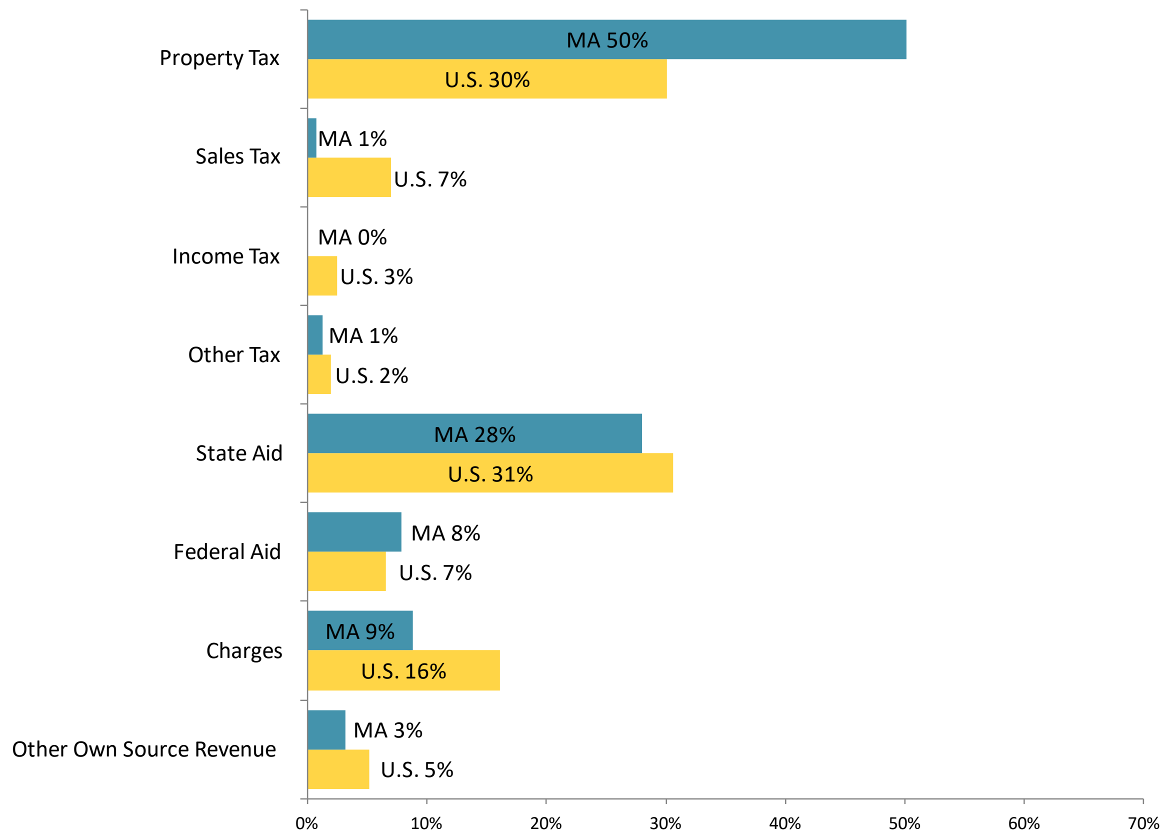
Massachusetts

Highlights

Property taxes are the primary source of revenue for funding local government services and schools in Massachusetts's 351 cities and towns (figure MA-1).

Massachusetts voters adopted a tax limitation, known as Proposition 2 ½, in November 1980 by a citizens' initiative petition. In addition to limiting the tax levy to 2 ½ percent of a municipality's total assessed value and annual increases of the levy to 2 ½ percent, the initiative abolished fiscal autonomy of school committees, curtailed state mandates on local governments, reduced the maximum rate for automobile excise taxes, eliminated binding arbitration for local police and firefighters' contracts, and allowed renters a deduction on their state income tax. Later amendments increased local flexibility for levy increases and ballot overrides.

Figure MA-1
Sources of Local General Revenue, Massachusetts and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Certification of assessed values by the commissioner of revenue allows local officials the option, after a public hearing, to set different local tax rates for residential, open space, commercial, and industrial property. Approximately one-third of the 352 municipalities have adopted classified tax rates; the remainder set a single rate for all property (Division of Local Services 2023). A residential factor determined by the commissioner ensures that the residential property class will contribute at least 50 percent of its full value share of the tax levy and that the commercial and industrial classes will pay no more than 175 percent of their full value share.

Property Tax Reliance

Massachusetts's property tax burden is high relative to other states as measured per capita or as a percentage of personal income (table MA-1).

Table MA-1
Selected Massachusetts Property Tax Statistics, 2021[1]

	Massachusetts	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,800	$1,898	*8*
Property tax percentage of personal income	3.4%	3.1%	*14*
Total property tax as percentage of state-local revenue	19.2%	15.5%	*8*
Median owner-occupied home value[2]	$424,700	$244,900	*4*
Median real estate taxes paid for owner-occupied home[2]	$5,091	$2,690	*5*
Effective tax rate, median owner-occupied home[3]	1.2%	1.1%	*19*

Sources: U.S. Census via Significant Features of the Property Tax , American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Local officials in each city and town assess, levy, and collect property taxes for all real and personal properties subject to taxation within their municipalities.

Property is assessed at its full market value, with special provisions for agricultural, forest, and recreational land. Property valuations determined by local assessors are reviewed and certified every year by the commissioner of revenue.

Limits on Property Taxation

The amount raised by property taxes is governed by two limits: a limit on the annual increase in property tax revenue (2 ½ percent plus an amount for new construction) and an overall limit on the amount collected in a given year (2 ½ percent of total assessed value). Voters may override these limits at local elections (Massachusetts Division of Local Services; Significant Features of the Property Tax).

Although 2 ½ percent is high rate limit, it can be binding on low-growth communities with declining property values or rising costs of government services. For example, the western Massachusetts City of Pittsfield was unable to increase its property tax revenues by 2 ½ percent per year between 2016 and 2020 because its rate was capped at 2 ½ percent of taxable value and values were decreasing. In 2017, the city's property tax revenues could grow by only 0.51 percent. In the city of Springfield, the rate limit similarly restricted collections for fiscal years 2011 to 2016, with allowable revenue actually falling in 2012 and 2013 (Langley and Youngman 2021, 27).

Property Tax Relief and Incentives

Massachusetts property tax relief includes special exemptions for veterans; surviving spouses; the blind, deaf, and disabled; and the elderly, including tax deferrals and a local option senior property tax work-off abatement. The state does offer and fund a circuit breaker program limited to senior homeowners and renters whose property taxes exceed 10 percent of income (table MA-2). The maximum benefit paid in 2022 was $1,170 (Significant Features of the Property Tax).

Massachusetts permits communities to authorize an exemption for principal residences of up to 35 percent of the average assessed valuation of all residential parcels. However, this exemption does not cause a tax shift to nonresidential properties. Instead, the residential rate must rise to raise the same amount of revenue from the lower residential base, introducing an element of progressivity (Significant Features of the Property Tax).

Massachusetts offers several property tax incentives for economic development. The state's Economic Development Incentive Program includes two local incentives: the tax increment financing (TIF) exemption program and the special tax assessment abatement. Unlike other states, Massachusetts defines TIF as a property tax exemption. A separate program, called district improvement financing (DIF), is a conventional tax increment finance program that allows use of tax increments and debt instruments for public improvements within the designated area.

Table MA-2
Massachusetts Property Tax Features, 2022

Feature	Massachusetts	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Since 1980, local property taxation has undergone major changes as a result of judicial, legislative, and voter initiatives. Massachusetts local property taxes were among the highest in the nation and lacked equitable assessments both within and between municipalities. Legal challenges to inequitable assessments eventually culminated in the 1974 *Sudbury* decision by the Massachusetts Supreme Judicial Court, which demanded that local governments adhere to the "full and fair cash value."

Strong local resistance resulted in slow progress until a legislative amendment to the constitution reached the ballot and was adopted in 1978, allowing differential taxation for up to four classes of property. The enabling legislation, Chapter 797 of the Acts of 1979, established a comprehensive legal and administrative framework for taxation of property, with extensive authority placed in the Massachusetts commissioner of revenue.

Despite some progress toward compliance, local governments were reluctant to move quickly due to their taxpayers' concern about the cost and full effects of revaluation. In response to this concern, rising property taxes, and the adoption of Proposition 13 in California, the Massachusetts electorate in November 1980 endorsed the statewide tax limitation, known as Proposition 2 ½. By limiting the amount that a city or town could raise in taxes to 2 ½ percent of the total value of its taxable property, this new law provided the necessary incentive to establish full value assessments. In 1980, many municipalities were taxing above the limit and were required to reduce their levy by 15 percent per year until the limit was achieved. When Proposition 2 ½ went into effect in fiscal year 1982, new full value assessments dramatically decreased the number of communities required to reduce their taxes (Farmer 2021).

These combined judicial, legislative, and citizen initiatives produced major changes in the property tax system in Massachusetts. Cities and towns maintain full value assessments and have discretion in establishing uniform or classified tax rates as well as in adopting exemptions. Local decisions about spending must be made within the constraints of tax levy limits.

Recent Developments

In September 2021, the legislature overrode a gubernatorial veto to enact a pass-through entity (PTE) tax as a work around to the federal cap on the deductibility of state and local taxes. Since the enactment of the 2017 federal Tax Cuts and Jobs Act, the deductibility of individual state and local taxes, including property taxes, has been limited to $10,000 per year. The Massachusetts policy allows a qualifying member of a pass-through entities to pay an excise tax at the entity level and receive a 90 percent credit which may be claimed against the member's individual taxes, blunting the effect of the SALT limit. Because the credit is less than 100 percent, the PTE tax is revenue positive. Massachusetts (Chapter 69 of the Acts of 2021; Massachusetts Department of Revenue 2023; McLoon et al. 2021). As of May 2023, 33 states had enacted an entity level tax since the enactment of the cap on SALT deductions in 2017 (Association of International Certified Professional Accountants 2023).

Massachusetts and New Hampshire settled a case over property taxes on flood control facilities that are located in New Hampshire. Massachusetts agreed to pay New Hampshire communities $3.5 million to offset lost property tax revenue. Massachusetts had not made payments since 2014 (Associated Press 2022).

Massachusetts is one of a minority of states allowing governments to take absolute title to properties in tax foreclosure without refunding the excess sale proceeds to the taxpayer. The Pacific Legal Foundation represented Massachusetts taxpayer Deborah Foss in her case against the City of New Bedford on grounds that this constituted an uncompensated taking and an excessive fine under the U.S. Constitution and similar provisions in the Massachusetts Constitution. Although a negotiated settlement meant that these claims were never adjudicated, the Pacific Legal Foundation brought a similar action against Hennepin County, Minnesota and won a unanimous verdict on takings grounds in the U.S. Supreme Court in *Tyler v. Hennepin County* (2023).

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LINCOLN INSTITUTE OF LAND POLICY

Michigan

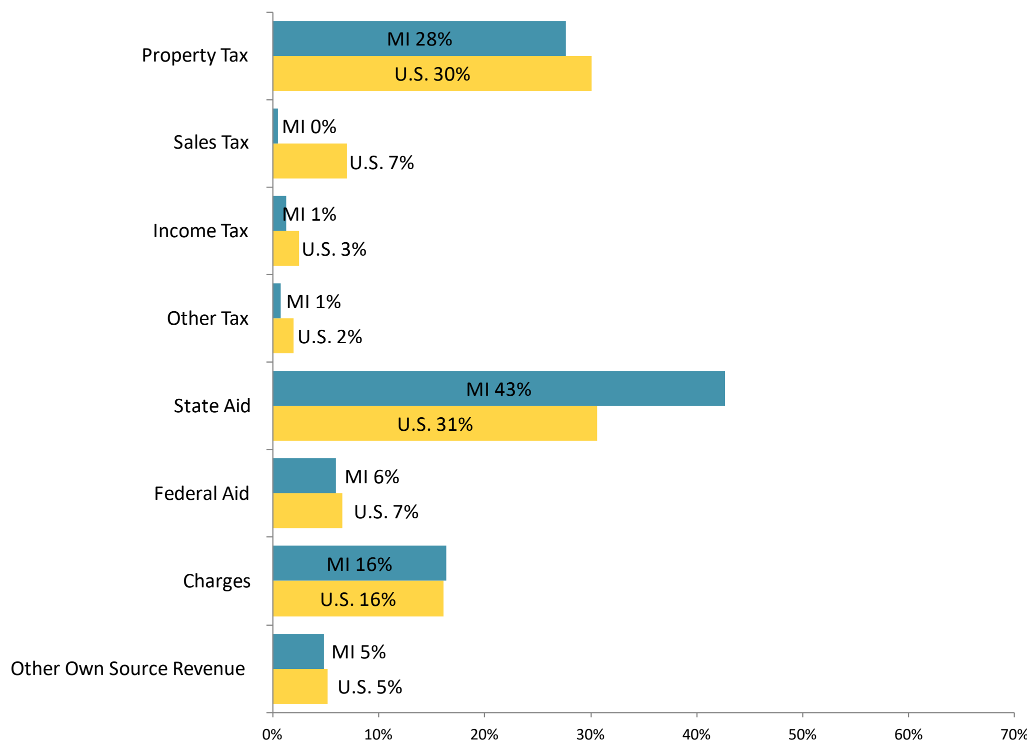
Highlights

In 1994, voters in Michigan approved Proposal A, which reduced local property taxes for schools, especially on primary residences, and substituted a higher state sales tax and a state government property tax, known as the State Education Tax. The incremental revenue from the higher sales tax and all of the state government property tax was earmarked for K-12 education.

The state government property tax is levied on all property at 6 mills and amounted to about 14 percent of total state and local property tax collections in Michigan in 2022 (Michigan Department of Treasury 2023, 1). Local school district property taxes for operating expenses are levied only on non-homestead property at a maximum of 18 mills.

Because the State Education Tax is a property tax paid to state government, interstate comparison of local property tax reliance alone could be misleading Michigan. Property taxes accounted for only 28 percent of total local general revenues in 2021, slightly less than the U.S. average, but Michigan ranks 21st highest for state and local property tax revenue as a share of combined state and local revenue because of the importance of the State Education Tax (figure MI-1).

Figure MI-1
Sources of Local General Revenue, Michigan and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, property taxes accounted for 3.0 percent of personal income, slightly below the national average, ranking Michigan 21st highest among the states. The property tax in Michigan accounted for 15.4 percent of state and local revenue, just below the national average of 15.5 percent. The effective tax rate on a median-valued owner-occupied home was higher than the U.S. average, giving Michigan the 14th highest rank in the country (table MI-1).

Table MI-1
Selected Michigan Property Tax Statistics, 2021[1]

	Michigan	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,662	$1,898	*27*
Property tax percentage of personal income	3.0%	3.1%	*21*
Total property tax as percentage of state-local revenue	15.4%	15.5%	*21*
Median owner-occupied home value[2]	$172,100	$244,900	*40*
Median real estate taxes paid for owner-occupied home[2]	$2,551	$2,690	*21*
Effective tax rate, median owner-occupied home[3]	1.5%	1.1%	*14*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for are median owner-occupied home value and median real estate taxes paid for owner-occupied home five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Assessment and Administration

Michigan distinguishes between assessed value, capped value, and taxable value (Hallahan 2015). Assessed value is equal to 50 percent of true cash value, which is the same as fair market value. The property owner is taxed on taxable value, which is the lesser of assessed value or capped value. Capped value is the prior year's taxable value plus the prior year's taxable value times the lesser of 5 percent or the annual inflation rate. Upon transfer, property is reassessed at 50 percent of cash value.

Assessment is carried out at the local government level, with state government oversight and equalization. Property is revalued annually. Real residential property is the largest class of property, comprising 70 percent of total real and personal assessed value (Significant Features of the Property Tax). Most telecommunications and railroad property is assessed by the state government, not locally, and has a state public utility tax levied upon it, rather than the general property tax.

As of 2023, most personal property tax in Michigan is exempt with Proposal 1 of 2014 fully implemented (Hallahan and O'Loughlin 2021).

Limits on Property Taxation

Michigan employs a levy cap, rate limit, and assessment limit on property taxation. The Headlee Amendment Levy Cap, which went into effect in 1978, requires a rate reduction if assessed values increase more than the increase in the U.S. consumer price index (CPI) in order to yield the same revenue, adjusted for changes in the CPI. New construction and improvements, as well as debt service, are excluded (Significant Features of the Property Tax).

The general rate limit is 15 mills, excluding debt service, but this can be increased to 18 mills with a voter-initiative override. The city charter rate is 20 mills, but that rate limit may also be exceeded with voter approval (Significant Features of the Property Tax).

The assessment limit, described above, requires that taxable value not increase in any year by more than the lesser of 5 percent or the rate of inflation measured by the CPI (table MI-2).

Property Tax Relief and Incentives

Michigan employs several residential property tax relief programs. One program exempts all principal residences from the school operating millage. Another exemption, targeted to low-income homeowners, can partially or fully exempt them from paying property taxes.

The Homestead Property Tax Credit, a type of property tax circuit breaker, is available through the state individual income tax for low-income homeowners, renters, and senior citizens. The credit is equal to 60 percent of property tax (or rent equivalent) that exceeds 3.2 percent of income, except that seniors and disabled homeowners are exempt from property taxes if their total household resources are less than $60,000. Renters may claim 23 percent of rent as property tax for the credit. The maximum benefit is $1,500.

The Poverty Exemption provides up to a 100 percent property tax reduction for property owners meeting income criteria set locally at or above the federal poverty level.

Act 33 of 2020 authorized local governments to offer installment plans for property tax payments. Property taxes are generally paid in large lump sums. The law aims to reduce delinquency by providing for smaller, more frequent payments. Milwaukee and Wisconsin have a similar program (Langley and Youngman 2021).

The Farmland Preservation Tax Credit, equal to the amount by which farmland property taxes exceed 3.5 percent of income, is an income tax credit available to certain landowners who enter into a developmental rights agreement with the state. Landowners receiving this credit are also eligible for the Homestead Property Tax Credit, but they must report the value of their farmland credit in their total household resources on the application for the Homestead Property Tax Credit.

Exemption or reduction of property tax on industrial or commercial property is available for up to 12 years under specific conditions for renovation, expansion, or construction of new property if approved by a local unit of government and the State Tax Commission. Michigan authorizes tax increment financing and provides economic development tax incentives through two zone-based programs and several stand-alone property tax abatement programs for qualifying business property.

Table MI-2
Michigan Property Tax Features, 2022

Feature	Michigan	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

With the adoption of Proposal A in 1994, Michigan instituted a 6 mill state government property tax for education. Local school district property taxes for operating expenses were limited to a maximum of 18 mills on all non-homestead property. A few selected high-spending districts were permitted to collect so-called hold-harmless mills, which are levied only on homestead property in a school district and were intended to allow those districts to continue to have per-student spending above the state foundation. The annual increase in taxable value of all properties (adjusted for structural changes) was limited to the lesser of the percentage change in the CPI or 5 percent.

At the state government level, the general sales tax rate was increased from 4 to 6 percent, with all additional sales tax revenue due to the rate change earmarked for state government support of schools. Simultaneously, the state government adopted a foundation aid school financing system under which the foundation amount varied by district with the goal of establishing a minimum per-student funding level for all districts. The option for local school districts to supplement the state support with local taxes was greatly restricted.

Effectively, then, Proposal A resulted in a tax swap, such that a mix of state government taxes (sales, income, property, cigarette, real estate transfer, lottery) partially replaced the local property tax in funding K-12 education. Equally important was the fact that those state government funds were

distributed to school districts in an entirely different way than they had been previously. Although Proposal A equalized per-pupil school district spending, it failed to target aid to the neediest students and schools (Kenyon and Munteanu 2022).

Not surprisingly, both property tax rates and property tax amounts decreased substantially (especially for primary residences). Another obvious immediate effect was less geographic variation in property tax rates because the new system imposed uniform property tax rates for K-12 education, with a few exceptions.

In 2014, voters approved Proposal 1, which greatly reduced the state's revenue from personal property taxation. Components of the legislation included a small taxpayer exemption, a phased-in exemption for eligible manufacturing property, and a state-imposed essential services assessment that exempted manufacturing property (but imposed it at a much lower rate). The various components of this legislation had different effective dates, with all eligible property exempt by 2023 (Citizens Research Council of Michigan 2021; Hallahan and O'Loughlin 2021).

Michigan's property tax caps have reduced the ability of local governments to provide services. A recent report found that Michigan cities, excluding Detroit, saw spending decline more than 17 percent from 2008 to 2014 with declines in every service category. The Center for Budget and Policy Priorities found that local governments are relying more on alternative revenue sources to make up for declining property tax revenue (Lav and Leachman 2018).

The city of Detroit began implementing property tax reforms following its bankruptcy filing in 2013 (Sands and Skidmore 2015). In 2014, the Michigan Tax Commission began oversight of Detroit's Assessment Division "in the wake of mismanagement in Detroit's Assessment Division, widespread over-assessments and rampant tax delinquencies" (Ferretti 2017). By early 2017, every residential property had been reassessed. The city's collection rate increased steadily to 80.1 percent in fiscal year 2017 (Carter 2018). In September 2017, the Michigan Tax Commission voted to release the city from oversight (Ferretti 2017).

Recent Developments

Michigan has been the epicenter of controversy over the "dark stores" assessment theory. This theory asserts that big box stores should be valued based on the sales of similar-sized properties that are vacant or abandoned, leading to significant reductions in assessments (Wilmath and Alesandrini 2015). Between 2010 and 2017, Michigan localities refunded retailers over $100 million in successful big box valuation appeals (Collins et al. 2018). In October 2017, the Michigan Supreme Court denied an appeal by a big-box retailer in *Menard Inc. v. City of Escanaba*, in an apparent win for local governments (Muse 2017). Legislative attempts to block the use of dark store theory to appeal assessments have failed.

Some Michigan communities are fighting back. Residents in Houghton, Michigan staged a community demonstration in response to a pending dark stores trial in the summer of 2023. City Manager Eric Waara told reporters the city attempted to settle the case, originally filed in 2018, without success. The city's largest retailer is seeking to reduce its assessment by 60 percent using dark stores assessment

theory. The city claims the retailer's appeal violates a development agreement in which Walmart received incentives to expand in 2004. The city assembled a task force to raise awareness of the issues and to prepare for possible budget cuts (Jackson 2023; TV 6 News Team 2023). In another community, Walmart dismissed three lawsuits with prejudice in 2022 after the county fought the retailer's efforts to reduce its property tax values by about half using dark stores assessment theory (Warren 2022).

In December 2021, Michigan Governor Gretchen Whitmer signed legislation creating a new flow-through entity (FTE) tax as a workaround to the cap on the deductibility of state and local taxes (SALT) for federal tax purposes (House Bill 5376 of 2021). Since the enactment of the 2017 federal Tax Cuts and Jobs Act, the deductibility of individual state and local taxes, including property taxes, has been limited to $10,000 per year. The new Michigan policy allows business owners of pass-through entities to pay income taxes at the entity level thereby reducing taxable income before claiming any individual deductions or exemptions, effectively shielding owners of pass-through-entities from the effects of the SALT limit. As of May 2023, 33 states have enacted an entity level tax since the enactment of the cap on SALT deductions in 2017 (Association of International Certified Professional Accountants 2023).

House Bill 5351 of 2021 more than doubled the business personal property tax exemption, increasing it from $80,000 to $180,000 of true cash value. Under pressure from local government groups, the legislature appropriated $75 million to reimburse localities for the anticipated tax loss in 2023, the year the higher exemption went into effect (Moncrief 2022).

In 2023, Michigan extended and expanded a property tax relief program established during the pandemic to assist residents at risk of property tax foreclosure. The Michigan Homeowners Assistance Fund (MI-HAF), funded with American Rescue Plan Act dollars, provides grants of up to $25,000 to pay for delinquent property taxes, mortgage payments, homeowners insurance, association fees, utilities, and broadband internet. With the expansion, qualifying homeowners can use the grant for delinquent property taxes for all years, even prior to the pandemic (Walker 2023).

In October 2022, a federal appeals court ruled that a Michigan law (the Michigan General Property Tax Act) permitting the state and county governments to retain proceeds from tax foreclosure sales in excess of the tax debt is unconstitutional. In *Hall v. Meisner*, two individual plaintiffs and one couple sued Oakland County, the City of Southfield, and the Southfield Neighborhood Revitalization Initiative, and their officers. In each case, the county conveyed the foreclosed properties to the city for the amount of the tax debt, and the city then conveyed the properties to the for-profit Southfield Neighborhood Revitalization Initiative for $1. The company later sold the properties at market value. Lead defendant Tawanda Hall owed $22,642 in taxes, penalties, and fees; the company sold her property for $308,000. Even though the county conveyed the property to the city for only the amount of the tax debt, the court found that by taking absolute title to the property when the tax debt accounted for only a share of the property value, the county took Hall's property without just compensation in violation of the Fifth Amendment Takings Clause of the U.S. Constitution (Jardine 2022).

In August 2023, Mayor Mike Duggan announced a plan to implement a split-rate property tax in Detroit that would cut taxes on buildings by 14 mills while more than doubling taxes on land (City of Detroit

2023). The proposal was informed by a major study on the potential impact of "Split-Rate Property Taxation in Detroit" by the Lincoln Institute of Land Policy (2022). This change first requires state authorizing legislation to allow for split-rate property taxation by local option, and then Detroit voters would decide whether to adopt the land value tax in February 2024.

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LINCOLN INSTITUTE
OF LAND POLICY

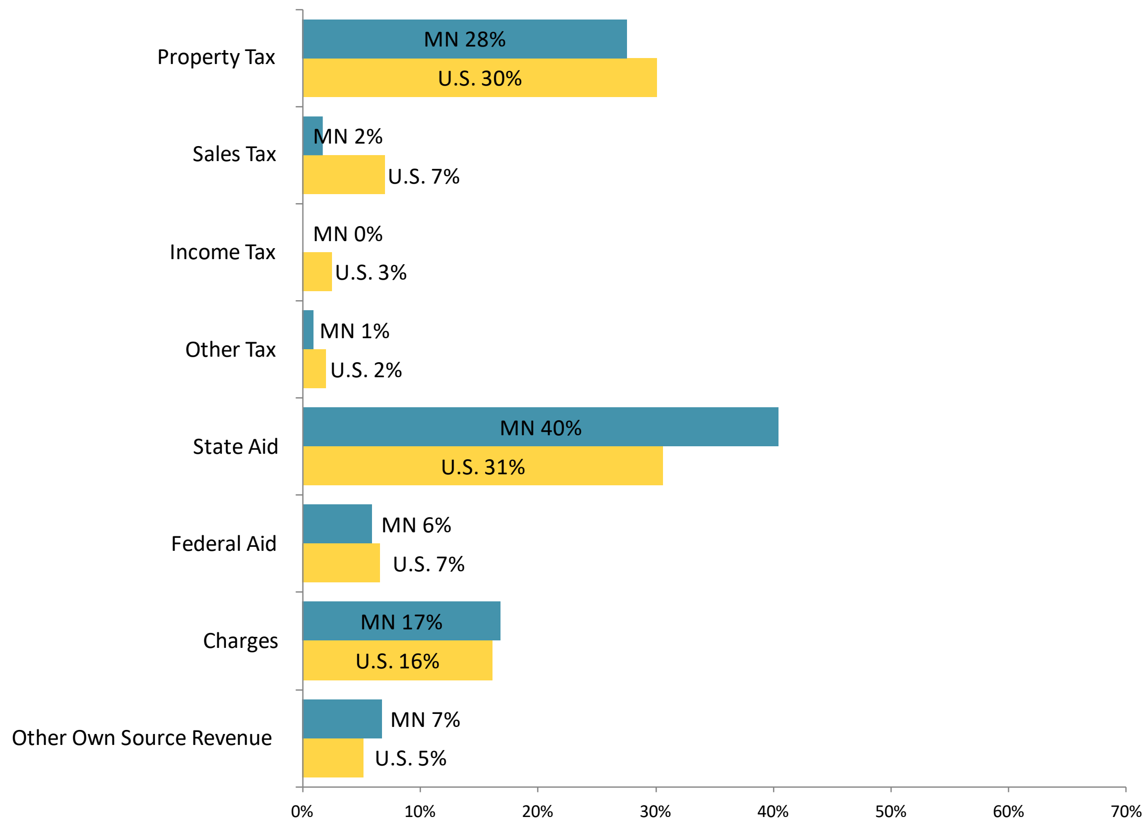
Minnesota

Highlights

Minnesota has earned a reputation for having one of the most complicated property tax systems in the nation because it uses 40 different property tax classifications based on combinations of property type and value (Minnesota Department of Revenue 2023a, 40–41) (figure MN-1). In addition, the state employs a unique "tax capacity" system in which assessed values are multiplied by class rates established in statute and then summed to determine the total tax base. This system, rather than the more common practice of using assessment rate differentials, serves as a method to deliver preferential treatment to certain property types. Credits, value exclusions, special valuations, and special rate preferences further add to the complexity.

Minnesota features a major state property tax—the "state general tax"—that is levied only on businesses (95 percent of levy) and seasonal recreational properties (5 percent of levy). This state levy does not directly support education finance but remains undedicated general fund revenue (Minnesota Department of Revenue).

Figure MN-1
Sources of Minnesota Local General Revenue, 2021



Source: U.S. Census via Significant Features of the Property Tax

The state is also home to the nation's longest-running experiment in regional tax base sharing. The Fiscal Disparities Program shares 40 percent of the post-1971 growth in the commercial-industrial property tax base of the seven-county Twin Cities metropolitan area. The state had established a parallel program on the Iron Range of northeastern Minnesota in 1995 (Minnesota House Research 2020).

Property Tax Reliance

Minnesota's property tax burden measured either as tax per capita or as a percent of personal income is close to the U.S. average (table MN-1).

Table MN-1
Selected Minnesota Property Tax Statistics, 2021[1]

	Minnesota	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,870	$1,898	*20*
Property tax percentage of personal income	2.9%	3.1%	*23*
Total property tax as percentage of state-local revenue	14.4%	15.5%	*25*
Median owner-occupied home value[2]	$250,200	$244,900	*22*
Median real estate taxes paid for owner-occupied home[2]	$2,767	$2,690	*19*
Effective tax rate, median owner-occupied home[3]	1.1%	1.1%	*19*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for are median owner-occupied home value and median real estate taxes paid for owner-occupied home five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

All local property tax collections are based on levies established by the local units of government and are derived by subtracting non-property tax revenues from budgeted spending.

Counties, with isolated exceptions, are responsible for assessing property. Parcels are revalued every year and are required to be reassessed through physical inspection every five years. Minnesota exempts business personal property from taxation with the exception of some utility property.

Minnesota uses classification for both the local levy and the state levy. For the local levy, assessment ratios vary from 0.25 percent for low income rental property to 2 percent for unmined or low-recovery

iron ore. The classification system for the state levy uses varying tax rates and varying assessment ratios (Minnesota Department of Revenue 2023a, 40–41).

Limits on Property Taxation

The state levy, originally established in statute at $450 million, increased each year at the rate of inflation, until the state legislature eliminated the automatic annual inflator in 2017. Although the state has authority to limit increases in local property tax levies for localities with populations over 2,500 by legislative action, the legislature last imposed a 3 percent general levy limit in 2013 effective for the 2014 tax year (League of Minnesota Cities 2023; Minnesota Center for Fiscal Excellence 2013). Override is by a majority vote of the electorate at a referendum. Minnesota has no assessment limitations (table MN-2). All property owners receive a truth-in-taxation statement each year breaking down the total property tax burden by each levying entity and allowing year-on-year comparisons.

Property Tax Relief and Incentives

Minnesota's strong historical interest in progressive taxation is reflected in some of the most generous and broadly accessible property tax refund programs in the country. The state features an income-tested circuit breaker for all homeowners, a universal income-tested renter's credit based on estimates of rent constituting property taxes, and a special refund program to mitigate large year-on-year homeowner property tax increases. There are also two homestead exemptions: (1) all owners of homesteads or farmsteads qualify for an exclusion of 40 percent of the first $76,000 of market value, which is reduced by 9 percent of the value over $76,000 and phased out at $413,800 of market value; and (2) disabled veterans are eligible for an exemption of up to $300,000 of their home's value (Significant Features of the Property Tax).

There is a wide array of incentives for economic development that include property tax abatements or earmarking of incremental property tax revenues as in tax increment finance (TIF). Minnesota has separate TIF programs for housing districts, hazardous substances subdistricts, and soils conditions districts, among others. In 2017, the state added workforce housing districts to TIF (Significant Features of the Property Tax).

Table MN-2
Minnesota Property Tax Features, 2022

Feature	Minnesota	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1971, the state embarked on a landmark buydown of local property taxes and a monumental restructuring of the state/local finance system. Known as the "Minnesota Miracle," this series of reforms raised both corporate and individual income taxes; boosted the general sales tax rate from 3 percent to 4 percent; and increased beer, liquor, cigarette, and severance taxes. In return, the state increased its school foundation aid formula by 95 percent, eliminated the existing statewide property tax, established a new local government aid program, increased categorical aid for public welfare spending, and expanded an existing homestead credit.

Budget surpluses of the late 1990s and resurfacing property tax resentment led to further property tax reform, which this time fundamentally changed school finance in the state. In 2001, the state government eliminated the entire general education levy, replacing it with state education aid, and exempted agricultural and cabin properties from school district referendum levies. The state also significantly compressed property tax class rates, providing substantial relief to businesses, some of which was offset by a new statewide property tax on business properties. Three compressions between 1997 and 2002 substantially narrowed the gap between class rates for homestead and commercial properties (Shute 2020).

After these reforms were enacted, state support for education was buffeted by two significant recessions and intense program competition within the state general fund. This resulted in rapid growth of, and greater reliance on, school referenda levies to support general school operations. As a result, the 2001 reforms have been reconsidered by some policymakers, leading to interest in reestablishing the state general education levy in some form. In 2010, the state created a property tax working group to develop recommendations on how to make the property tax system more simple, understandable, transparent, accountable, and efficient. The final report, delivered in 2012, offered 19 separate

recommendations covering all dimensions of the property tax system in support of these policy objectives (Property Tax Working Group 2012).

In 2013, the legislature passed a tax plan that aimed to provide property tax relief in the form of an expanded property tax circuit breaker program, increased state aid to local governments, and a 3 percent limit on local property tax levy increases. The 2013 tax bill increased individual and corporate income taxes, consumer and business state sales taxes, local sales taxes, cigarette and tobacco taxes, and estate taxes (Hamilton 2013; Minnesota Center for Fiscal Excellence 2013).

In 2017, Minnesota enacted a package of tax cuts that included two cuts in the statewide property tax which falls mostly on business: elimination of the automatic annual inflator and introduction of an exemption of the first $100,000 of market value of commercial-industrial property (Minnesota Chamber of Commerce 2017).

Recent Developments

In 2016, the Minnesota Supreme Court in *First Baptist Church of St. Paul v. City of St. Paul* overturned St. Paul's right-of-way (ROW) fee, which had been used to raise revenue from nonprofits otherwise exempt from property taxes. The court found that the ROW fee was a tax and thus unconstitutional (Collins and Ross 2016). The city raised property taxes 24 percent in tax year 2018, in part to pay for street maintenance previously funded by fees (Van Berkel 2017). Despite the Supreme Court ruling, in 2020 the legislature considered, but failed, to pass a bill authorizing municipalities to impose street maintenance fees on all landowners in municipal improvement districts, including nonprofits. Municipal improvement districts would have a maximum life of 20 years (HF 1095). In June 2021, St. Paul property owners filed two new lawsuits challenging fees and assessments for seal coating and mill and overlay work (Galioto 2021). In 2023, the city reached a $634,000 settlement with 200 plaintiffs in six related lawsuits challenging street maintenance fees (Melo 2023).

In May 2023, Minnesota Governor Tim Walz signed into law a tax bill (House File 1938), which increases the refund amounts for the 2022 Homestead Credit Refund and Renter's Property Tax Refund by 21 percent. The bill also provides for a special rebate for homeowners if their property tax increased by more than 6 percent (usually 12 percent) from 2022 to 2023 (Minnesota Department of Revenue 2023; Minnesota Office of the Governor 2023).

Low-income rental property will be eligible for a lower assessment rate beginning in 2024. A new law passed in 2023 split class 4d property into two subclasses – low-income rental property (class 4d(1)) and community land trust property (class 4d(2) used as a homestead (HF 1938 of 2023). A 0.25 assessment rate will apply to the full value of low-income rental property; prior to the law, a portion of the value was subject to a 0.75 assessment rate. The law also restricts how rental property owners may use the tax savings from the preferential rate, requires property owners to get local approval before applying to the Housing Finance Agency for class 4d(1) designation, and provides some reimbursement to certain cities in 2025 and 2026 to offset some of the local tax loss (League of Minnesota Cities 2023).

Minnesota courts have affirmed property tax exemptions for nonprofits and public charities in three recent cases involving a public hospital, a childcare center, and a thrift store. In *Perham Hospital District v. County of Otter Tail* (2022), the Minnesota Supreme Court affirmed a tax court decision that three clinics acquired by Perham Health met the definition of a hospital and were used to improve and run Perham hospital and were thereby entitled to exemption (Kump 2022). The Minnesota Supreme Court also ruled that the Rainbow Early Childhood Center qualifies for a property tax exemption as an educational institution, reversing an earlier tax court ruling (Jardine 2022). Finally, the Minnesota Tax Court upheld a tax exemption for a 20,000 square foot Goodwill building used as a thrift store and job training space in a 2023 decision in *GW Restaurant Holdings LLC v. Washington County* (Fick 2023).

In a unanimous verdict for a Minnesota homeowner in *Tyler v. Hennepin County*, the Supreme Court of the United States ruled state and local governments may not keep proceeds from tax forfeiture sales that exceed the amount of the debt. The justices ruled that retaining surplus proceeds from property tax forfeiture sales, a practice sanctioned in some other states, violates the Takings Clause of the Fifth Amendment of the U.S. Constitution. The Supreme Court found that although the county was authorized to seize and sell the property for nonpayment of property taxes, "it could not use the toehold of the tax debt to confiscate more property than was due." The high court did not rule on the plaintiff's claim that the county violated the Excessive Fines Clause of the Eighth Amendment of the U.S. Constitution.

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Missouri

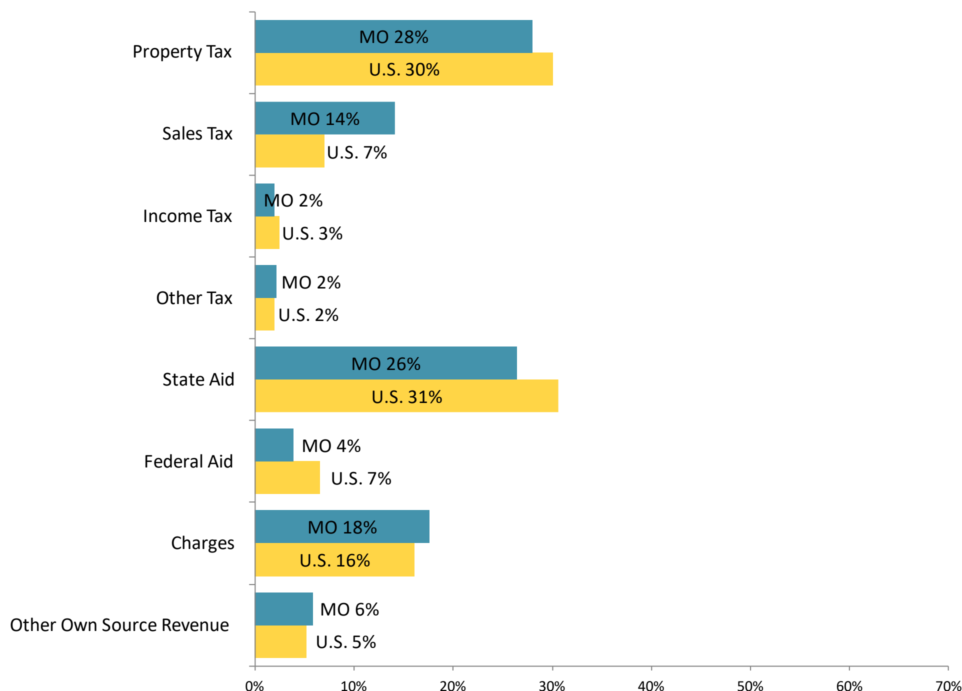
Highlights

Missouri has a large number of active local governments, many of which are authorized to levy property taxes. Property taxes represent slightly more than one quarter of local general revenue (figure MO-1), but for many local governments, this is the predominant source of funds for the most important services such as education and public safety.

The degree of reliance on property taxes varies considerably from county to county depending on their ability to impose sales taxes and other forms of charges and taxes. The tax bases of schools, libraries, and some fire districts are supported entirely by property taxes. The cities of St. Louis and Kansas City are also authorized to impose income taxes.

In 2021, personal property made up 18.4 percent of Missouri's property tax base, one of the highest in the country (Significant Features of the Property Tax). In addition, the state has a classified property tax system, with eight different classes having varying assessment ratios. Residential property is assessed at 19 percent of market value, so a $100,000 home would be assessed at $19,000 (Significant Features of the Property Tax).

Figure MO-1
Sources of Local General Revenue, Missouri and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, property taxes represented 14. percent of state and local general revenue, below the U.S. average (table MO-1).

Table MO-1
Selected Missouri Property Tax Statistics, 2021[1]

	Missouri	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,333	$1,898	*35*
Property tax percentage of personal income	2.2%	3.1%	*41*
Total property tax as percentage of state-local revenue	14.0%	15.5%	*26*
Median owner-occupied home value[2]	$171,800	$244,900	*41*
Median real estate taxes paid for owner-occupied home[2]	$1,676	$2,690	*36*
Effective tax rate, median owner-occupied home[3]	1.0%	1.1%	*23*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes in Missouri are applied to two kinds of property: real property, including land and buildings for residential, agricultural, and commercial/industrial uses; and personal property, including motor vehicles, boats, manufactured homes, and farm machinery.

In Missouri's classified property tax system, residential real property is assessed at 19 percent of value and commercial at 32 percent of value. Agricultural land that is being actively farmed is assessed according to its productive capability; but if the property is vacant and unused, it is assessed at 12 percent. Personal property, such as cars and boats, is assessed at 33.3 percent of value, manufactured homes at 19 percent, and farm machinery and livestock at 12 percent.

The State Tax Commission is an administrative agency under the direction of three commissioners appointed by the governor and approved by the senate, which is responsible for ensuring uniform and equitable assessment of all taxable tangible property in the state. The commission measures the accuracy of assessments in each county and works with assessors to promote an accurate and fair assessment program. It also hears taxpayer appeals from the local boards of equalization and is

responsible for the statewide assessment of the property of railroads, airlines, pipelines, electric, and telecommunications companies.

Limits on Property Taxation

The state of Missouri limits both property tax rates and property tax levies (table MO-2). The Property Tax Statutory Rate Cap limits school district property tax rates to 27.5 mills for city and town school districts or to 6.5 mills for districts not comprising cities or towns; municipal tax rates to 10 mills, with an allowance for up to 13 mills with voter approval; and county tax rates to 3.5 to 5 mills depending on total assessed value. Missouri's levy limit, known as the Hancock Amendment, restricts growth in property tax levies to the previous year's levy with a growth adjustment that is the lesser of the actual assessment growth rate, the rate of inflation, or 5 percent. Override of the levy limit requires a majority vote.

Property Tax Relief and Incentives

The Missouri Property Tax Credit Claim, a type of circuit breaker program, provides for refunds of up to $750 for renters and up to $1,100 for owner-occupiers on property taxes for residents who are 65 years of age or older or 100 percent disabled and whose total household income is below a determined threshold. Homeowners or renters who are 100 percent disabled due to military service do not need to include veteran payments and benefits as household income.

A Missouri citizen who was a prisoner of war and has a total service-connected disability is exempt from property tax on all real property used as a homestead under a 2010 constitutional amendment (Article X, Section 6).

Economic development property tax incentives in Missouri include an enhanced enterprise zone program, an abatement program for urban development corporations (Chapter 353), and tax increment financing. The enterprise zone program provides a property tax exemption of at least 50 percent for up to 23 years for improvements within designated zones (Significant Features of the Property Tax).

Table MO-2
Missouri Property Tax Features, 2022

Feature	Missouri	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

There is a constitutional limitation on state and local government taxation dating back to 1980, known as the Hancock Amendment (Article X). This amendment includes a formula that limits annual Missouri tax revenue to 5.6395 percent of the total personal income of its residents. If the state exceeds the limit, it must refund the money, as it did several times in the last half of the 1990s. This amendment also prevents the state from imposing on local governments any new responsibilities without providing the money needed to carry them out, and it limits local governments from levying or increasing any taxes without voter approval.

Since the amendment's enactment, there have been numerous challenges and attempts at workarounds, leading to an effort to introduce a Hancock II Amendment to further strengthen the limitations on taxation. This effort was soundly defeated in 1994.

Missouri's school funding system was declared unconstitutional in 1993 after the Committee for Educational Equality sued the state on behalf of low-wealth school districts. The state responded by overhauling its school funding mechanism with the Outstanding Schools Act of 1993. This legislation delinked local tax collections and local property wealth by implementing a new school financing formula that equalized revenues. If a school district put in the appropriate tax effort, they were guaranteed the tax revenues of a school district at the 95th percentile of property wealth. The state, however, was not able to fully fund the new formula due to housing prices rising faster than state income (Podgursky, Smith, and Springer 2008).

Fearing another lawsuit, the Missouri School Boards Association used a consulting firm to conduct a school funding adequacy study. It found large spending shortfalls and the legislature responded with Senate Bill 287 of 2005. This created a new funding formula that used the

operating spending per student from 113 successful schools to determine the state's target spending per student. This new formula did not stop a 2004 lawsuit from being reactivated and going to trial in the first months of 2007. The Committee for Educational Equality sued the state, claiming it violated the constitution through "disparities, inadequacies and inequalities of the school funding formula" (Podgursky, Smith, and Springer 2008). In 2009, the Missouri Supreme Court ruled against more than half of the state's school districts when it denied the plaintiff's claim that the school funding formula was unconstitutional (SchoolFunding.Info).

The Kansas City Metro Area that spans the border between Kansas and Missouri was the epicenter of a fierce bidding war for business beginning around 2009 (Hamilton 2019). About a decade later, the states agreed to a truce. Kansas Governor Laura Kelly signed Executive Order No. 19-09 on August 2, 2019, and Kansas City, Missouri passed Ordinance No. 190793 on January 30, 2020, putting an end to the notorious bidding war.

Recent Developments

In February 2021, Kansas City adopted an ordinance that limited the property tax abatements provided to developers to 70 percent for 10 years and 30 percent for an additional five years, down from 75 percent for 10 years and 37.5 percent for an additional 15 years (Kite 2021).

The Missouri Supreme Court struck down a property tax exemption for solar energy, ruling the legislature did not have authority to enact the state statute exempting solar energy systems that do not resell power. In *Johnson v. Springfield Solar 1 LLC*, the court found solar energy systems do not fall under any constitutionally exempted categories of property. Article X, section 6 of the Missouri Constitution states, "all laws exempting from taxation property other than the property enumerated in this article, shall be void" (Jardine 2022). The legislatively appointed Task Force on Fair, Nondiscriminatory Local Taxation Concerning Solar Energy Systems studied the issue in 2022 and recommended uniform, local assessment of solar property with revenue retained by counties. The task force identified further study on assessment methods, classification of solar property, and the tax treatment of solar energy equipment and the land it sits on (Senate Research 2023).

Heading into 2023 with a $6 billion surplus, tax relief was a major theme of the legislative session (Mueller 2022). In 2023, Missouri lawmakers referred a constitutional amendment to the November 2024 ballot that would exempt childcare establishments from real and personal property taxes (SJR 26 of 2023). Lawmakers also passed a bill authorizing counties to provide property tax credits to freeze property tax bills for the primary residences of Missourians who are eligible for social security. Under the measure, counties may adopt a local ordinance to freeze homestead property taxes for qualifying seniors by providing credits equal to the difference in tax liability between the current year tax bill and the year the taxpayer first became eligible (SS/SB 190 of 2023) (Saggar 2023).

Facing gentrification and high delinquency rates in Kansas City's Westside neighborhood, the Kansas City Council adopted a plan (the Westside Owner-Occupant Residential Property Chapter 353 Development Plan) under which homeowners in the neighborhood can receive income-sensitive tax breaks for up to

25 years (Kansas City Missouri Ordinance No. 220806). The program falls under an existing economic development abatement program for developers. Households in the lowest income bracket (those with income below $15,000) will pay only the tax on land for 10 years and will pay no more than 2.65 percent of their income in taxes for the subsequent 15 years. The plan was opposed by Kansas City Public Schools (Calacal 2023).

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Publication Date

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LINCOLN INSTITUTE
OF LAND POLICY

Mississippi

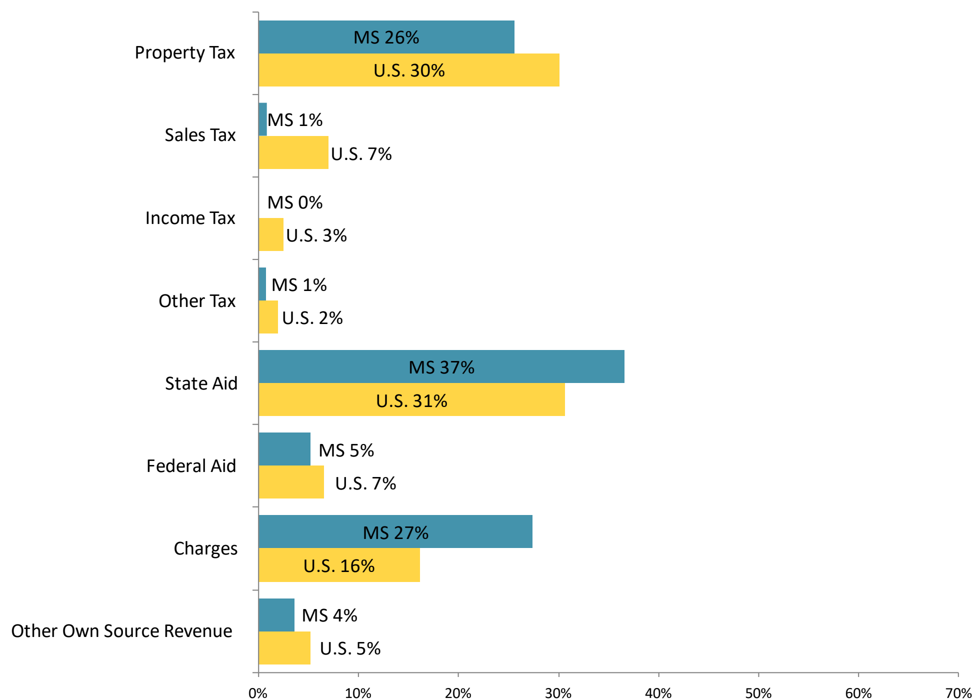
Highlights

The ad valorem tax, or property tax, comprises the primary source of revenue for each of the 82 counties within the state of Mississippi. Municipal governments and public schools (K-12) also rely on property tax collections, with schools using property taxes to fund approximately a third of their budgets. The state relies heavily on the sales tax, and municipalities receive a portion of the sales taxes generated within their city limits (figure MS-1).

Mississippi employs a property tax classification system whereby five classes of real and personal property have different assessment ratios ranging from 10 percent to 30 percent. Single-family owner-occupied residential property is assessed at 10 percent of market value. This means that a $100,000 home is assessed at $10,000.

Mississippi taxes personal property as well as real property. In 2021, personal property taxes accounted for 29.4 percent of its tax base, a higher share than any other state classifying personal property (Significant Features of the Property Tax). In 2021, Mississippi was one of only nine states that taxed most business inventories (Fritz 2021).

Figure MS-1
Sources of Local General Revenue, Mississippi and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, Mississippi ranked in the bottom third of U.S. states in property tax per capita, total property tax as a percentage of state-local revenue, and effective tax rate for a median-value owner-occupied home (table MS-1).

Table MS-1
Selected Mississippi Property Tax Statistics, 2021[1]

	Mississippi	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,206	$1,898	*40*
Property tax percentage of personal income	2.8%	3.1%	*25*
Total property tax as percentage of state-local revenue	11.1%	15.5%	*37*
Median owner-occupied home value[2]	$133,000	$244,900	*50*
Median real estate taxes paid for owner-occupied home[2]	$1,052	$2,690	*46*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*35*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Ad valorem taxes apply to five distinct classes of property. Class 1 property consists of single-family owner-occupied real estate and is assessed at 10 percent of market value. Real estate that does not meet the Class 1 definition is classified as Class 2 property and is assessed at a ratio of 15 percent. The first three classes of property are assessed by the county tax assessor under the guidelines and supervision of the Mississippi Department of Revenue (DOR). State law and DOR regulations require inspection and update at least every four years for real property, although assessments can be updated annually.

Non-real estate property falls into three other classes. Class 3 consists of personal property that is primarily furniture, fixtures, machinery, equipment, and inventory used by businesses and manufacturers. Virtually all personal property belonging to individuals is exempt from property taxes. As a caveat, mobile homes not deemed real estate are also categorized as Class 3 property. All Class 3 properties are assessed at a 15 percent ratio. Public utility properties comprise the Class 4 category, while Class 5 is comprised of motor vehicles that are subject to an ad valorem tax. Property in Classes 4

and 5 is appraised by the Mississippi Department of Revenue, and both are assessed using a 30 percent ratio. Personal property is subject to annual reassessment (Missouri Tax Commission).

Limits on Property Taxation

Counties and municipalities are limited to a 10 percent increase over the total property tax receipts in any of the previous three years, excluding new property. School districts are limited to a 7 percent increase over the total property tax receipts in any of the previous three years, excluding new property. Counties and municipalities can override their levy limits with a majority vote of the electorate up to five years in a row. For school districts, a three-fifths majority is required for an override (Significant Features of the Property Tax) (table MS-2).

Table MS-2
Mississippi Property Tax Features, 2022

Feature	Mississippi	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Property Tax Relief and Incentives

Mississippi provides property tax relief to homeowners over 65 or qualifying as disabled by exempting from property tax the first $7,500 of their homes' assessed value. Most homestead property falls into the Class 1 category and is assessed at only 10 percent of true value. Therefore, a person qualifying for a homestead exemption who owns a Class 1 property valued at $75,000 or less is wholly exempt from taxes on that parcel of property. Homestead properties exceeding the $7,500 assessed value limit incur taxes only on the net assessed value exceeding the limit. An additional exemption equal to the difference between the current year assessed value and the assessed value in the year the claimant became eligible freezes assessed values for qualifying homesteads (Significant Features of the Property Tax).

Veterans of the United States military deemed "100 percent service connected disabled" are fully exempt from paying taxes on their homestead property regardless of value.

All other citizens of Mississippi qualifying for homestead exemption are given a specific dollar credit reduction from their homestead property tax bill, the amount of which is based on the assessed value of the property. The maximum amount of credit subtracted from these regular homestead properties is $300.

Mississippi law contains a host of tax exemptions and incentives for industry, including ones that pertain to growth and prosperity areas, start-ups, and industrial areas. Most of these exemptions must be permitted by state law and approved by the affected local governments, and most apply only to county and city taxes and are limited to 10 years by the state constitution. Mississippi also allows tax increment financing for redevelopment project areas. An income tax credit for ad valorem taxes paid on personal property inventory of businesses and industries reduces business tax liability. A law that took effect July 1, 2019 allows homeowners associations in Jackson to create community improvement districts and impose a tax of up to six mills to fund neighborhood improvements (HB 1612 of 2019).

Key Property Tax History

The property tax levy limit on counties and municipalities went into effect in 1980. The limit on school districts went into effect in 1983 and was amended in 1990.

Mississippi was ordered by the state court to complete a statewide reappraisal beginning in 1980 (*State Tax Commission v. Fondren* 1980). The Mississippi Department of Revenue (DOR) was given the task to oversee and approve the assessment rolls produced by each of the 82 counties for real estate and personal property taxes (Classes 1, 2, and 3). As a result, the Mississippi DOR produced appraisal manuals, established an assessor education program, and developed a standard method of mass appraisal for Mississippi. Because of the outcry from homeowners, real estate was divided into two classes in the late 1980s. At that time, a constitutional amendment was passed allowing for the Class 1 (single family, owner occupied, residential) category to be assessed at the lower 10 percent assessment ratio.

A state property tax was repealed in 1982.

In 1997, Mississippi enacted the Mississippi Adequate Education Program (MAEP) through the bipartisan effort of lawmakers who hoped to avoid becoming the target of a school funding adequacy lawsuit like other states across the country were. The funding formula, although vetoed by Governor Kirk Fordice, garnered enough legislative support for an override. The formula was fully funded only two times between 1998 and 2017 (Dreher 2015). MAEP required local governments to contribute property tax collections at 28 mills and capped the local property tax contribution at 27 percent of total adequate education program costs (Wolfe 2014). Mississippi faced its first challenge to the constitutionality of its education funding formula in 2014 when a group of school districts sued the state for not fully funding its formula (SchoolFunding.Info).

Twenty-one Mississippi school districts represented by former governor Ronnie Musgrove sued the state in 2014 for failing to provide full funding for MAEP between 2010 and 2015. In 2016, the state contracted with EdBuild to write a new education funding formula to replace MAEP, but in the 2017

session legislators failed to act on the proposal (Center for Educational Equity; Dreher 2017). In October 2017, the Mississippi Supreme Court ruled in favor of the state, finding the legislature does not have a constitutional obligation to fully fund MAEP even though state statute calls for full funding of the formula beginning in 2007. The constitution states that the legislature "shall, by general law, provide for the establishment, maintenance and support of free public schools upon such conditions and limitations as the Legislature may prescribe." The court said the statute cannot be interpreted as a mandate and found the plaintiff districts failed to show injury because the governor would not have been obligated to sign legislation fully funding MAEP even if the legislature had approved full funding (Center for Educational Equity; Dreher 2017). Credit rating agency Moody's Investor Services warned the ruling would negatively affect school districts' credit (Kearney 2017).

Recent Developments

In 2017, the Southern Poverty Law Center sued over funding disparities between schools with mostly Black students and schools with mostly white students. The U.S. District Court dismissed the lawsuit in 2019; but on appeal, in December 2020 the federal appeals court ruled the case could move forward (Pettus 2020).

Mississippi homeowners who make voluntary charitable contributions to crisis pregnancy centers and low-income health organizations may qualify for a credit for up to 50 percent of their real property tax liability and unclaimed credit may be carried forward for up to five years under the Pregnancy Resource Act of 2022 (H.B. 1685) (Addleman 2022). In 2023, the state expanded the program to include contributions to transitional homes and other eligible charitable organizations. The state reimburses local governments for tax loss (HB 1671) (Tax Analysts 2023).

In April 2022, Mississippi Governor Tate Reeves signed into law an entity-level tax on passthrough entities as a workaround of the cap on the deductibility of state and local taxes (SALT) for federal tax purposes (House Bill 1691 of 2022) (Jones 2022). Since the enactment of the 2017 federal Tax Cuts and Jobs Act, the deductibility of individual state and local taxes, including property taxes, has been limited to $10,000 per year. The new Mississippi policy allows business owners of pass-through entities to pay income taxes at the entity level thereby reducing taxable income before claiming any individual deductions or exemptions, effectively shielding owners of pass-through-entities from the effects of the SALT limit. As of May 2023, 33 states have enacted an entity level tax since the enactment of the cap on SALT deductions in 2017 (Association of International Certified Professional Accountants 2023).

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LINCOLN INSTITUTE
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Montana

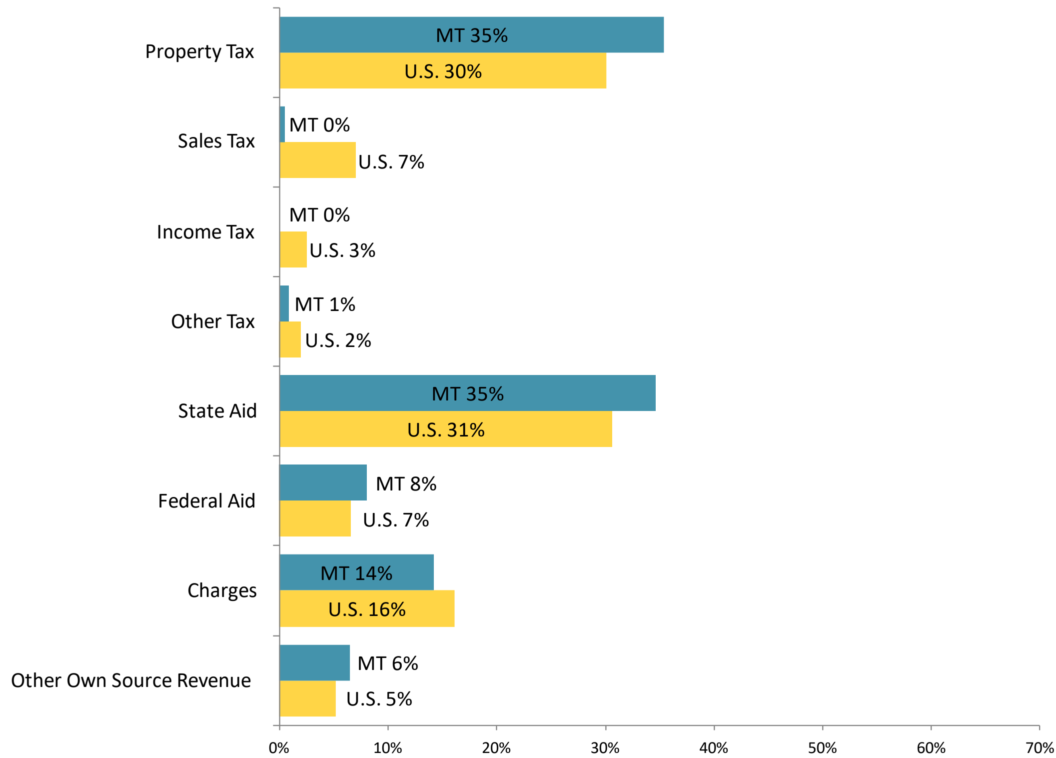
Highlights

Montana does not levy a broad-based sales tax but does levy a state personal income tax. The income tax is the primary source of state revenue, while the property tax is the primary funding source for local governments and individual school districts. As a result, local governments and school districts in Montana rely heavily on property taxes and state aid (figure MT-1).

Property is appraised at the state level by the state department of revenue instead of by local governments, an arrangement that only Maryland and Montana employ. The state sends the certified values to the counties, which determine the appropriate tax rate to levy and then collect and distribute tax revenue.

Montana employs a complex system of classification, with 17 different classes. Assessment tax rates (sometimes called tax rates but equivalent to assessment ratios in other states) range from 100 percent for net proceeds of mines (Class 1) to 0.31 percent for forest land (Class 10). Class 4 includes residential, commercial, and industrial property; the assessment ratio is 1.35 percent for most residential property and 1.89 percent for most commercial and industrial property (Montana Department of Revenue 2022, 223–224).

Figure MT-1
Sources of Local General Revenue, Montana and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although income taxes are the primary source of state government funding in Montana, the state does levy a statewide property tax for K-12 and higher education. State property tax revenue accounts for about 17 percent of total state and local property tax collections (Donohue 2021). State and local property tax collections comprise about 15.5 percent of total state and local revenue (table MT-1).

Table MT-1
Selected Montana Property Tax Statistics, 2021[1]

	Montana	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,840	$1,898	*21*
Property tax percentage of personal income	3.4%	3.1%	*16*
Total property tax as percentage of state-local revenue	15.5%	15.5%	*19*
Median owner-occupied home value[2]	$263,700	$244,900	*21*
Median real estate taxes paid for owner-occupied home[2]	$2,189	$2,690	*27*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*30*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The state levies 95 statewide mills for local school equalization purposes and 6 statewide mills for university funding (Montana Department of Revenue 2022, 227). Other than the state levies, generally the rates are determined by calculating the jurisdiction's budget need divided by the total taxable value in the jurisdiction.

Property tax rates for schools are established by determining the budget need of an individual school district within the parameters of a school funding formula defined by the state legislature. District funding levels are driven primarily by the number of students, the number of teachers, and the size of the district. Total rates for school districts may "float" as high as is needed to meet the budgetary requirements of the district, so long as the district's budget is in compliance with the law. The state also helps fund poorer districts though the use of a modified guaranteed tax base aid program (Montana Office of Public Instruction 2020).

Property is classified into 17 broad categories, and the portion of the market value that is taxable is based on which tax class the property is in. There is a great deal of variation among these classes in the rates of assessment, from 100 percent to 1.35 percent for residential property (Class 4) (although the portion of a residential dwelling in excess of $1.5 million has an assessment rate of 1.89 percent). Most classes of property are assessed annually, although residential and commercial properties (which make up approximately two-thirds of the property tax base) are assessed biennially. The tax base for agricultural property is productive value, not market value.

Taxes for a property are determined by multiplying the taxable value (assessed value minus exemptions multiplied by the assessment rate) by the sum of all the rates of the jurisdictions that have taxing authority over the property. In tax year 2022, the statewide average millage rate was equal to 575.2 mills for all classes of property (Montana Department of Revenue 2022, 231).

Limits on Property Taxation

The formula prescribed in the *Montana Code Annotated* limits allowable rate levies for all non-school district taxing jurisdictions. The code states that the maximum allowable rate a jurisdiction may levy is equal to the amount assessed in the prior year (adjusted for inflation) divided by the current year's taxable value, less any newly constructed or newly taxable property. The total rate is then applied to all properties, including newly constructed and newly taxable property (Significant Features of the Property Tax).

Montana limits its statewide property tax to 95 mills: a 40-mill statewide equalization levy; a 33-mill statewide elementary equalization mill, and a 22-mill statewide high school equalization levy. Local governments and school districts can approve excess levies by a majority vote (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Montana has three circuit breaker programs. The Property Tax Assistance Program (PTAP) reduces property taxes for low-income households by reducing a property's taxable value (table MT-2). The program reduces the Class 4 tax rate by 80 percent, 50 percent, or 30 percent depending on the income of the owners. For tax year 2021, eligibility was limited to homeowners with household income below $19,625 for single claimants, or below $26,167 for married or head of household claimants. An additional qualification stipulates that homeowners must reside in their home for seven months out of the year. PTAP applies to the first $200,000 of the appraised value of residential property and up to five acres of residential land (Significant Features of the Property Tax).

The Disabled American Veterans program (DAV) lowers property taxes for disabled veterans by reducing the Class 4 tax rate by 100 percent, 80 percent, 70 percent, or 50 percent depending on their income (max income of $47,136 single and $62,385 married in 2021). It applies to residential improvements and up to five acres of land. To qualify, the property must be the primary residence of a veteran who was honorably discharged and paid at the 100 percent disabled rate by the Department of Veterans Affairs for a service-connected disability. The spouse of a veteran killed while on active duty or who died from a service-connected disability qualifies for DAV benefits as well (Significant Features of the Property Tax).

Taxpayers who are age 65 or older and have a household income of less than $45,000 may be eligible for the elderly homeowner/renter income tax credit. This credit provides a subsidy for older taxpayers who own their home and whose income is no longer proportional to the value of their home and is designed to enable them to stay in their homes. For older taxpayers who rent, it subsidizes the rent they pay. The credit refunds part or all of the property tax a homeowner pays directly, or a renter pays indirectly, that is more than a certain percentage of household income. For a household with income between $12,000

and $44,999, this amount is 5 percent. For households with lower incomes, the credit refunds part or all of property taxes that are more than a smaller percentage of income. For taxpayers with income up to $1,999, the credit refunds part or all of property taxes that are more than 0.6 percent of income. The credit is limited to a maximum of $1,000 per household, and it phases out for households with income between $35,000 and $45,000 (Significant Features of the Property Tax).

Montana offers numerous incentives for economic development. One program, the energy production or development tax abatement, provides a 50 percent rate reduction on a qualified energy production or development facility and equipment. The taxable value reduction may be in effect during the construction period and the first 15 years after the facility commences operation but may not exceed a total of 19 years. Currently, properties using this abatement are in Class 14 and Class 15, both of which are normally assessed at 3 percent. This program changes the assessment ratio to 1.5 percent for these properties.

Montana allows local governments to grant tax abatements of up to 50 percent to new and expanding industries. The abatement reduces a taxpayer's taxable value by 50 percent for the first five years and is then phased out in years six through ten. These locally approved abatements do not apply to state levies. Montana also has a tax increment finance (TIF) program (Significant Features of the Property Tax).

Table MT-2
Montana Property Tax Features, 2022

Feature	Montana	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Under the 1889 Montana Constitution, real property was generally valued at less than market value and property was appraised by county assessors (Powell 2009). The state was assigned the appraisal role by the 1972 state constitution to ensure uniform valuation of similar properties. In 1975, the legislature set a five-year appraisal cycle, requiring that at least 20 percent of the property in each county be revalued

each year. From 1975 to 2009, the legislature changed the reappraisal cycle five times, ending with a six-year reappraisal cycle which remained in place until 2015. When the six-year cycle was in force, new values for each property were phased in over the six-year cycle through a complicated formula.

Montana began using a foundation program to distribute state aid to public schools with the Foundation Program Act of 1949 (McCracken 2016). In *Helena Elementary School District No. 1 v. State* (1985), the Montana Supreme Court declared that the education finance system violated the education clause of the state's constitution and affirmed that spending disparities among school districts deny equality of educational opportunity. The state legislature responded by adopting a foundation program with higher payments to local districts (SchoolFunding.Info). However, a lawsuit filed in 1992 claimed that the adjustments to the foundation aid failed to fix funding disparities. The following year, the state legislature replaced the foundation program with a funding formula centered around base amounts for school equity (BASE) budgets (McCracken 2016).

In *Columbia Falls Public Schools v. State* (2002), schools, districts, and individuals from across the state claimed that declining funding led to program and staff cuts, inability to hire and retain teachers, and inability to comply with state standards. The district court held that the school funding system failed to provide adequate funding for public schools and that the state did not pay its share of the cost of public schools. In a 2005 special session called by the governor, the legislature raised state funding from 9 to 10 percent (SchoolFunding.Info). A second lawsuit, *Columbia Falls II*, claimed that these changes were insufficient. In his 2008 decision, Judge Jeffrey Sherlock refused to award supplemental relief, but commented on the state's ongoing effort to support the constitutional commitment to education (Montana Legislature, Legislative Services Division 2016).

Recent Developments

Montana Governor Greg Gianforte has made real and personal property tax reform a priority of his administration. Among the measures in a tax relief package passed in 2023 that the governor described as "the largest tax cut in Montana history" was a property tax rebate for homeowners (HB 222) and a $1 million business equipment personal property tax exemption (HB 212). For tax years 2022 and 2023, Montana residents who have lived in their primary residence in state for at least seven months of the tax year are eligible for a rebate of up to $675 per year (Montana Governor's Office 2023a). House Bill 212 (2023) increased the personal property tax exemption for business equipment from $300,000 to $1 million effective for the 2023 tax year (Hollingsworth 2023). This is the second personal property tax exemption increase under Gianforte's administration. In May 2021, Gianforte signed the Business Investment Grows (BIG) Jobs Act (House Bill 303 of 2021) into law, which tripled the state's business personal property tax exemption from $100,000 to $300,000.

In May 2023, Governor Gianforte signed into law Senate Bill 3, reducing the property tax rates for all forestlands and parcels of growing timber that are less than 15 acres (Class 10 property) for two years. A month later, the governor signed House Bill 587. The new law directs a portion of revenues from school equalization property tax revenues collected by the state to be deposited into a newly created state special revenue school equalization and property tax reduction account. The funds from the account will

provide more state support for K-12 education general funds and county-wide school retirement levies, totaling over $30 million in property tax relief beginning in November 2024 and increasing each subsequent year (Montana Governor's Office 2023b; Montana Taxpayers Association 2023).

A proposed residential assessment limit failed to make it on the ballot after court intervention stalled the collection of signatures. Constitutional Initiative 121 would have amended the state constitution to reset property values to 2019 levels, limit annual growth in residential assessments to the lesser of 2 percent or inflation, and limit total residential property taxes to one percent of the property's assessed value. The governor's office estimated that the limit would reduce local governments tax revenues by $150 million or about 9 percent of 2020 collection (Dietrich 2022). A group of Montana residents along with the Montana Federation of Public Employees, Montana Farmer's Union, and Montana Cattleman's Association sued the State of Montana and the sponsors of the initiative claiming the state should not allow gathering of signatures before review by the attorney general and a legislative hearing—requirements for ballot measures enacted in 2021 (Ambarian 2022). The district court halted signature gathering under a temporary restraining order. Proponents of the initiative asked the Montana Supreme Court to intervene, but the high court declined (Ehrlick 2022). Ultimately, the district court ruled the review and hearing requirements applied to statutory, but not constitutional initiatives, and allowed the sponsors to collect signatures (Ambarian 2022). The measure did not gather enough signatures to qualify for the 2022 ballot.

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LINCOLN INSTITUTE OF LAND POLICY

Nebraska

Highlights

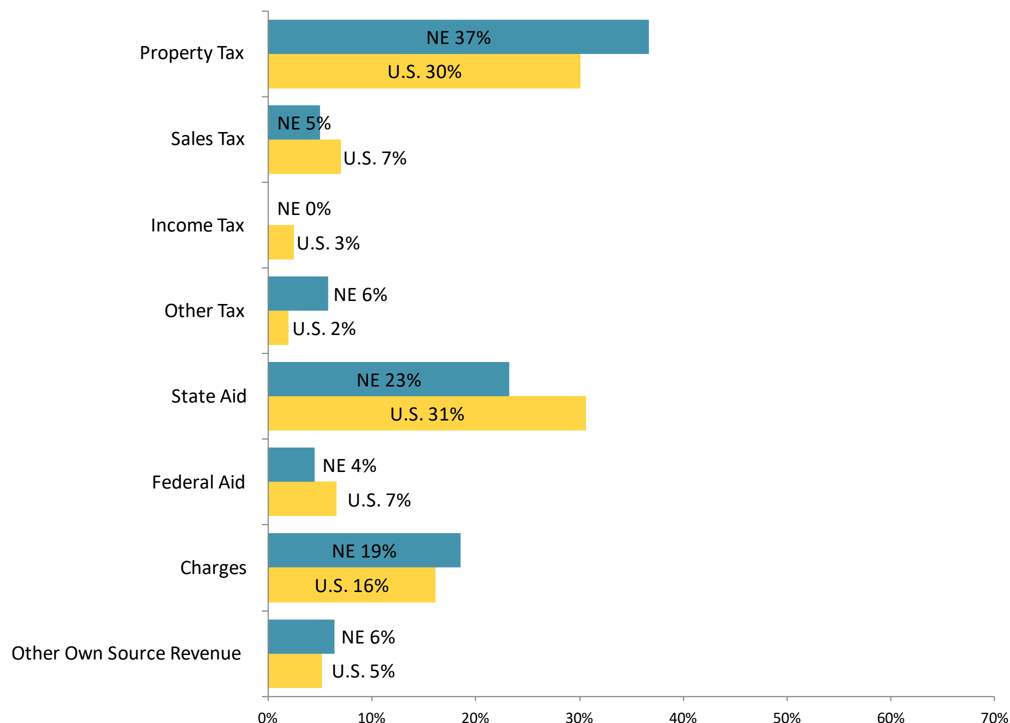
Nebraska local governments rely on the property tax for 37 percent of local general revenue, compared to a 23 percent share from state aid (figure NE-1).

Nebraska has a classified property tax system that treats agricultural property differently from all other property types. Agricultural property is assessed at 75 percent of market value, while all other types of property are assessed at full market value.

As a general rule, assessed values are based on market values. This valuation method is unusual among agriculturally oriented states that generally value agricultural land in its current agricultural use, not its highest and best use. Nebraska allows this kind of use-value assessment for agricultural land only in relatively urbanized counties.

Nebraska has three types of property tax limitations: tax rate caps, which vary by type of government; revenue and expenditure limitations; and local-option levy limits. In 2019, Nebraska enacted a truth-in-taxation measure.

Figure NE-1
Sources of Nebraska Local General Revenue, 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although property taxes accounted for 18.2 percent of total general revenue for the state and local governments in Nebraska (table NE-1), that overall figure masks the importance of the property tax for local governments. The property tax is the largest source of general revenue for Nebraska local governments.

Table NE-1
Selected Nebraska Property Tax Statistics, 2021[1]

	Nebraska	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,172	$1,898	*13*
Property tax percentage of personal income	3.7%	3.1%	*10*
Total property tax as percentage of state-local revenue	18.2%	15.5%	*10*
Median owner-occupied home value[2]	$174,100	$244,900	*38*
Median real estate taxes paid for owner-occupied home[2]	$2,916	$2,690	*18*
Effective tax rate, median owner-occupied home[3]	1.7%	1.1%	*9*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The state's 93 counties assess all property at full market value except for agricultural property, which is assessed at 75 percent of market value. In 2021, agricultural property accounted for 34 percent of the property tax base (Significant Features of the Property Tax). Valuation of taxable property is conducted annually.

Tangible personal property used by business, other than inventories, is taxed. This property is also taxed at full market value, but the first $10,000 of valuation for each taxpayer is exempt.

Limits on Property Taxation

Local governments are subject to a property tax rate cap that limits rates to a range from 4.5 mills to 10.5 mills depending on the locality (table NE-2). Currently, school systems are limited to 10 mills. Cities, counties, community colleges, natural resource districts, and sanitary improvement districts can also be subject to levy limits upon a petition signed by 10 percent of registered voters.

In 2019, the state enacted a truth in taxation measure that requires localities to reduce tax rates when valuations rise so that the property tax levy cannot increase over the prior year without a vote of the governing body. Finally, cities, counties, and political subdivisions are subject to revenue and expenditure limits. The maximum growth rate for school districts for the 2021–2022 school year was 2.5 percent (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Nebraska provides residential tax relief through property tax circuit breaker programs for the elderly, disabled, and veterans. For elderly households in 2021, income in 2020 could not exceed $52,001 for married homeowners and $43,801 for single homeowners (Significant Features of the Property Tax). There is also a state-funded real property tax credit for all properties, including centrally assessed railroads and public services. The credit is set annually at a rate to total $125 million in credits.

In 2020, the state established a refundable income or franchise tax credit for property taxes paid by individuals and businesses that pay school property taxes. In 2020, the credit was 6 percent of school property taxes paid, excluding debt service or override levies (LB 1107 of 2020).

The state provides property tax incentives for economic development through two programs: (1) ImagiNE Nebraska Act incentives, which are not targeted by geographic area; and (2) tax increment financing for community redevelopment, which does target specific geographic locations that must fit the definition of a blighted area or a substandard area to qualify.

Table NE-2
Nebraska Property Tax Features, 2022

Feature	Nebraska	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state of Nebraska levied a property tax in its first year of statehood in 1867 and continued to levy the tax until 1966. In that year, voters approved a constitutional amendment abolishing the state property tax and authorizing a state income tax (Patent 2015).

In 1979, the first major change to the local property tax was an increase in the assessment level from 35 percent to 100 percent.

In the 1980s, the farm crisis hit Nebraska and other farm-oriented states, depressing agricultural land values and reducing the share of property taxes derived from agricultural land. That situation brought about changes in the state's approach to property taxation. An important Supreme Court case in 1984, *Kearney Convention Center Inc. v. Board of Equalization*, held that the state constitution's uniformity requirement demanded that agricultural land be assessed similarly to other classes of property, which were assessed at full market value. Nebraska then adopted an amendment to the constitution permitting a classified property tax system. A later amendment and legislation put in place the current system under which agricultural land is valued at 75 percent of market value. The basis for assessment of agricultural land was originally income-based, but this changed to market value in 2006.

Education finance was reformed in 1990 with legislation to increase the state sales tax rate permanently and the state income tax rate temporarily to fund the Tax Equity and Educational Opportunities Support Act. That act shifted public school funding substantially from the local level to the state with the implementation of a new school aid formula distributing aid on an equalized basis. The state expanded the tax base of school districts by giving them a portion of the state income tax revenue collected in their districts and by increasing funding of the state equalization aid formula through an increase in the state sales tax rate. It also reduced the maximum school district levy from a former high of $3.50 to a new limit of $1.10.

In the early 1990s, Nebraska experienced a personal property crisis. The crisis began when the railroads questioned whether Nebraska was complying with the federal Railroad Revitalization and Regulatory Reform Act of 1976 (the so-called 4-R Act). That act was intended to save railroads from financial collapse and contained a provision that prohibited imposition of any discriminatory tax on railroads. In 1988, the U.S. Court of Appeals in the *Trailer Train v. Leuenberger* case held that Nebraska discriminated against railroads because the state provided exemptions for agricultural and business inventories, livestock, and farm machinery that were not available to railroads with no such property. The state was prevented from collecting personal property tax from the railroads. Further complicating the situation, the Nebraska Supreme Court ruled in the *Northern Gas v. State Board of Equalization* case that the state constitution required pipelines, telephone companies, and other centrally assessed entities to be treated equally and have their property equalized to that of the railroads, which were paying no tax. Later, in the 1991 case *of MAPCO Ammonia Pipeline v. State Board of Equalization,* the Supreme Court ruled that all prior personal property exemptions were unconstitutional, thus reversing earlier cases.

In response, the legislature placed a constitutional amendment on the ballot in 1992, which passed, that separated real and personal property in the uniformity clause of the state constitution, permitted personal property exemptions, allowed legislation to revise assessment methods applied to personal property, and created a distinct class of railroad personal property.

Levy limits were introduced in 1998 with a cap of $2.19 per $100 of property value. However, taxpayers often pay more than this limit because it does not apply to levies for bond issues. The limits vary over time, and currently range from $0.015 for educational service units to $2.19 for local governments.

The result of changes to Nebraska's property tax system in the 1980s and 1990s was a larger share of the property tax derived from residential property. The residential share was about 40 percent in 1980, whereas in 2013 it was 47 percent (Anderson and Thompson 2014). Recent dramatic increases in agricultural land values are changing this situation, however. Average farmland values increased 252 percent between 2007 and 2017, peaking in 2014 and declining somewhat from 2015 to 2017 according to the survey data collected by the University of Nebraska-Lincoln Department of Agricultural Economics (2017).

Recent Developments

Property tax reform has been a top gubernatorial priority in recent years. Nebraska Governor Pete Ricketts, who was governor from 2015 to 2023, made property tax relief a central focus of his administration. In 2019, he proposed a 3 percent cap on growth in local property tax levies via a constitutional amendment (Office of Governor Pete Ricketts 2019). In the same year, the legislature did enact a truth in taxation measure (LB 103) that requires local taxing districts to reduce property tax rates when valuations increase so that the total property tax levy does not automatically increase over the prior year without notification, a public hearing, and vote (Reist 2023; Walton 2019). In 2021, the governor again backed a 3 percent levy limit via a 2022 constitutional amendment, but it did not pass in the legislature (LB 408). In 2022, for the second year in a row, Nebraska considered legislation to limit school district property taxes. LB 986 was blocked by a filibuster and the attempt to end the filibuster fell five votes short. The bill would have capped school district property tax increases at the greater of 2.5 percent or inflation (Hammel 2022a).

Though Ricketts's efforts to enact a tax limit were unsuccessful, he won legislative support for policies to expand property tax relief and property tax incentives for business, and policies to increase transparency. Enacted in 2020, the Property Tax Incentive Act (LB 1007) established a refundable tax credit (6 percent in 2020) against income or franchise taxes for property taxes paid by individuals and by businesses that pay school property taxes (LB 1107 of 2020). The bill also eliminated the Personal Property Tax Relief Credit and replaced it with the ImagiNE Nebraska Act, which included personal property tax exemptions for qualifying businesses and projects. The legislature had blocked passage of similar legislation in 2019 (Stoddard 2019). In May 2021, Nebraska passed the Property Tax Request Act (Legislative Bill 644), a transparency measure that required counties, cities, school districts, and community colleges to hold a public hearing before any proposal to increase the property tax by more than the allowable growth percentage (Woodard 2022). In 2022, Nebraska enacted a property tax relief

package that includes a new refundable income tax credit for property taxes paid to a community college. This credit is in addition to the state's existing refundable income tax credit for school district property taxes (Schulte 2022; Vargas 2022). Jim Pillen, who became governor in 2023 with Ricketts's endorsement, has pledged to "fix the property tax problem" and reform the state's school funding formula (Dunker 2022; Hammel 2022b).

In March 2022, the Nebraska Supreme Court upheld the constitutionality of the state's tax sale process under which counties can put a lien on property for which taxes have not been paid and sell that property to pay the debt. A third party may purchase the lien and apply for a tax deed after paying property taxes on the delinquent property for three years; the delinquent taxpayer forfeits the difference between the tax debt and the value of the property. In two similar cases—*Nieveen v. TAX 106* and *Fair v. Continental Resources*—Nebraska's high court found the forfeiture did not violate the plaintiff's Fifth Amendment protections. However, in June 2023, the Supreme Court of the United States vacated the Nebraska Supreme Court rulings in light of its landmark ruling in Minnesota in May 2023, in which a taxpayer represented by Pacific Legal Foundation won a unanimous verdict on takings grounds in *Tyler v. Hennepin County* (2023) (Gonzalez 2023). In its 2023 session, the Nebraska legislature enacted legislation to amend the state statute on tax sales. Signed into law in June 2023 by Governor Jim Pillen, the bill imposed stricter notification requirements and required the return of surplus to the previous owner following a tax sale.

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Nevada

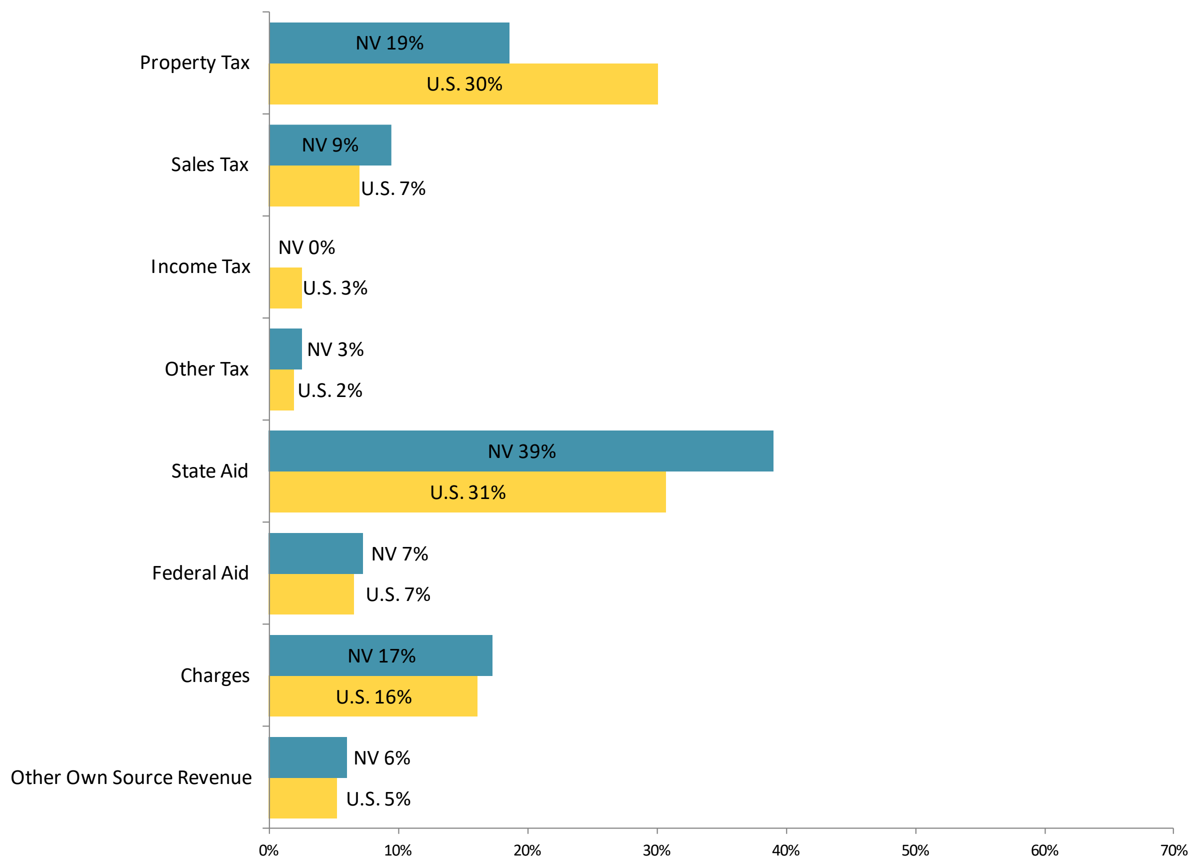
Highlights

Nevada has no personal or corporate income tax. Local governments in Nevada rely more heavily on state aid and the sales tax and less on the property tax than the U.S. average (figure NV-1).

The method of property valuation in Nevada is different than that used in any other state (Wolters Kluwer Editorial Staff 2022). Rather than assessing property on the basis of market value, Nevada's property tax system uses market value for land but values most improvements to real property based on replacement cost minus depreciation as set by state law (American Bar Association 2021). This concept is known as taxable value.

Nevada imposes limits on property tax rates, and its residential levy limit (called the partial property tax abatement) provides a 3 percent (or sometimes lower) cap on the annual increase in the residential property tax bill.

Figure NV-1
Sources of Local General Revenue, Nevada and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, property taxes as a percentage of state and local revenue were lower in Nevada than the U.S. average, as were other measures such as property tax per capita, property tax as a percentage of total state personal income, median real estate taxes paid on an owner-occupied home, and the effective property tax rate for a median-value owner-occupied home (table NV-1). These statistics all point to lower than average property tax reliance and tax burden in Nevada.

Table NV-1
Selected Nevada Property Tax Statistics, 2021[1]

	Nevada	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,215	$1,898	*38*
Property tax percentage of personal income	2.1%	3.1%	*42*
Total property tax as percentage of state-local revenue	12.8%	15.5%	*32*
Median owner-occupied home value[2]	315,900	$244,900	*12*
Median real estate taxes paid for owner-occupied home[2]	$1,735	$2,690	*34*
Effective tax rate, median owner-occupied home[3]	0.5%	1.1%	*31*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for are median owner-occupied home value and median real estate taxes paid for owner-occupied home five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Nevada taxes both real and personal property. Property taxes are levied by the state, county, city, town, school district, and special district governments. The government agencies responsible for the administration of the property tax are the Nevada Tax Commission; the Nevada Department of Taxation; county assessors, treasurers, and commissioners; the state and county boards of equalization; the Committee on Local Government Finance; and the Appraiser Certification Board. Property assessments are undertaken by elected county assessors, who identify all taxable property (table NV-2). There is no property classification system. The Department of Taxation and the Nevada Tax Commission play regulatory and supervisory roles in the administration of the property tax. Real property must be reappraised at least once every five years.

All property that is not subject to any exemption is assessed at 35 percent of the taxable value. For real property, taxable value is the full cash value of the land plus the replacement cost less depreciation of the structures on land. For personal property, taxable value is the replacement cost less depreciation of the property. The tax rate is set at no more than $3.64 per $100 of assessed value of the property, with

an additional 2 cent rate for state debt for capital projects, which brings the total maximum tax rate to $3.66 per $100 of assessed value (Levine et al. 2017; Significant Features of the Property Tax).

Limits on Property Taxation

Legislation in 1979 and 1981 brought significant limits on the property tax. The tax rate cap was reduced from $5.00 to $3.64 in 1979, and the value used in the assessment process changed from market value to taxable value in 1981.

The legislature imposed a further cap on the increase in property tax bills in 2005. The cap on all property is set annually at the greater of the average percentage change in assessed value in the county over the last 10 years or twice the increase in the consumer price index, but no more than 8 percent. In most cases, an additional 3 percent levy limit applies to increases in residential property tax bills. However, if the general levy cap drops lower than 3 percent, the residential cap no longer applies and residential property taxes are subject to the same percentage as other property types (American Bar Association 2021). Properties that experience an increase in assessed value that leads to an increase in the property tax bill that is greater than the aforementioned limits are subject to property tax abatement.

Section 5 of Article 10 of the Nevada Constitution allows for a tax on the "net proceeds of all minerals, including oil, gas and other hydrocarbons, extracted in the state," and further notes "no other tax may be imposed upon a mineral or its proceeds until the identity of the proceeds as such is lost." This provision limits property taxes levied on mining.

Property Tax Relief and Incentives

Nevada adopted a property tax circuit breaker program in 1973 in the form of the Senior Citizens Property Tax Assistance Program. This program provided tax relief to state residents age 62 years and older. The program was progressive in nature, as it provided more tax relief to lower-income residents and capped the tax relief at an income of $15,100 (Ebel 1990; Legislative Counsel Bureau 2009). The Department of Health and Human Services ended the Senior Citizens Property Tax Assistance Program in 2011 in response to revenue shortfalls (Nevada Legislative Counsel Bureau 2016).

Nevada authorizes property tax exemptions for certain groups, including blind residents and veterans and their surviving spouses. The state's property tax deferral program allows low-income households that have experienced an economic hardship to defer property taxes on a homestead for up to three years, to be repaid with 6 percent interest (Significant Features of the Property Tax).

Nevada's Community Redevelopment Law (Chapter 279 of NRS) established in 1959 allowed local governments to create redevelopment areas and related agencies. The same law also enabled the use of tax increment financing for redevelopment and elimination of blight in local areas. Nevada offers real and personal property tax abatements for certain types of development (Significant Features of the Property Tax).

Table NV-2
Nevada Property Tax Features, 2022

Feature	Nevada	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The property tax was the dominant source of revenue during the early part of Nevada's history both as a territory and as a new state. The property tax system was highly decentralized in that early period, and county assessors were heavily relied upon (Adams 1918; Nevada Department of Taxation 2023). The tax system became more centralized with the creation of such state agencies as the State Board of Assessors and the Department of Taxation.

Nevada passed legislation in 1975 that led to the transfer of property tax responsibilities from the Nevada Tax Commission to the newly created Department of Taxation. A new standardized parceling system was also adopted, the goal of which was to describe all the land in the state with a complete set of maps to be used by the assessors.

In response to California's passage of Proposition 13, Nevada passed SB 204 in 1979 to reduce the property tax rate cap from $5.00 to $3.64 per $100 of assessed value, a cut that reduced funds paid to school districts, the Distributive School Fund, and a Medicaid levy.

SB 69, enacted in 1981, changed how improvements to real property were valued, moving away from market value to taxable value which is Nevada's current standard of valuation. The taxable value of land is the full cash value of land in its actual use; the taxable value of improvements is the replacement cost less depreciation. The changes in 1981 led to a 50 percent decrease in property tax collections and drove local governments to rely more on sales taxes (Nevada Department of Taxation 2023).

In 2005, the state legislature placed a complex cap on the increase in residential property tax bills and a separate cap on the increase in property tax bills for other property. However, this cap does not apply to new parcels or to new construction. When a residential parcel is sold and the new owners confirm that the property will be their primary residence, they qualify to continue under the tax cap and to pay no more than 3 percent above the tax from the previous year. The cap applies only to the actual tax bill; the assessor is still responsible for annual appraisal of the property (Washoe County Assessor).

Recent Developments

In 2019, Nevada passed the Pupil Centered Funding Plan (SB 543 of 2019) to replace the Nevada Plan adopted in 1967. The new funding system consolidated revenue streams and used a new weighted system to distribute aid. The system was supposed to be phased in beginning in 2021, but the legislature passed a wholesale implementation of the new law in May 2021 (SB 439) and approved $502 million to fund the measure (SB 458) (DeHaven 2021; Rindels and Valley 2021). The bill, which was expected to raise per-pupil funding from $7,400 to $9,000, swept mining tax revenue and scores of other revenue streams into one large pot from which state aid will be distributed instead of letting mining revenue flow directly to districts, leaving some local school districts short after their budgets were approved and counting on direct revenue (Hernandez 2022). In 2022, the Nevada Supreme Court upheld the dismissal of *Shea v. State of Nevada*, a school funding adequacy case in which a group of Nevada students and parents claimed Nevada has failed to meet its constitutional obligation to fund a suitable education (SchoolFunding.Info 2022).

Assembly Bill 495 of 2021 diverted funds from the state's ad valorem tax on net proceeds of mines from the general fund to the state education fund. The bill also created a new excise tax on mining for gold and silver mines with gross revenue over $20 million per year. Passage occurred on the last day of the legislative session. Lawmakers were under pressure to reach an agreement after Democratic legislators successfully passed legislation in summer 2020 that put three ballot measures before voters to change taxation on mines and after the Clark County Education Association (CCEA) teacher's union initiated two petitions to raise gaming and sales taxes to increase funding for education. As part of the negotiations over Assembly Bill 495, the union agreed to withdraw its petitions (Girnus 2021). After the secretary of state blocked the effort to remove the measures from the ballot, the legislature passed Assembly Bill 320 to allow petitioners to withdraw initiatives. In March 2022, a judge upheld the ability of petitioners to withdraw their initiatives. Neither the mining tax ballot initiatives nor the CCEA-backed measures appeared on the November 2022 ballot (Associated Press 2022).

In November 2022, the Commission on School Funding released a report that recommended increasing education funding by $3.2 billion over 10 years to increase per-pupil spending to $14,337. The commission recommended removing the state's assessment limits and expanding the sales tax base to discretionary services such as recreation and personal care. The report stated "Once heralded as Nevada's most stable and predictable revenue source, the introduction of property tax abatements has complicated and confounded the calculation of the value of a unit of property tax, while the unique use of depreciation and replacement value has further separated property assessments from a market-based reality" (Gentry 2022; Nevada Commission on School Funding 2022).

Nevada's hospitality-reliant economy was battered by the Covid-19 pandemic. The state's unemployment rate soared from 3.6 percent in January 2020 to 30.1 percent in April 2020. Governor Steve Sisolak presented a revised fiscal year 2021 budget, proposing widespread cuts to address an estimated $1.2 billion pandemic-induced shortfall (Hamilton 2021). Though Nevada's recovery has been slow compared to other states, in May 2021, an analysis by the Pew Charitable Trusts predicted Nevada would finish 2021 "with some of the fastest economic growth in the nation" (Rosewicz, Theal, and Fall 2021).

While more than half of states had made up Covid-19 pandemic-related revenue losses by February 2021, Nevada was among the 18 states still experiencing revenue losses. Tax collections between March 2020 and February 2021 were down 10.8 percent (Rosewicz, Theal, and Fall 2021). Indeed, in May 2021, the state's Economic Forum reported that "Nevada's economy is proving to be on a track toward recovery" (Office of the Governor, State of Nevada 2021). By the end of the second quarter of 2022, Nevada revenue was 20 percent higher than it was pre-pandemic (adjusting for inflation), but was still lower than if revenue had continued to grow at the pre-pandemic rate (Theal and Fall 2023).

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New Hampshire

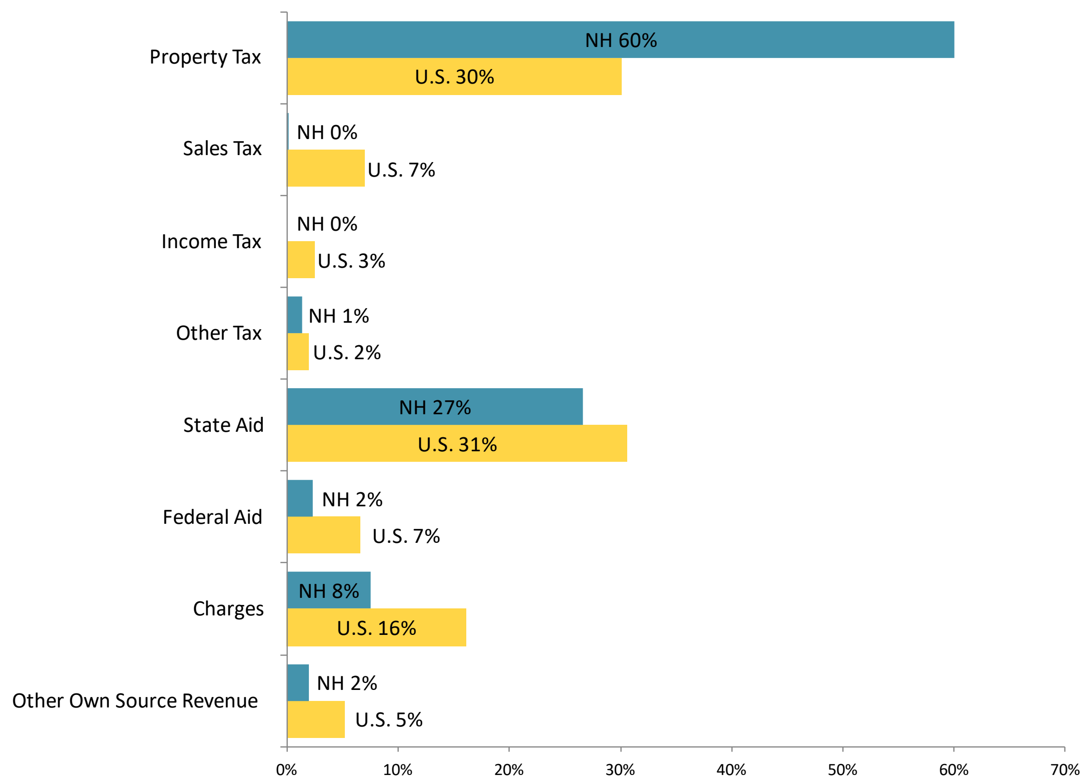
Highlights

New Hampshire levies neither a broad-based personal income tax nor a sales tax. (Alaska is the only other state to do without both taxes.) As a result, New Hampshire relies very heavily on the property tax (figure NH-1).

Historically, New Hampshire relied primarily on local property taxes to fund public education, with state aid accounting for a small share of total education funding. New Hampshire adopted a statewide property tax as part of a package of education funding reforms enacted in 1999.

New Hampshire makes extensive use of current use assessment for farms, forests, and wetlands. A constitutional amendment enacted in 1968 provides for assessment of eligible rural lands below market value (Anderson and England 2014). In 2019, over half of the Granite State's land area was enrolled in the state's current use assessment program (New Hampshire Department of Revenue Administration 2021).

Figure NH-1
Sources of Local General Revenue, New Hampshire and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, property tax as a percentage of state and local revenue was higher in New Hampshire than in any other state. New Hampshire ranks in the top four states along all common measures of property tax burden (table NH-1).

Table NH-1
Selected New Hampshire Property Tax Statistics, 2021[1]

	New Hampshire	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,307	$1,898	*4*
Property tax percentage of personal income	4.9%	3.1%	*3*
Total property tax as percentage of state-local revenue	33.3%	15.5%	*1*
Median owner-occupied home value[2]	$288,700	$244,900	*15*
Median real estate taxes paid for owner-occupied home[2]	$6,036	$2,600	*3*
Effective tax rate, median owner-occupied home[3]	2.1%	1.1%	*4*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In New Hampshire, property taxes are levied by the state government and by hundreds of local taxing districts, including county governments, cities, towns, independent school districts, and special districts (State of New Hampshire 2022). Assessments are conducted at the municipal level (table NH-2). All property that is not tax-exempt or enrolled in the current use program is assessed at 100 percent of market value (Delay, Barrick, and Norton 2012).

Limits on Property Taxation

New Hampshire places no statewide limit on property tax rates or levies and has no statewide revenue limit or expenditure limit (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program called the Low and Moderate Income Homeowner’s Property Tax Relief program provides relief to homeowners based on income for their statewide education property

tax liability only. Individuals with income below $20,000 and married people or heads of household with household incomes below $40,000 are eligible for a refund of up to 100 percent of the statewide education property tax paid on $100,000 of assessed value. New Hampshire authorizes local governments to provide exemptions for special groups, including veterans and disabled homeowners (Significant Features of the Property Tax).

New Hampshire provides only two statewide property tax incentives for economic development, relying instead on its overall low tax burden to promote economic development. The first incentive is a tax increment financing program called the Municipal Economic Development and Revitalization Districts program. The second program, called the Community Revitalization Tax Relief Incentive, allows municipalities to offer a property tax incentive for rehabilitation or replacement of historic structures and existing residential or business structures in qualifying areas, such as town centers. This incentive applies broadly to residential and historic structures as well as to business properties.

Table NH-2
New Hampshire Property Tax Features, 2022

Feature	New Hampshire	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

From 1993 to 2008, a series of state court cases, which came to be known as the *Claremont* decisions, led to an overhaul of the public school funding system and reform of local property tax administration. Before then, state aid for education in New Hampshire provided only 8 percent of K-12 revenue, the lowest level in the nation (England 2008; Kenyon 2007). Underassessment of property was widespread; and in many communities, property revaluations were infrequent despite a constitutional requirement to revalue property every five years (England 2008).

In the decision known as *Claremont II*, the New Hampshire Supreme Court mandated that the state "define a constitutionally adequate education; determine the cost of such an education; fund an adequate education throughout the state; and ensure its delivery through an accountability system"

(SchoolFunding.Info). Furthermore, *Claremont II* (1997) ruled that the state "must fund an adequate education with proportional and reasonable taxes" (Paquin et al. 2023), and the *Sirrell* decision (2001) mandated that the state enforce the constitutional requirement that municipalities reassess properties every five years.

In 1999, New Hampshire imposed a statewide property tax and a motor vehicle rental tax and increased its business profits tax, business enterprise tax, and real estate transfer taxes in order to increase state education aid (England 2008; Paquin et al. 2023). However, the new statewide property tax was collected locally, and most of the funding was retained locally. The Department of Revenue Administration and two new state boards were given power to regulate local property tax assessments (England 2008). The New Hampshire Supreme Court terminated its jurisdiction in these school finance matters in 2008, when it dismissed *Londonderry School District v. State.*

In August 2015, the city of Dover, represented by the attorney for the *Claremont I* plaintiffs, sued the state over an 8 percent cap on year-to-year increases in state aid under the state's education funding formula which had been in place since 2011 (Moon 2015; SchoolFunding.Info). In September 2016, Sullivan County Court Judge Brian Tucker ruled in favor of the plaintiffs, finding that the cap violated the state's "exclusive obligation to fund a constitutionally adequate education." Although the court ruling prohibited the state from withholding funds under the cap, it did not order the state to pay back funds for prior fiscal years (SchoolFunding.Info).

Although state support has declined since 1999, local property tax revenues for K-12 education have grown steadily, even through recessions, serving as a back stop for state aid. Although New Hampshire has achieved revenue stability and high student achievement, the state continues to fight litigation over the adequacy and equity of its school funding system (Kenyon and Munteanu 2022).

In early 2019, a handful of New Hampshire school districts filed a suit, *Contoocook Valley School District v. State of New Hampshire*, claiming that the state had failed to fulfill its constitutional obligation to provide an adequate education. They argued that the base aid amount of $3,562.71 per student that was calculated by the legislature in 2008 was not enough to cover the cost of education in any New Hampshire school district (Associated Press 2019). The case went to trial in May 2023, but the judge had not yet issued a ruling as of August 2023. A second case filed in 2022, set for trial in September 2023, challenges the constitutionality of New Hampshire's school funding system based on the disparities in tax rates between school districts and insufficient state support.

Recent Developments

In June 2019, Superior Court Judge David Ruoff ruled the state's school funding formula unconstitutional in *Contoocook Valley School District v. State of New Hampshire*. Fifteen other school districts joined in the lawsuit (Stinneford 2021). While the court found that the base aid amount was inadequate, it did not offer an alternative amount and left the decision to legislators (Associated Press 2019). The New Hampshire Supreme Court heard an appeal of the case in September 2020 and remanded the case to the county superior court for a full trial. The trial was held in May 2023. The plaintiffs argued that the

Supreme Court noted that the trial court has the responsibility to determine the components of an adequate education and ascertain the costs, while the state asserted that lawmakers have the authority to define adequacy and have broad discretion over how to fund it. As of August 2023, Judge Ruoff has not delivered a ruling in the case (Rogers 2023).

A separate case filed in 2022 claims the state adequacy aid is insufficient, school districts rely too heavily on property taxes, and that disparities in tax rates violate the state's uniformity clause. The plaintiffs represented by the lead attorney in the *Claremont* cases will present arguments in a trial set for September 2023 (O'Grady 2022).

New Hampshire enacted a fiscal year 2024 and fiscal year 2025 budget that increases state per-pupil funding for public education, sending an additional $141 million to schools over the next two years, and also revises the school funding formula, targeting more funding to needy districts. The legislation increased base adequacy aid about 8 percent to $4,100 per student an increased the additional per-pupil funding schools receive for special education, English language learners, and students eligible for free and reduced-price meals.

In October 2022, Massachusetts and New Hampshire settled a case over taxes on flood control facilities that are located in New Hampshire. Massachusetts agreed to pay New Hampshire communities $3.5 million to offset lost property tax revenue. Massachusetts had not made payments since 2014 (Associated Press 2022).

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LINCOLN INSTITUTE OF LAND POLICY

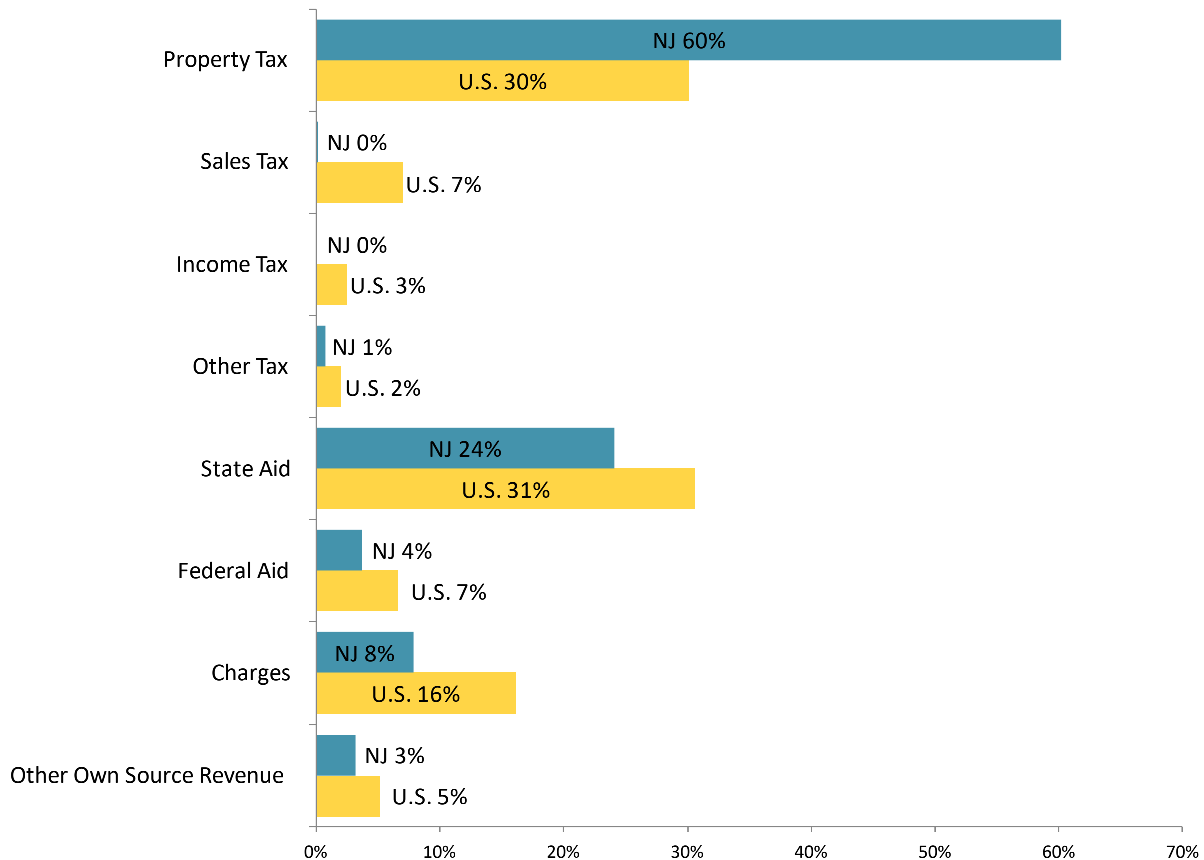
New Jersey

Highlights

New Jersey levies three primary taxes: a state-overseen but locally administered property tax, a broad-based personal income tax that is constitutionally designated for property tax relief to individuals and local governments, and a sales tax used to support state government operations.

The property tax is the only tax authorized for New Jersey's local taxing districts and is their principal source of funding. New Jersey local governments rely twice as heavily on property taxes as a source of general revenue as do U.S. local governments on average (figure NJ-1).

Figure NJ-1
Sources of Local General Revenue, New Jersey and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, New Jersey's property tax as a percentage of state and local revenue was the second highest in the country, second only to New Hampshire. New Jersey ranks second among the states for property taxes per capita, fourth among the states for property tax as a percentage of personal income, and first for the effective tax rate on a median value owner-occupied home (table NJ-1).

Table NJ-1
Selected New Jersey Property Tax Statistics, 2021[1]

	New Jersey	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,538	$1,898	*2*
Property tax percentage of personal income	4.9%	3.1%	*4*
Total property tax as percentage of state-local revenue	26.8%	15.5%	*2*
Median owner-occupied home value[2]	$355,700	$244,900	*8*
Median real estate taxes paid for owner-occupied home[2]	$8,797	$2,690	*1*
Effective tax rate, median owner-occupied home[3]	2.5%	1.1%	*1*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for are median owner-occupied home value and median real estate taxes paid for owner-occupied home five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

New Jersey's property taxes are levied by its municipalities, counties, K-12 boards of education, and some 180 special-purpose fire districts. Property values are set by a municipally appointed assessor in each municipality (table NJ-2). Municipal assessors report to a state-appointed county tax board that hears value appeals, calculates tax rates and apportionment ratios, and prepares county-wide assessment reports.

Assessors and county boards are overseen by the local property section of the State Division of Taxation. The division provides a range of administrative and data processing activities. The state's constitution is the basis for several policies that control property tax administration, the primary elements of which are that "property shall be assessed for taxation under general laws and by uniform rules" and "all real property…shall be assessed according to the same standard of value." In practice, the uniformity requirement means that properties are assessed without regard to differential tax rates or class-based assessment ratios.

The state constitution provides for several exceptions to the uniformity rule. One allows for farmland assessment that evaluates productive farmlands, horticultural properties, and woodlands in excess of five acres that meet specific criteria in terms of their value as farmland. The constitution and related enabling laws also provide for tax exemptions for a wide range of properties, including government, religious, and not-for-profit entities.

Property tax collection is administered at the municipal level by a municipal tax collector. Once annual tax rates (set at a rate per $100 of assessed value) are set by the county board of taxation (based on levies adopted by the budgets of each applicable taxing district each spring), the collector produces tax bills for all parcels.

There is very limited taxation of personal property. Personal property of petroleum refineries is generally taxable; business tangible personal property, except for inventories, that is used for local exchange telephone systems is also taxable.

Limits on Property Taxation

Taxing districts are subject to two limits on property taxation. The first, the appropriation cap in effect since 1977, is a type of revenue/expenditure limit. Under this cap, counties and municipalities are prohibited from increasing their budgets by more than 2.5 percent over those of the prior year or by the increase in the cost of living, whichever is less. Override is by a referendum, up to a 3.5 percent increase.

The second limit is a property tax levy cap. County and municipal government property tax levies and property tax levies for school district general funds can increase by no more than 2 percent over the prior year. Spending in excess of the limit requires 60 percent voter approval. Waivers for certain extraordinary costs may be authorized by the local finance board in the state's Department of Community Affairs (Significant Features of the Property Tax).

For municipalities, the levy cap is in addition to the appropriation cap; while for counties, the limit is the lower of the levy cap and the appropriation cap.

Property Tax Relief and Incentives

The New Jersey Property Tax Reimbursement (Senior Freeze) Program refunds eligible senior citizens' and disabled persons' property taxes or mobile home park site fee increases on their principal residence over a base year (the year in which the applicant first applies). Eligibility is generally restricted to households in which the owner is 65 years or older, has lived in New Jersey for 10 consecutive years, has owned and lived in the subject home for the previous three years, has paid his or her property taxes in full, and did not exceed the program's income limits ($92,969 in 2020) (Significant Features of the Property Tax).

The Affordable New Jersey Communities for Homeowners and Renters (ANCHOR) program replaced the Homestead Benefit Program beginning with the 2022 application year (2019 tax year). Like the Homestead Benefit Program, ANCHOR provides property tax relief to eligible homeowners and tenants.

To receive a 2019 homestead benefit, a household's New Jersey gross income could not have exceeded the following limits: (1) $250,000 for homeowners; or (2) $$150,000 for tenants. Homeowner benefit amounts vary by income. The owner must have paid property taxes for the year in which the application was made, and the house must be the homeowner's principal residence. Renters must be named on a lease or rental agreement and must rent a property that was subject to property taxes (New Jersey Division of Taxation).

An income property tax deduction/credit allows homeowners and tenants who pay property taxes (either directly or through their rent) on their New Jersey principal residence to possibly qualify for either a deduction or a refundable credit on their state resident income tax return. Homeowners and tenants may be eligible for a deduction or credit even if they are not eligible for the Homestead Benefit Program. The tax benefit varies depending on the homeowners'/tenants' taxable income, the amount of their property taxes or rent, and their filing status. For tenants, 18 percent of rent paid during the year is considered property taxes paid.

The state constitution currently provides a deduction on the property tax bill for income-eligible senior citizens, disabled residents, and veterans. The deduction is reimbursed to the municipality by the state. Qualifying disabled veterans are eligible for up to a full exemption of property taxes on their primary residence.

Businesses in designated redevelopment areas are permitted to ask the municipality to make site-based improvements and to pledge the property's incremental property tax value to pay for the capital costs (redevelopment area development financing). A separate program parallels a state economic development incentive program and pledges property tax increments for businesses that expand employment or relocate to a municipality in need of economic development. Neither program is widely used. Another economic development provision allows short-term tax abatements and long-term exemptions (accompanied by a payment in lieu of taxes) for blighted property as part of municipally determined redevelopment or rehabilitation districts.

In 2021, Governor Phil Murphy signed Assembly Bill 4806 into law, authorizing New Jersey municipalities to establish an innovative business-funded residential property tax incentive program for taxpayers who shop locally. Some municipalities had programs in place before the law was passed. In these localities, homeowners are awarded for shopping at local retailers. They can receive a reduction in their property tax bill or even a rebate check in the case of shoppers who live in a different locality. Under one such program in Marlboro, New Jersey, businesses can offer a property tax reward equal to between 1 and 12 percent of each purchase (Marcus 2021).

Table NJ-2
New Jersey Property Tax Features, 2022

Feature	New Jersey	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

New Jersey's reliance on the local property tax dates back to colonial days; for most taxing districts, property taxation remains the primary source of funding for municipal and county services. For K-12 boards of education, however, the story is different. Consistent with court challenges in other states, a series of state constitutional challenges concluded that the reliance on property taxes to fund local education violated the constitutional requirement (dating back to the 1870s) that the state provide a system of "thorough and efficient education."

Known as the *Abbott* line of cases, this litigation spans four decades and is still an issue today. The initial findings in the mid-70s led to the imposition of the personal income tax and the constitutional requirement that the collections be used for property tax relief.

Stemming from school funding litigation and the creation of the income tax in 1977, legislation imposed appropriation caps on municipalities and schools and a levy cap on counties. The caps were initially based on a fixed percentage. Over time, they were modified to a variable percentage, then back to a fixed percentage; they were also subject to changes in exemptions.

In 2007, as part of the state's response to the Great Recession, a more or less uniform property tax levy cap was imposed on all taxing districts. In this case, it was a 4 percent cap, subject to some 14 exceptions. This was modified in 2010 to a 2 percent cap with the number of exceptions reduced to four. The cap limits increases in general fund levies to a 2 percent increase over the prior year's budget with adjustments for school districts based on enrollment. Voters may override the limit with a 60 percent majority (Significant Features of the Property Tax).

In 2008, New Jersey enacted the School Funding Reform Act of 2008, which increased state aid to every district with increases ranging from 2 percent to 20 percent. In 2009, the New Jersey Supreme Court ruled the new education funding system satisfied the state's constitutional requirement that the state provide "a thorough and efficient education." In 2011, the *Abbott* plaintiffs asked the court to block education aid cuts passed as part of the state's 2010–2011 budget. In 2011, the court demanded the state provide full funding for the *Abbott* districts in fiscal year 2012. In 2017, the court subsequently denied Governor Chris Christie's request to freeze state aid to allow the state to develop a new school funding formula (SchoolFunding.Info). In July 2018, New Jersey enacted compromise legislation to overhaul the School Funding Reform Act of 2008, which increased state aid by over $1 billion over seven years and shifted aid to school districts with growing student populations and higher shares of needy students. While most districts saw funding increase under the plan, aid reductions to "overfunded" districts where student population had declined or property tax bases had grown were to be phased in over seven years. Some districts, including former *Abbott* districts, were granted authority to exceed the 2 percent levy limit in order to backfill state aid reductions (Racioppi and Pugliese 2018).

There have been two important recent New Jersey cases regarding property tax exemption of nonprofits. In 2015, in *AHS Hosp. Corp. v. Town of Morristown, Corp.*, New Jersey Tax Court Judge Vito L. Bianco ruled that Morristown Hospital failed to qualify for property tax exemption "because the 'subject Property [was] being used substantially for profit'" (Collins and Ross 2017). This case led to a wave of litigation and efforts to resolve the issue in the state legislature (Gialanella 2017). A second 2015 lawsuit, *Fields v. Trustees of Princeton University*, challenged the tax-exempt status of Princeton University. This case was settled out of court. "…[B]ecause Princeton chose to settle, the underlying issue of the nonprofit status of large research universities with extensive revenue generation capabilities remains unresolved in New Jersey" (Collins and Ross 2017). In 2021, New Jersey enacted a law permitting tax exemption for nonprofit hospitals including those that lease to for-profit organizations and establishing a per-bed community service contribution (A.B. 1135 of 2021).

Recent Developments

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, New Jersey joined Connecticut, Maryland, and New York in a legal challenge to the SALT cap, arguing it interfered with state sovereignty and harmed the plaintiff states. The federal government asked the court to dismiss the lawsuit (Civil Action No. 18-cv-6427). A U.S. District Court judge dismissed the lawsuit in September 2020, finding that "the states have cited no constitutional principle that would bar Congress from exercising its otherwise plenary power to impose an income tax without a limitless SALT deduction" (Reitmeyer 2019). The Second Circuit upheld the District Court ruling in October 2021. In 2022, The U.S. Supreme Court declined to review the Second Circuit opinion as requested by New Jersey and the other plaintiff states (Muse 2022). The average amount of the deduction claimed by New Jersey taxpayers in 2015 was $18,092—80 percent higher than the new limit (Tax Policy Center 2017).

Governor Phil Murphy signed a law in 2018 to permit local governments to create charitable funds to which taxpayers could donate and receive a 90 percent tax credit against their property tax liability, which was thwarted by IRS rules (IR 2018-172) (Rosenthal and Yang 2018). New Jersey passed workaround legislation in 2020 to shield owners of pass-through businesses from the effect of the cap by reclassifying income tax payments by those business owners as "elective entity-level taxes," which are deductible since the cap does not apply to businesses. In 2020, the IRS issued proposed rules to permit such an arrangement (Walczak 2020). New Jersey broadened the 2020 workaround law to include out-of-state income that would be taxable under the state's gross income tax and allowed pass-through entities to apply overpayments to a subsequent tax year (Valdez 2022).

In 2021, the legislature passed Assembly Bill 1135 to resolve issues raised in the Morristown Medical Center (formerly AHS Hospital Corp. d/b/a/ Morristown Memorial Hospital) case over exemption of property owned by nonprofit hospitals but used for for-profit activities. In a 2015 ruling, the court ruled the medical center was not entitled to a charitable exemption on property used for for-profit activities and left the responsibility on the legislature to clarify the legal application of the exemption. AB 1135 reinstated the charitable tax exemption for nonprofit hospitals including property those hospitals lease to for-profit organizations and established a per-bed fee as a "community service contribution" (Devine 2021). Four municipalities challenged the new law, but the Superior Court of New Jersey for Mercer County dismissed the complaint in July 2022, upholding the new law (Talwani 2022).

New Jersey overhauled its Homestead Benefit circuit breaker program in 2022 with legislation backed by Governor Phil Murphy that expanded eligibility to renters, increased income limits for homeowners, and increased and restructured benefits and payments. The redesigned program, estimated to cost $2 billion, is called the Affordable New Jersey Communities for Homeowners and Renters (ANCHOR). The program provides a flat benefit of $1,500 for homeowners with income up to $150,000 and $1,000 for homeowners with income up to $250,000. Like the circuit breaker program it replaces, ANCHOR pays out benefits two years after the tax year. Homeowners who owned or rented and met the income criteria in 2019 received a direct rebate in Spring 2023 (Mueller 2022; New Jersey Division of Taxation 2022). In the first year of the program, 1.7 million residents applied (Office of Governor Phil Murphy 2023).

Beginning in 2026, most New Jersey homeowners and renters aged 65 and older will qualify for a 50 percent reduction of their property taxes (or rent equivalent). Dubbed StayNJ, the program enacted as part of New Jersey's $54.5 billion fiscal year 2024 budget will cost an estimated $1.3 billion per year once it takes effect. Seniors over age 65 are eligible as long as their income does not exceed $500,000; the maximum benefit is $6,500 (Johnson 2023; Tulley 2023).

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New Mexico

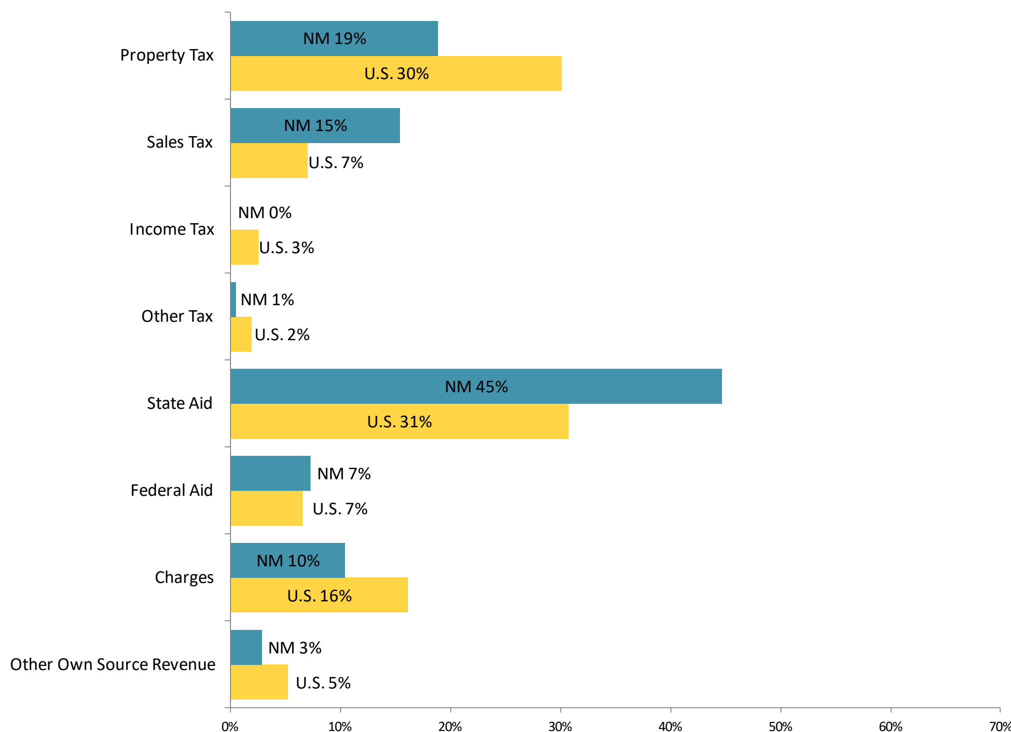
Highlights

Local governments in New Mexico rely less heavily on property taxes than do most other states (figure NM-1). This is because both the state and local governments greatly depend on a broad-based sales tax (known as the gross receipts tax), there is a large amount of untaxable land, and the school finance system is very centralized. In 2021, New Mexico had the third-highest percentage of K-12 revenue from state sources, at 71 percent. Only Vermont and Hawaii were higher (NCES 2023).

New Mexico has a classified property tax system with three classes of property. Taxable value is 33 1/3 percent of market value.

The state makes use of a unique property tax levy cap, known as yield control. The growth in property tax revenues may not exceed the lesser of a calculated growth factor or 5 percent from the previous year, plus new property. The levy limit is calculated separately for residential and nonresidential properties, which results in different tax rates for each property type. The Department of Finance and Administration sets the rates for each of the local government entities for residential and nonresidential property within each county.

Figure NM-1
Sources of Local General Revenue, New Mexico and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, property tax as a percent of state and local revenue was second lowest in New Mexico compared to any other state (table NM-1).

Table NM-1
Selected New Mexico Property Tax Statistics, 2021[1]

	New Mexico	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$936	$1,898	*47*
Property tax percentage of personal income	2.0%	3.1%	*44*
Total property tax as percentage of state-local revenue	6.5%	15.5%	*50*
Median owner-occupied home value[2]	$184,800	$244,900	*36*
Median real estate taxes paid for owner-occupied home[2]	$1,470	$2,690	*40*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*34*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Historically, New Mexico relied primarily on local property taxes to fund public school capital expenditures; provide municipal and county capital and operating funds; and to supply funding for community colleges, county hospitals, and other special taxing districts. For counties, the property tax on average is the largest source of revenue; for municipalities, it is on average the second-largest source of revenue. The state gets almost no revenue from the current property tax system.

New Mexico imposes its property tax on real and personal property but exempts tangible personal property of individuals.

Starting in 1979, in a period of significant underassessment and broad reassessment efforts, New Mexico created a statutory provision to reduce or increase imposed mill rates formulaically in an effort to limit tax yields when valuation growth and reassessment cause taxable values to increase. Conversely, the formula (known as “yield control” but never actually called that in law) also provides for mill rates to be raised when tax yields are not keeping up with rising government costs. The formula provides for some inflationary growth using the price deflator index for state and local government purchases of goods and services. Yield control does not apply to debt service impositions or to property subject to

one of four special or in-lieu property taxes, such as the Oil and Gas Production Equipment Ad Valorem Tax.

In 1978, the agency responsible for overseeing statewide property tax administration became the Property Tax Division (PTD) of the newly created Taxation and Revenue Department (TRD). The Department of Finance and Administration (DFA) and Office of the State Engineer have roles in setting the tax rates each year.

Only certain centrally assessed properties are directly assessed by the Property Tax Division, whereas most commercial and residential property is valued and assessed by counties. The assessors carry the bulk of the valuation burden. County treasurers bill and collect property taxes based on the tax schedule prepared by the county assessors, with input from the PTD on state-valued properties.

Article VIII, Sec. 1 of the state constitution requires that taxes generally shall be equal and uniform for the same class. A 1971 amendment provided that different methods of valuation are allowed for different kinds of property, and a 1998 amendment ordered the legislature to limit the annual increase in valuation of residential property based on owner occupancy, age, or income.

Properties producing oil or natural gas have been taxed since 1959 under the Oil and Gas Ad Valorem Production Tax, not the Property Tax Code.

Under the present regime, residential properties should be valued at current and correct values; however, increases in taxable value for primary residences are limited to 3 percent per year pursuant to legislation following the 1998 amendment (table NM-2).

Limits on Property Taxation

Since 1933, the New Mexico Constitution has limited the combined operating levies of the four principal units of government (state, counties, municipalities, school districts), at first to twenty dollars per thousand dollars of net taxable value ($20/$1,000). The state determines the allocation of the split limit among governmental bodies, and the allocations have changed over the years. The state stopped levying its own operating rate in 1980. Since 1986, the split has been $11.85/$1,000 for counties, $7.65/$1,000 for municipalities, and $0.50/$1,000 for school districts.

In addition to the rate limit described above, New Mexico has a levy limit known as yield control and an assessment limit. The assessment limit limits the increase in taxable value for residential property to the greater of: (1) 3 percent more than the taxable value in the prior year; or (2) 6.1 percent more than the taxable value of the property two years prior.

Property Tax Relief and Incentives

New Mexico provides several forms of property tax relief. An assessment freeze is granted for low-income disabled or elderly homeowners under which the property's valuation is frozen at its value when the owner became eligible. The state also offers several exemptions: heads of families are allowed a $2,000 exemption of the taxable value of the property, veterans are allowed a $4,000 exemption, and

disabled veterans are allowed a full exemption from the property tax. Finally, there is a state-funded circuit breaker for low-income elderly who are either renters or owners, with a local option and an additional county option property tax rebate for low-income taxpayers.

Property tax incentives for economic development include enterprise zone and tax increment financing programs.

Table NM-2
New Mexico Property Tax Features, 2022

Feature	New Mexico	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state still operates under the Property Tax Code enacted by the legislature in 1973. In the early 1970s, the state took responsibility for funding operations of all public schools through the school funding formula. A few years later, the state also relieved the school districts of their no-longer-necessary authority to levy property taxes for operating purposes, except for a $0.50/$1,000 levy. School districts continue to levy taxes for capital improvement.

In 1977, the legislature placed a 10 percent limit on the year-to-year increase in the valuation of residences. The valuation increase limitation was repealed in 1979 and replaced with "yield control," which is a statutory formula designed to unlink tax increases from valuation increases. By controlling the increase in revenue (the yield) hitherto connected with valuation increases, homeowners collectively would not be punished by a jump in taxes as a result of periodic equalization of valuations. Valuation of undervalued individual properties, however, could rise dramatically. Because yield control originally applied to nonresidential as well as residential property in a taxing jurisdiction, its rate-reducing impact was diluted.

In 1981, residential property began to be classified separately. Yield control was amended to apply only to residential property, thus concentrating all the tax-suppression benefits on residential property owners. (Somewhat later, yield control was extended separately to nonresidential property.) That same

year, the legislature also enacted a special method for valuation of residential property. Essentially all residential property valuations had to be rolled back to 1975 price levels.

In 1983, the special method for valuing residential property was adjusted to require 1975 price level valuation for tax years 1982 through 1985 and a 1980 level for tax years 1986 through 1990. Yield control was expected to defuse the 1986 valuation bump.

In 1985, the legislature tired of trying to legislate valuations and repealed the special method, allowing the general "current and correct" standard to prevail. By regulation, the definition of "current and correct" value for the current year depends on whether the property changed ownership. For properties acquired through new construction or purchase of an existing structure in the year before the current year, it means the property's market value in the year of acquisition. For a property that did not change ownership, it means the property's market value in the prior year; or if the county is using a two-year reappraisal cycle, two years prior.

Several attempts were made during the 1990s to introduce a California-style acquisition value system in New Mexico. Generally, this valuation regime assesses a property at its market value in the year it was built or purchased. Because basing a residence's value on its acquisition value was clearly contrary to Article VIII, Sec. 1 of the state constitution, that section was amended in 1998 to *require* that annual increases in valuations of residential property be limited. The limit, which may be conditional, is to be applied either statewide or county by county to classes of residential property taxpayers based on owner occupancy, age, or income.

In 2000, two statutory limitations were enacted to meet the new constitutional mandate. The narrower limitation provides a 0 percent limit on the year-to-year valuation increase for owner-occupied single-family housing belonging to a person aged 65 or older whose modified gross income is $18,000 or less. In 2003, blind or permanently disabled owner-occupants of the same income level also became eligible, and the income ceiling was indexed for inflation. In 2008, the income ceiling was boosted to $32,000 (and adjusted for inflation in succeeding years) for both the elderly and the disabled.

The more general limitation caps annual increases in taxable value to no more than 3 percent. The limitation does not apply to residences in the first year of valuation or to valuation changes from physical improvements of the property or from zoning changes. Valuation reverts to its current and correct value when the property changes hands.

In 2014, the New Mexico Supreme Court upheld the acquisition-value assessment component of New Mexico's assessment limitation that requires revaluation at market value when a property changes hands (McKay 2014). The plaintiffs and other critics of the law refer to this mechanism as "tax lightning" because it can produce sudden property tax spikes for new buyers (Kiehne 2014). Three homeowners who purchased property in Bernalillo County in 2007 brought the challenge, arguing it violated the uniformity clause of the state constitution. The Supreme Court upheld the legislature's "authority to draw lines which would include the power to impose the cap but with certain conditions" (McKay 2014; *Zhao v. Montoya* (2014)). The legislature rejected legislation to remove acquisition value assessment in the 2015 and 2016 sessions (New Mexico Legislature).

In 2019, the state enacted major school funding reforms in response to an order from the New Mexico District Court in a case that consolidated litigation filed in 2014: *Yazzie v. State of New Mexico* and *Martinez v. State of New Mexico* (*Yazzi and Martinez v. State of New Mexico*). Both lawsuits claimed the state's funding was inadequate and inequitable. In a July 2018 ruling, New Mexico District Court Judge Sarah Singleton found the state's education finance system in violation of New Mexico's constitution and gave the state a deadline of April 15, 2019 to take "immediate steps to ensure that New Mexico schools have the resources necessary to give at-risk students the opportunity to obtain a uniform and sufficient education that prepares them for college and career" (SchoolFunding.Info). The legislature met the deadline passing legislation that raised teacher salaries and provided funding for districts with small property tax bases, under-performing schools, and at-risk students (Associated Press 2019).

Recent Developments

While more than half of states had made up pandemic-related revenue losses by February 2021, New Mexico was among the 18 states still experiencing revenue losses. Tax collections were down 2.5 percent from March 2020 to February 2021 (Rosewicz, Theal, and Fall 2021). However, New Mexico revenues staged a dramatic recovery beginning in the second quarter of 2021, outpacing growth in all other states. In the second quarter of 2022, revenue growth in New Mexico was 34 percent higher than the state's pre-pandemic growth trend (Theal and Fall 2023).

New Mexico halted auctions of properties with delinquent property taxes during the Covid-19 pandemic. Tax sales resumed in October 2021, and the state pledged to auction properties that had become delinquent during the suspension by the end of fiscal year 2022 (Tax Analysts 2022).

With the passage of House Bill 102 of 2022, New Mexico became one of 30 states to enact state and local tax (SALT) cap workarounds for pass-through entities. Since the enactment of the 2017 federal Tax Cuts and Jobs Act, the deductibility of state and local taxes, including property taxes, has been limited to $10,000 per year. New Mexico's policy allows business owners of pass-through entities to pay state income taxes at the entity level, thereby reducing taxable income before claiming any individual deductions or exemptions and effectively shielding owners of pass-through-entities from the effects of the SALT limit (Dadayan and Buhl 2023; Jones 2022). As of July 2023, 36 states had adopted entity-level taxes as a workaround (AICPA).

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LINCOLN INSTITUTE OF LAND POLICY

New York

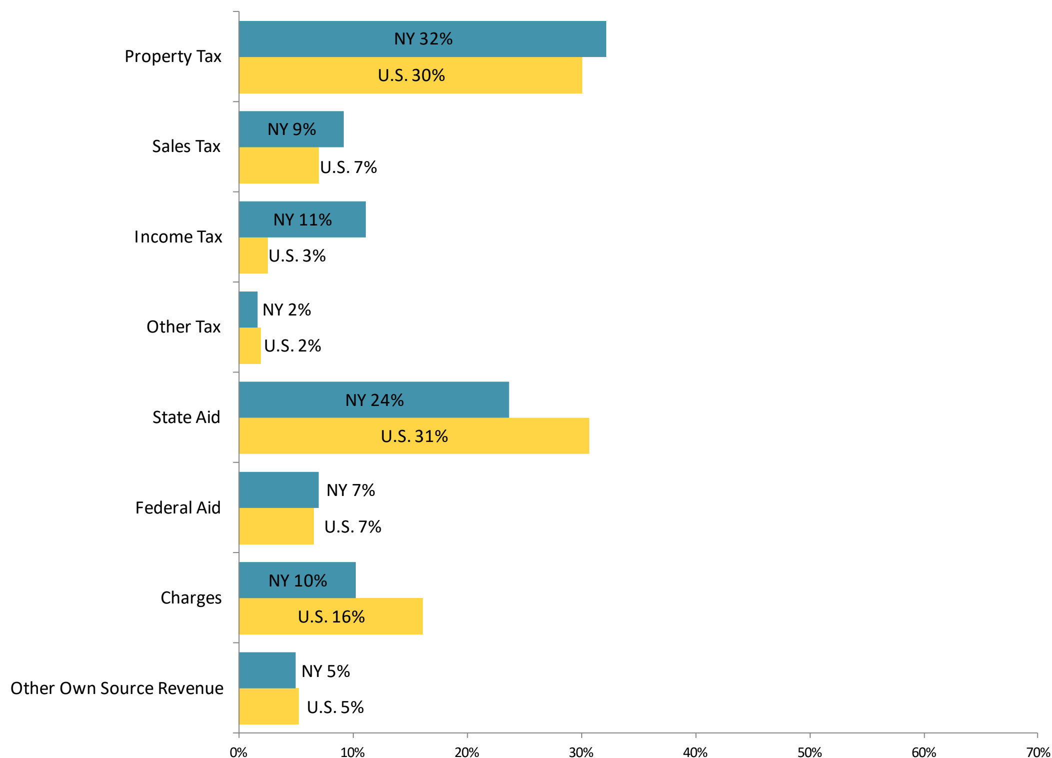
Highlights

The property tax is the foundation of New York State's local revenue system. It is the main local source of revenue for public schools in New York and for many other local services, such as police and fire. In 2021, the property tax provided 32 percent of local general revenue (figure NY-1). In the case of public elementary and secondary schools, in 2021 the property tax comprised 67 percent of local education revenue and New York spent $26,571 per pupil on education, more than any other state (U.S. Census 2021).

New York State has a homestead exemption, called the School Tax Relief (STAR) program, which provides relief from a portion of school taxes for all homeowners. The state then compensates school districts for the revenue they lose because of this exemption.

New York is one of two states, along with Illinois, in which property tax structures differ substantially by locality. New York City and Nassau County, a suburban county on Long Island, have property tax systems that are substantially different from those in the rest of the state.

Figure NY-1
Sources of New York Local General Revenue, 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

New York's property taxes per capita rank third in the nation, and property tax as a percentage of personal income ranks sixth (table NY-1).

Table NY-1
Selected New York Property Tax Statistics, 2021[1]

	New York	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$3,343	$1,898	*3*
Property tax percentage of personal income	4.4%	3.1%	*6*
Total property tax as percentage of state-local revenue	18.6%	15.5%	*9*
Median owner-occupied home value[2]	$340,600	$244,900	*9*
Median real estate taxes paid for owner-occupied home[2]	$5,884	$2,690	*4*
Effective tax rate, median owner-occupied home[3]	1.7%	1.1%	*8*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Local governments are responsible for assessing property (table NY-2), and there are more than 1,450 different assessing units in the state. Special assessing units, defined as those units with a population of one million or more, include only New York City and Nassau County, with the remaining units considered "non-special" (Strom 2021).

Most assessing units do not employ property tax classification. Two notable exceptions are New York City and Nassau County, which have classification systems with four different classes, in which both assessment ratios and tax rates vary. In New York City, for example, Class 1, which comprises 1–3 unit residential properties except for cooperatives and condominiums, has an assessment ratio of 6 percent and a tax rate of 20.309 percent for the 2022–2023 tax year (City of New York). Certain non-special assessing units have the option of using different tax rates for homestead and non-homestead properties.

New York State does not require local assessing districts to revalue on any regular cycle. As a result, "some jurisdictions revalue annually, while others have not reassessed in many decades" (New York State Department of Taxation and Finance; Nicely et al. 2014). The state government has attempted to

improve the quality of assessments by tying funding to assessment standards. The Cyclical Reassessment Aid program requires a participating municipality to submit a plan for a reassessment cycle that must include a complete reappraisal at least once every four years. However, personal property is not subject to the property tax in New York.

Limits on Property Taxation

New York law authorizes several limits on property taxation, including restrictions on both local property tax levies and on certain assessments (Paquin 2015). The local property tax cap, a type of levy limit which was implemented in 2011, restricts the increase in any local government's property tax levy to 2 percent per year. In practice, however, a jurisdiction's limit may exceed 2 percent because of adjustments for new property, capital spending, payments in lieu of taxes, and a few other things. The levy limit can be exceeded with the support of 60 percent of voters. In 2019, the state's property tax cap was made permanent (New York State Office of the Governor 2019). Another levy limit, known as the Constitutional Tax Limit, caps the levy at a set percentage of the jurisdiction's full valuation (1.5 percent), cities (2 percent, but 2.5 percent for New York City), and villages, but excludes towns and school districts.

New York assesses agricultural property based on the value of production with an adjustment for soil productivity. The base agricultural assessment may not grow by more than 2 percent per year (New York State Office of the Comptroller 2018; Significant Features of the Property Tax).

A separate assessment limit restricts growth in property values only in New York City and Nassau County; these limits vary by property class. For example, for Class 1, residential properties, assessments cannot increase more than 6 percent from the prior year or more than 20 percent over a five-year period.

Property Tax Relief and Incentives

New York provides several residential property tax relief programs, including a property tax circuit breaker program, a senior homestead exemption, and a school property tax exemption. New York's School Tax Relief (STAR) program provides relief from school property taxes for owner-occupied primary residences. For 2021, the basic exemption amount was $30,000 for Basic STAR. All homeowners with incomes less than $500,000 are eligible for Basic STAR. Enhanced STAR provides larger exemptions to elderly homeowners with incomes less than $93,200 (2023–2024 program year) (New York State Department of Taxation and Finance). Basic and Enhanced STAR are both subject to adjustments based on local housing prices and vary considerably among localities. Relief is disbursed as a property tax exemption for taxpayers who have received the STAR exemption since 2015, and as a rebate check for those who enrolled after 2015. Maximum relief varies, but a taxpayer's relief under the program may not increase more than 2 percent per year (Significant Features of the Property Tax).

The Real Property Tax Credit for Homeowners and Renters is an income-tested circuit breaker program that provides a refundable credit against property taxes paid for claimants with household income up to $18,000. The maximum benefit was $375 in 2021 for those with incomes under $1,000. Under the

Senior Citizen Homestead Exemption, local governments are permitted to exempt up to 50 percent of homestead value from taxation for elderly homeowners with incomes up to $29,000. New York has raised the income ceiling to $50,000 effective July 1, 2023.

Both the system of property tax classification and the rules for valuing condominiums and cooperatives in New York City provide a substantial benefit to homeowners and owners of condominiums and cooperatives (Youngman 2016).

There is a wide array of property tax abatements for business property that are authorized by New York State. In 2021, New York had 27 programs with property tax incentives for economic development, some of which applied only to properties in New York City. One of those is a tax increment financing program (Significant Features of the Property Tax).

Table NY-2
New York Property Tax Features, 2022

Feature	New York	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes in New York State go back to at least 1654 and the Dutch New York Colony. By 1800, the property tax had become a state tax (with a hiatus during 1828 and 1842 when the Erie Canal was providing extensive revenue) and did not shift to the local level until 1928. Property taxes are now collected by all local governments (New York State Office of Real Property Services 2007).

The state has a long history of controversy surrounding assessment at less than full value and assessment inequality. The Assessment Improvement Law of 1970 provided some aid to improve assessment quality, encouraged state assistance with assessing complex properties, and encouraged localities to move from elected to appointed assessors. *Hellerstein v. Assessor, Town of Islip* (1975) challenged the long-standing practice of ignoring the statutory requirement to value property at its full market value. In 1981, the legislature repealed the statutory requirement of valuation at full market value and substituted a requirement that property be assessed at a uniform percentage of value. It also

instituted property tax classification for New York City and Nassau County (New York State Office of Real Property Services 2007; Quart 2015).

New York enacted its School Tax Relief (STAR) program in 1997 and has modified the program several times.

Recent Developments

In 2022, New York State and New York City enacted policies to expand property tax relief for homeowners. The state passed a fiscal year 2023 budget that included a one-time $2.2 billion property tax rebate for homeowners and a five-year property tax abatement for New York City childcare centers (Senate Bill 8009). The new tax credit benefits homeowners who are eligible for STAR with household income at or below $250,000. The rebate is the lesser of $150 or tax liability. The state sent out rebates to current STAR recipients with complete information automatically. Other homeowners were required to apply (City of New York 2022).

Senate Bill 3085A raised the income ceiling to $50,000 for a property tax exemption for disabled or senior homeowners, the first increase since 2009. Senate Bill 8890 extended an expiring property tax exemption for first time homebuyers purchasing new construction (Hollingsworth 2022b). In August 2022, Mayor Eric Adams signed legislation passed by the New York City Council to provide $150 rebates to city owners of single-to-three-family homes, condos, or coops, with household income at or below $250,000. The rebate cannot exceed property tax liability.

New York enacted legislation dubbed the “Dark Store” bill in 2022 (A 894C/S 5715A). The law spells out what comparable sales or rentals assessors may use when determining the value of mixed-use or non-residential property using a sales, income, or cost method. The law states assessors should include “sales or rentals of properties that are similar in age, condition, use or the use at the time of the sale, type of construction, location, design, physical features and economic characteristics including but not limited to similarities in occupancy and market rent” (New York State Assessors Association 2021).

The Tax Cuts and Jobs Act of 2017 capped the federal income tax deduction for state and local taxes (SALT) at $10,000. In 2018, New York joined Connecticut, Maryland, and New Jersey in a legal challenge to the SALT cap, arguing it interfered with state sovereignty and harmed the plaintiff states. But subsequent court decisions dismissed the lawsuit (Muse 2022). The average amount of the deduction claimed by New York taxpayers in 2015 was $21,779, more than double the new limit (Tax Policy Center 2017). In 2020, the IRS released regulations that permitted an entity-level tax workaround that shields owners of pass-through businesses from the effect of the cap by reclassifying income tax payments by those business owners as entity-level taxes which are deductible (Walczak 2020). New York lawmakers passed workaround legislation as part of the state’s 2021 budget and expanded eligibility in 2022 and 2023.

The property tax system in Nassau County has long been embroiled in controversy. A group of minority taxpayers sued the county in 1997 claiming outdated assessments led to gross underassessment of

residential property and failed to account for faster appreciation in high-value properties leading to "significant, racially disparate impacts on County residents." The court settled the case by a consent decree that ordered a county-wide reassessment based on market value. The county complied and adopted a policy of annual adjustments. The policy was successful in achieving accuracy in assessments. Under the administration of Edward Mangano however, the county abandoned annual adjustments, freezing property values beginning in 2010 (*Hall v. Nassau County*). An investigation by *Newsday* in 2017 "documented a shift of $1.7 billion in taxes over the past seven years from the roughly 61 percent of property owners who won assessment appeals to the 39 percent who haven't" (Clark 2017a). Following the publication of *Newsday*'s findings, a record number of property owners filed property tax appeals (Clark 2017b). After Mangano left office, the county instituted reforms to include reassessment and annual adjustments thereafter. After the 2021 reassessment, the county again froze assessments for the 2021–2022, 2022–2023, and 2023–2024 tax years (Malaszczyk 2023). In 2019, a group of minority communities sued the county alleging that the tax assessment system employed by Mangano was discriminatory, with the tax shift concentrated in low-income minority communities (Ferrette 2019). In March 2023, United States District Judge Lashann Dearcy Hall dismissed the case (*Hall v. Nassau County*).

In the first six months of the Covid-19 pandemic, growth in property tax revenue helped to offset pandemic-related sales tax revenue declines. However, by January 2021, the devastating effect of the pandemic on commercial property values in New York City was casting a shadow on property tax revenues (Braun 2020). New York City property values declined as a result of the pandemic, by over 20 percent in some sectors. In the city's annual tentative assessment roll released in January 2021, citywide market value was down 5.2 percent compared to fiscal year 2021, with the largest declines in market values for office buildings (15.6 percent), retail (21.1 percent), and hotels (22.4 percent) (Arbetter 2021). Since 2020, residential values rebounded, but commercial values, specifically for retail, office, and hotel properties, have been slow to recover (Bram 2023).

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LINCOLN INSTITUTE OF LAND POLICY

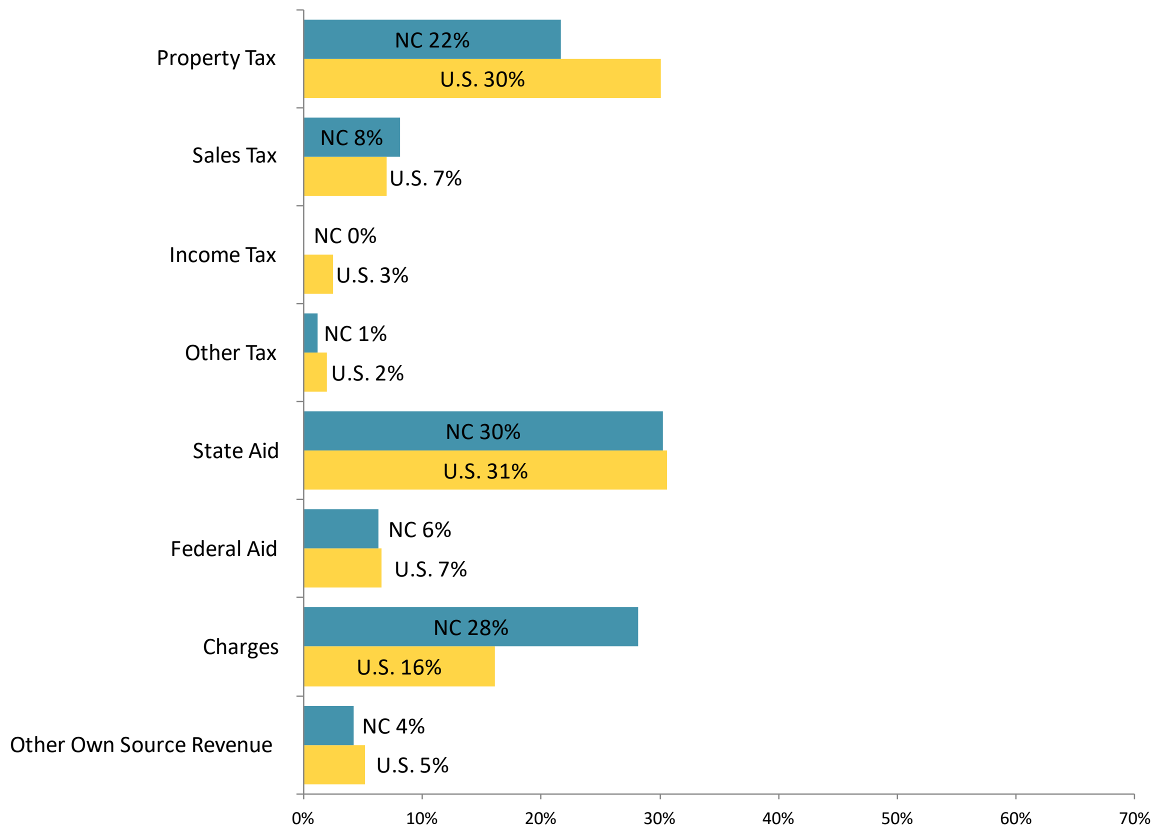
North Carolina

Highlights

North Carolina trends close to U.S. averages for most local revenue sources, but has much higher use of charges and below-average reliance on property tax revenue (figure NC-1). Since 1971, local governments have been able to levy local sales taxes. In 2023, the average local sales tax rate in North Carolina was 2.24 percent on top of a state rate of 4.75 percent (Fritts 2023).

Since 2009, North Carolina has provided a property tax circuit breaker that is unique in that it partially defers rather than completely forgives property taxes for eligible taxpayers whose property tax burden exceeds a certain percentage of their income.

Figure NC-1
Sources of Local General Revenue, North Carolina and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, measures of property tax burden, and the effective tax rate on a median-value owner-occupied home in North Carolina, were below average and at times ranked in the bottom quartile of U.S. states (table NC-1).

Table NC-1
Selected North Carolina Property Tax Statistics, 2021[1]

	North Carolina	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,123	$1,898	*41*
Property tax percentage of personal income	2.1%	3.1%	*43*
Total property tax as percentage of state-local revenue	10.6%	15.5%	*40*
Median owner-occupied home value[2]	$197,500	$244,900	*32*
Median real estate taxes paid for owner-occupied home[2]	$1,583	$2,690	*38*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*33*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for are median owner-occupied home value and median real estate taxes paid for owner-occupied home five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In North Carolina, all property tax administration is guided by the 1971 Machinery Act. The act derives its name from its stated purpose "to provide the machinery for the listing, appraisal, and assessment of property and the levy and collection of taxes on property by counties and municipalities."

Assessments are conducted at the county level (table NC-2), and property value reappraisals must occur at least once every eight years, but state law does not require physical re-inspection (Significant Features of the Property Tax).

Most real property is assessed based on a property's market value as if sold in an arm's length transaction. However, as in most states, certain property is exempt from property taxation. In addition, real property designated as historic property by local ordinance is assessed at 50 percent of market value.

Tangible personal property owned by business, except for inventories, is subject to property taxation.

Limits on Property Taxation

North Carolina places a statutory limit of 1.5 percent (15 mills) on the combined property tax rate for county and municipal general administration and public services; but the state allows for exceptions for courts, schools, and jails, and voters may approve tax rates in excess of 1.5 percent (Significant Features of the Property Tax). In practice, no county or municipality has met or exceeded this limit.

Property Tax Relief and Incentives

There are three residential property tax relief programs, the most popular of which is the homestead exemption. Taxpayers can participate in only one of these three programs.

The homestead exemption reduces the taxable value of a residence by up to 50 percent (or $25,000, whichever is greater) for elderly or disabled owners with income of $31,500 (2021 application year) or less. Another exemption includes a reduction to the first $45,000 in the taxable value of homes for disabled veterans. The final property tax relief program is the circuit breaker deferred tax, which permits seniors or disabled taxpayers to cap current taxes as a percentage of their income and defer the excess. For taxpayers who earn less than $31,500, taxes in excess of 4 percent of their income can be deferred. For taxpayers with income above $31,500 and below $47,250, taxes in excess of 5 percent of their income can be deferred. The last three years of deferred taxes become payable with interest if a disqualifying event, such as transfer of the property, occurs.

The Machinery Act includes tax reductions for certain properties. Counties assess buildings equipped with solar energy heating or cooling systems the same way they would assess buildings equipped with conventional heating or cooling systems and “no additional value shall be assigned for the difference in cost between a solar energy heating or cooling system and a conventional system typically found in the county” (North Carolina General Assembly, Chapter 105). Since solar energy heating and cooling systems are more expensive than conventional equipment, maintaining the same value for tax purposes should be appealing to residents and businesses that want to be more environmentally conscious. The Machinery Act also classifies farm products as a special class of property, and the valuation of these products for tax purposes will “be reduced by the amount of any unpaid loan or advance made or granted” (North Carolina General Assembly, Chapter 105). This reduction in property value decreases tax bills and is a way the state of North Carolina incentivizes agricultural investment.

North Carolina employs tax increment finance, and the districts are called development financing districts.

Table NC-2
North Carolina Property Tax Features, 2022

Feature	North Carolina	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In colonial times, North Carolina taxed property by quantity rather than by value. However, in 1868, North Carolina changed its property tax laws so that property taxation was based on value. Through the Revenue Act of 1921, the North Carolina General Assembly replaced its statewide property tax with state-administered personal and corporation income taxes. Since 1921, the state of North Carolina has authorized local jurisdictions to levy and administrate property taxes (Sawyers 2006). Until 1972, the property tax represented over 90 percent of total local-level taxes collected in North Carolina. In 1971, the state legislature allowed local governments to levy a local sales tax (Sawyers 2006).

In 1971, the North Carolina General Assembly established the Machinery Act, which set the rules for the taxation of real and personal property. It formally gives the counties of North Carolina the power to tax properties. The Machinery Act also made it very difficult to change the property tax.

In 1997, the North Carolina Supreme Court ruled in *Leandro v. State* (*Leandro I*) that the state must provide a "sound basic education" to every student in the state and remanded the case for trial. The plaintiffs argued their low-wealth districts could not support a sound basic education even with high property tax rates. A 2004 ruling known as *Leandro II* (*Hoke County v. State*) found the state's school finance system was inadequate and that the state must ensure adequate staffing and resources for each classroom and school. In the ensuing decades, the state has struggled to comply with the *Leandro* rulings and attempts by the court to enforce a funding plan developed by the parties in the case have not been successful (Public School Forum of North Carolina).

North Carolina is one state in which big box stores have appealed property assessments based on "dark stores" assessment theory, which argues that vacant or abandoned big box stores are the best comparable properties for determining value. In one prominent case, Lowe's Home Centers, LLC

challenged the assessment of a property in Kernersville, North Carolina. In 2013, using the cost approach to value, Forsyth County assessed the property at $16 million; the home improvement giant argued that the assessment should be $6 million using an income and sales comparison approach to value. The Property Tax Commission upheld the county's assessment and objected to Lowe's use of dark stores with deed restrictions as comparable properties. On appeal, in 2018, the North Carolina Court of Appeals reversed the decision based on the county's failure to consider the income approach to value in determining the assessed value (Matter of Lowe's Home Centers LLC, COA17-220, (N.C. Ct. App. 2018)). The case was remanded but the county and Lowe's reached a settlement under which the assessment would fall about midway between the county value and Lowe's value (Badgett 2018).

Recent Developments

In 2018, North Carolina Superior Court Judge David Lee ordered the parties in the state's *Leandro* school funding case to develop an eight-year plan to comply with the court rulings in *Leandro I* and *II*. In 2021, Judge Lee ordered the legislature to appropriate funds according to the Leandro Comprehensive Remedial Plan (Leandro Plan), a ruling stayed by the Court of Appeals. The North Carolina Supreme Court heard arguments in the case in March 2022 and sent the case back to the superior court, assigning a new judge, for a review of school funding in the state's approved 2021–2022 budget. Judge Michael Robinson, Lee's predecessor, found that funding in the state's 2021–2022 budget was $785 lower than called for in the plan. The North Carolina Supreme Court took up the case again in August 2022, and in November 2022, upheld the order to transfer funds. However, in the state's 2022 elections, the state elected two Republican justices to fill seats previously held by Democratic justices. In March 2023, the North Carolina Supreme Court lifted the stay on the Appeals Court order halting the transfer of funds (Public School Forum of North Carolina; Robertson 2023).

The effects of the Covid-19 pandemic on local revenues in North Carolina were uneven, but in most cases short-lived. Property taxes fared well, especially compared to sales tax revenues. In Charlotte, the collections rate (percent of property taxes due that were collected) was down .6 percentage points from 99.5 percent to 98.9 percent. Sales tax revenues plunged but recovered faster than anticipated. Federal aid more than offset the initial fiscal shock to North Carolina state general fund revenues. An analysis by Moody Analytics placed North Carolina among the 10 states with the lowest magnitude of fiscal stress after accounting for federal aid and reserves (White, Mandel, and Seitz 2021).

North Carolina's legislature enacted changes to its use value policies in its 2022 short session. One new law expands the definition of "growing of animals" to include the boarding of horses. This new law considers horse boarding to be commercial production and the related land use as agricultural land, thus qualifying the land for use value assessment. Another law made changes to the wildlife conservation land program under which wildlife conservation land is assessed based on use value. The law clarifies that contiguous acreage must be in the same county, raises the maximum acreage from 100 acres to 200, reduces the length of the ownership requirement from five years to four years with exceptions for a primary residence acquired by inheritance, and makes other changes (Nelson and Anderson 2022).

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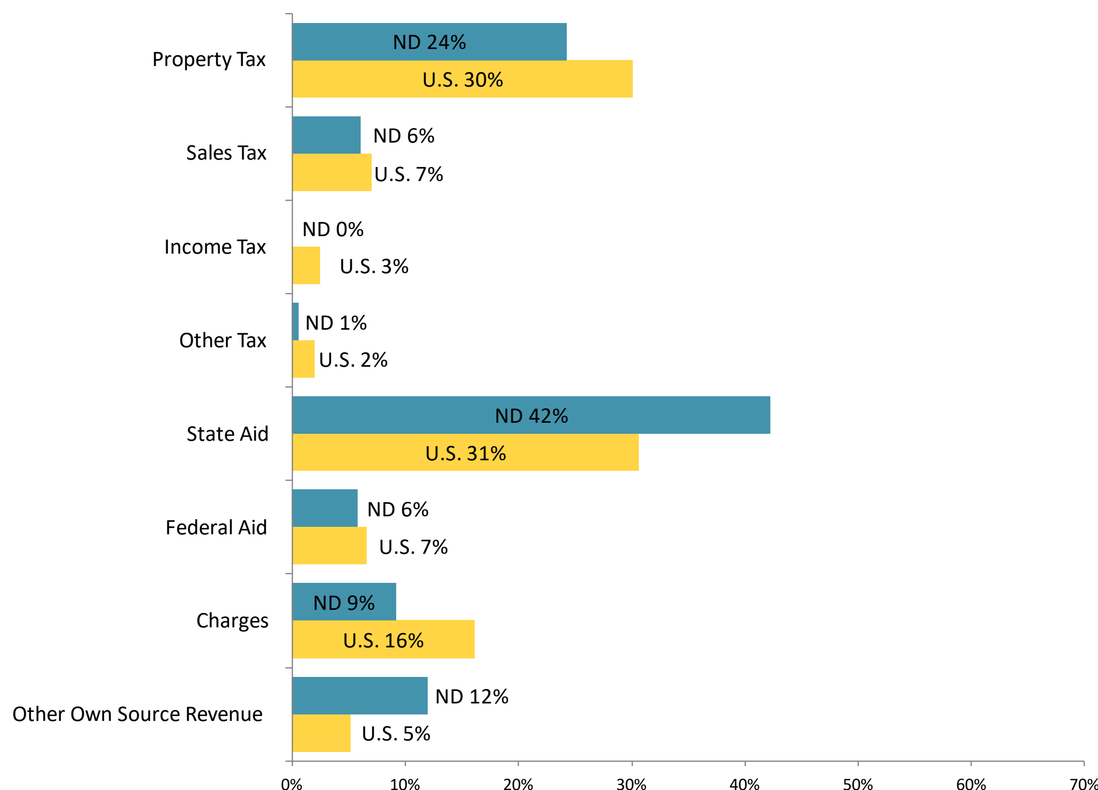
North Dakota

Highlights

North Dakota is unusual in its ability to derive revenue from severance taxes. The state's two oil and gas severance taxes—a 5 percent production tax levied as a substitute for local property taxes and a 5 percent extraction tax—comprise about half of all state tax collections. Much of this revenue is used to help local governments with their finances (Western Dakota Energy Association 2021). As a result, North Dakota's local governments rely heavily on state transfer payments (figure ND-1).

Historically, North Dakota relied primarily on local property taxes to fund public education, with state aid accounting for approximately 40 percent of total education funding. Today, the state of North Dakota provides 55 percent of K-12 revenue (U.S. Department of Education 2021).

Figure ND-1
Sources of Local General Revenue, North Dakota and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

The state employs a system of property tax classification whereby six different classes of property have different assessment ratios ranging from 1.5 percent for certain wind turbine electric generation units to 10 percent for three different classes, including commercial property. The assessment ratio for

residential property is 9 percent. In North Dakota, assessed value is 50 percent of true and full value (market value), so under the state's unusual assessing system, a home with a market value of $200,000 has an assessed value of $100,000 and a taxable value of $9,000 after applying the classification ratio.

Property Tax Reliance

Property tax as a percentage of state and local revenue was lower in North Dakota than the national average and ranked 43rd in 2021 (table ND-1). The effective tax rate on the median owner-occupied home is slightly below the U.S. average.

Table ND-1
Selected North Dakota Property Tax Statistics, 2021[1]

	North Dakota	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,568	$1,898	*31*
Property tax percentage of personal income	2.5%	3.1%	*35*
Total property tax as percentage of state-local revenue	10.0%	15.5%	*43*
Median owner-occupied home value[2]	$209,900	$244,900	*28*
Median real estate taxes paid for owner-occupied home[2]	$2,092	$2,690	*29*
Effective tax rate, median owner-occupied home[3]	1.0%	1.1%	*22*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

All real property that is not specifically exempted is subject to a property tax. Values for most property are determined by local assessors at the city and township levels. Property is assessed at 50 percent of true and full value (market value). The county administers and collects the tax and distributes the revenue to the county, cities, townships, school districts, and other taxing districts. With rare exceptions, such as personal property owned by utilities and railroads, personal property is not included in the property tax base. Business inventories are not taxed.

Some industries in the state are not assessed local property taxes, but rather pay a gross receipts tax (telecommunications) or production tax in lieu of property taxes (oil and gas production). North Dakota is one of several states that do not rely on property taxation on oil and gas production but rely on production taxes instead.

North Dakota has a classified property tax system, with six different classes that have varying assessment ratios. Wind turbines receive the lowest assessment ratios, at either 1.5 or 3 percent, followed by residential property with no more than three units, including mobile homes, at 9 percent. These ratios are applied to the assessed value (50 percent of market value) to arrive at a property's taxable value.

North Dakota uses a productivity-based formula for assessing agricultural lands. The computations are made by North Dakota State University and are based on the capitalized average gross return on the land.

Limits on Property Taxation

The state of North Dakota imposes property tax rate limits for counties (60 mills), cities (105 mills), townships (18 mills), and school districts (70 mills) (table ND-2). Rate limits for all jurisdictions exclude debt service. The state also imposes a levy limit on school districts so that the property tax for the general fund may not exceed the amount for the prior year plus 12 percent. This limit excludes debt service.

Property Tax Relief and Incentives

North Dakota has several property tax relief programs, including for those who are disabled, disabled veterans, or elderly. The state's circuit breaker program, called a Homestead Credit, is limited to the elderly or disabled whose income does not exceed $70,000. Local governments may opt to exempt up to $150,000 of the value of newly constructed improvements on homestead property for up to two years (Significant Features of the Property Tax).

The state provides several tax incentives to promote economic development, including tax increment financing for development or renewal areas and property tax exemptions within renaissance zones.

Table ND-2
North Carolina Property Tax Features, 2022

Feature	North Dakota	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In the 1980s and 1990s, North Dakota imposed statewide limits on property tax increases. The limits were generally in the range of 2 percent to 4 percent per year.

In 1994, the North Dakota Supreme Court ruled on a school funding equity case, *Bismarck Public School District No. 1 v. State,* in which the plaintiff argued that disparities in revenue among school districts caused disparities in educational uniformity and opportunity (North Dakota Legislature 2013). Despite three out of five justices ruling that the school finance system violated the equal protection provision, the court could not rule the system unconstitutional without a supermajority (SchoolFunding.Info 2019).

A decade after the *Bismarck* decision, plaintiffs in *Williston Public School District v. State* (2006) claimed that the education finance system's widely disparate funding, inadequate educational opportunities, and unequal and inequitable tax burdens violated two provisions of the state constitution, the education and equal protection provisions (North Dakota Legislature 2013). The plaintiffs dismissed the action when the executive budget included an additional $60 million in school funding and the governor created the North Dakota Commission on Education Improvement.

North Dakota introduced a new school funding formula in 2007 that targeted aid by establishing new weighting factors for specific categories of students and for different school district sizes (North Dakota Legislature 2013). The state repealed the mill levy equalization factor and supplemental payments, but required equity payments to support districts with low taxable valuations. The formula reduced funding for districts with very low tax rates (North Dakota Legislature 2013).

The North Dakota legislature has invested a significant amount of time, effort, and state money in its initiatives to reform the property tax system and lower property tax bills for North Dakotans. Legislative efforts to lower the property tax burden began in 2007. Senate Bill 2032 created a homestead income

tax credit program, providing an income tax credit equal to 10 percent of property taxes paid, up to $500 per taxpayer per year or up to $1,000 for a married couple.

In the 2009 session, the legislature took a different approach by creating a new school district mill levy reduction grant program. The program used $295 million from oil taxes and distributed the money through the school funding formula. The allocation of mill levy reduction grants directly reduced the amount of money a school district needed to raise locally through property taxes and required a dollar-for-dollar reduction in local taxes.

In June of 2012, a constitutional amendment to eliminate the property tax in North Dakota was put to a vote of the people. Estimates of the fiscal impact were $750 million per year (Forum of Fargo-Moorhead). More than 76 percent voted "no," and the current property tax system was retained (Ellis and Smith 2012).

In 2013, the mill levy reduction program was replaced with a new integrated school funding formula that incorporated both property tax relief and a new methodology for funding K-12 education. Caps were put in place to limit school district levy authority, and the state assumed a greater percentage of the cost of education. School district general fund levies were reduced from a maximum of 185 mills to a maximum of 60 mills. In addition, a new state-paid property tax credit program was created through which the state paid 12 percent of the total due on all property tax bills in the state. Total property tax relief provided for the 2013–2015 biennium was over $900 million.

In 2017, Governor Doug Burgum's first State of the State address called on the legislature to move away from the 12 percent state tax credit and instead provide "long-term" property tax relief in the form of lower local government costs (North Dakota Office of the Governor 2017). During the 2017 session, the legislature eliminated the 12 percent buy down which the state had difficulty funding due to oil price declines. In its place, lawmakers enacted a less costly two-year pilot program which shifted the cost of state-mandated social services from counties to the state, suspending county authority to levy up to 20 mills for social services (Ban 2017; Hageman 2017). Separate legislation passed in 2017 allowed counties and school districts to opt out of city-authorized property tax breaks with a duration longer than five years, including TIF and renaissance zone incentives. Senate Bill 2166 also required letters of support from counties and school districts for renaissance zone creation or renewal (North Dakota League of Cities 2017).

School funding reform passed in 2019 (SB 2265) based funding on current student enrollment instead of prior year enrollment. The law increased per-pupil payments by 2 percent per year for the first two years and allowed school districts to opt for funding according to the state formula or the 2017–2018 per-pupil spending level, to be phased down to baseline aid over three years (Emerson 2019).

Recent Developments

In a case involving the valuation of apartment buildings and hotels, in 2020 the North Dakota Supreme Court ruled against the local board of commissioners and reversed a decision to deny a property tax abatement to the plaintiff (*RFM-TREI Jefferson Apartments LLC v. Stark County Board of Commissioners*).

North Dakota's high court found the Stark County Board of Commissioners "acted arbitrarily and unreasonably" in 2016 when it denied abatements for the plaintiff's two apartment complexes and two hotels for taxes based on inaccurate valuations (McLoughlin 2020). The value of the properties had declined as a result of the impact of declining oil prices on the local commercial real estate market, with no corresponding adjustment to valuations. The court affirmed that assessors' valuations of commercial properties cannot exceed market value and cited a state statute that requires correction, abatement, and refund for assessments exceeding market value (North Dakota Century Code, Section 57-23-01).

North Dakota's oil-dependent economy was battered by the Covid-19 pandemic. While more than half of states had recovered pandemic-related revenue losses by February 2021, North Dakota was among the 18 states continuing to experience revenue losses. Tax collections were still down 10.9 percent by February 2021 (Rosewicz, Theal, and Fall 2021). In September 2020, amid its second Covid-19 wave, 80 percent of the state's oil rigs were not operating. Months of low oil prices, including a drop into negative territory in the spring of 2020, ravaged production (Romm 2020). In a special legislative session in November 2021, North Dakota lawmakers appropriated about $1 billion from the state's State Fiscal Recovery Fund to offset these revenue losses. The state calculated an inflation-adjusted revenue loss of 1.8 billion in fiscal year 2021 (State of North Dakota 2022). Oil prices rebounded in 2022 (Crane 2022). By the end of 2022, all of North Dakota's major state revenue sources showed strong growth with total state revenues up 30 percent in the last half of 2022 compared to the same period in 2021 (Dadayan 2023).

North Dakota Governor Doug Burgum signed a historic tax relief package (House Bill 1158) in April 2023, providing $515 million in income and property tax relief for the 2023–2025 biennium. The property tax relief totals $157 million: $103.2 million will be available to homeowners to claim a property tax credit of up to $500 on their primary residence and $53.5 million funds an expansion of the state's Homestead Property Tax Credit program for homeowners 65 and older and the disabled. The governor noted that this property tax relief package is in addition to $1.5 billion in property tax relief the state already provides to localities (North Dakota Office of the Governor 2023).

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LINCOLN INSTITUTE OF LAND POLICY

Ohio

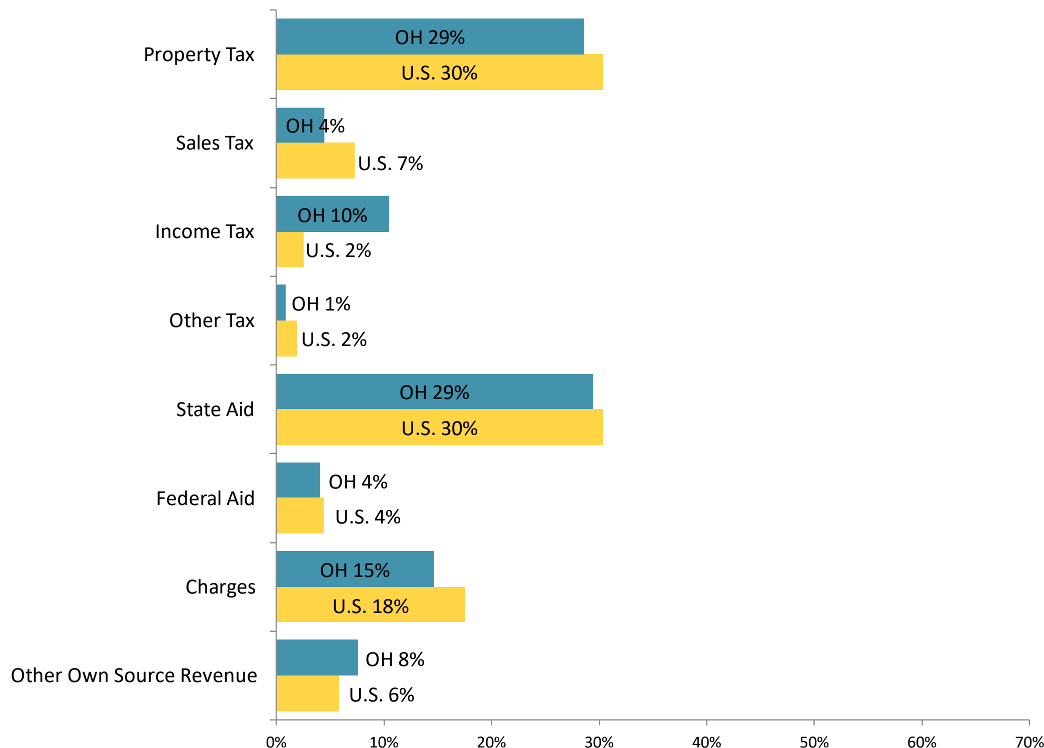
Highlights

Historically, local governments in Ohio relied almost exclusively on property tax revenue to fund operations. When Ohio implemented a state income tax in 1971, the state reduced all non-business property tax bills by a 10 percent "rollback." In 1979, the state instituted an additional 2.5 percent rollback for owner-occupied residential property (Scott 2013). The state reimburses local jurisdictions for the lost revenue from the rollbacks, though Ohio is slowly phasing out the rollbacks (Gearhardt 2013; Ohio Department of Taxation 2023a).

The largest sources of local government revenue in 2021 were state aid and property taxes. Jurisdictions also collect local income and sales taxes, but local property tax revenue was larger than both of those categories combined (figure OH-1). Counties and regional transit authorities can levy sales taxes, while municipalities and school districts can levy income taxes.

Ohio eliminated taxation of tangible personal property in 2005, phasing it out over five years (Ohio Department of Taxation 2008).

Figure OH-1
Sources of Local General Revenue, Ohio and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, Ohio's property tax provided only 14.4 percent of state and local revenue. Property tax burden as a fraction of income was slightly below the U.S. average, although the effective tax rate for the median owner-occupied home is higher than the U.S. average (table OH-1).

Table OH-1
Selected Ohio Property Tax Statistics, 2021[1]

	Ohio	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,552	$1,898	*32*
Property tax percentage of personal income	2.7%	3.1%	*27*
Total property tax as percentage of state-local revenue	13.9%	15.5%	*27*
Median owner-occupied home value[2]	$159,900	$244,900	*44*
Median real estate taxes paid for owner-occupied home[2]	$2,447	$2,690	*23*
Effective tax rate, median owner-occupied home[3]	1.5%	1.1%	*13*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Visual reassessments are conducted by the county every six years, and property values are updated for inflation every three years (table OH-2). Triennial updates are separately calculated for Ohio's two real property classifications: Class I, residential and agricultural properties; and Class II, commercial and industrial properties. For an initial levy, the property tax rates for each class of property are the same, which is why Ohio is not considered to have property tax classification. However, over time as tax reduction factors are used, the effective property tax rates for the two classes of property diverge.

Most real property is assessed at 35 percent of market value. If it meets certain requirements, commercial agricultural property may be assessed according to current-use values, classified by soil type. Forest land is assessed at 35 percent of market value, but commercial forest land of 10 or more acres may be assessed at current use.

Ohio repealed its tangible personal property tax in 2005 and phased it out over five years, beginning with an exemption for new manufacturing equipment and ending with a phaseout of the personal

property tax applied to telecommunications property. Local governments were reimbursed for much of the revenue loss by direct state payments (Errecart, Gerrish, and Drenkard 2012).

Limits on Property Taxation

Local governments in Ohio may only institute property tax rates of up to 1 percent, or 10 mills, on real property without approval from a majority of voters. The overlapping political jurisdictions associated with each property share the 10 mills of revenue, with the allocation among them set by law. School districts usually receive between 4 and 6 mills (Sullivan and Sobul 2010). Taxes levied within the 10-mill limitation are referred to as inside mills, and those voted in excess of the 10-mill limitation are called outside mills.

Because of House Bill 920 (1976), Ohio county assessors recalculate tax rates after reappraisal and triennial updates to keep most nominal property tax revenue constant over time. For the voted millage in excess of 10 mills, “tax reduction factors” decrease tax rates in proportion to inflation-based increases in property value. Similarly, the county increases tax rates in years when property value decreases, holding tax revenue near the level that was collected in the first year of the levy. To collect additional revenue, a district must propose and pass another tax initiative. As a result, balloted tax initiatives are common in Ohio.

School districts are the only jurisdiction that can collect inflation-based tax revenue, but only if their total current expense millage is less than or equal to 20 mills. House Bill 920 established a tax rate floor for school districts that prevents tax reduction factors from reducing the effective tax rate below 20 mills. Once a county has reduced a district’s effective tax rate to 20 mills, the rate is frozen and the district can collect all tax revenue associated with further increases in property value.

Property Tax Relief and Incentives

The 10 percent and 2.5 percent rollbacks mentioned previously reduce individual homeowner’s property tax bills and should be considered a type of property tax credit.

In addition, Ohio exempts $25,000 of property value for senior citizens and the disabled through a homestead exemption. Ohio imposed an income eligibility requirement in 2014; in 2021, the income limit was $34,200. Disabled veterans are also eligible for a $25,000 homestead exemption (Significant Features of the Property Tax).

Ohio offers two major property tax incentives for economic development. The most important is the tax increment financing program, focused on distressed or underdeveloped communities. The second important program is Community Reinvestment Areas (CRAs), which provide real property tax abatements to property owners who make improvements to their property in specific geographic areas for up to 15 years. A smaller enterprise zone program provides up to a 75 percent property tax exemption for up to 10 years for qualifying industrial and commercial development. A 2021 law extends the terms for CRAs and enterprise zone benefits to 30 years for megaprojects (House Bill 110 of 2021) (Kenyon et al. 2017, 2020; Significant Features of the Property Tax).

Table OH-2
Property Tax Features of State Governments, United States, 2022

Feature	Ohio	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Ohio's public school funding system has been deemed unconstitutional four times since 1991 by the state supreme court. Although the supreme court ordered the state to improve the system of school funding, no significant changes were made and the litigation ended with the supreme court assigning the task to the state legislature in 2003 (Pittner et al. 2010).

Passed in 2009, House Bill 1 altered the school funding formula with regard to local property tax revenue. Before 2009, state aid was reduced when property values increased due to inflation, even though a school district may not collect any additional local revenue due to tax revenue limits. House Bill 1 requires state aid to be calculated based on tax revenue instead of property value. Because districts at the 20 mill floor collect additional tax revenue when property values increase, state aid can still be reduced when property values increase in districts at the 20 mill floor, but not for other districts (Sullivan and Sobul 2010).

House Bill 59 was passed in July 2013, phasing out the 10 percent and 2.5 percent state-funded rollbacks that began in the 1970s. These rollbacks will not apply to tax levies that are passed after August 31, 2013 (Gearhardt 2013). Elimination of the rollbacks increases local taxpayers' share of property taxes, which may reduce voter support for future tax levies.

In September 2017, Ohio taxpayers lost their right to appeal property tax decisions directly to the Ohio Supreme Court. Ohioans had held this option since 1939. The change was slipped into the state budget language at the request of the Ohio Supreme Court, which argued that it was necessary given the flood of property tax disputes (Smyth 2017).

Recent Developments

A 2022 Ohio law restricts school districts' ability to contest valuations of property within their jurisdictions. Governor Mike DeWine signed House Bill 126 into law over the objection of school district officials who warned the policy could impact homeowner property tax bills. From 1976 to 2022, school districts had the right to challenge assessments of properties the district believed were undervalued to the Board of Revision, as well as the right to file counter-complaints to contest appeals filed by a taxpayer. Under the new law, a complaint may be filed only on a property that sold within the last tax year in an arm's length transaction with a sale price that was both 10 percent higher and $500,000 more than the property's valuation at the time of sale. In addition, the school board (or other local government body contesting an assessment) must adopt a resolution authorizing the complaint and must notify the property owner at least a week before adopting a resolution. The law also prohibits monetary private settlements between school districts and taxpayers, and requires the Board of Revision to dismiss any complaint that is not decided within a year. The measure was supported by developers, realtors, the Ohio Chamber of Commerce, and the Coalition for Fair Property Tax Valuations (Hancock 2022).

Amid a global computer chip shortage, New Albany, Ohio awarded Intel a 30-year, 100 percent property tax abatement in June 2022 on top of a historic $2 billion economic development incentive package the state awarded to attract Intel's $20 billion semiconductor manufacturing megaproject (Welsh-Huggins and Seewer 2022). The local property tax abatement applies to new construction, and New Albany will continue to tax the land value on the 1,000-acre site (Comstock 2022). The award followed legislation the state approved as part of the 2021–2022 budget bill which authorizes local governments to extend the term for Community Reinvestment Area abatements for megaprojects from 15 years to 30 years (House Bill 110 od 2021) (Ohio Legislative Service Commission 2021). New Albany, Ohio won out over potential locations across 40 states. The project has pledged 3,000 direct jobs with an average salary of $135,000, thousands of construction jobs while the factories are being built, and an estimated 10,000 indirect jobs. A second related piece of legislation, House Bill 687 of 2022, authorizes and funds many of the state incentives (Ohio Legislative Service Commission 2022; Williams 2022).

Ohio became the 20th state to enact a SALT cap workaround for pass-through entities. Since the enactment of the 2017 federal Tax Cuts and Jobs Act the deductibility of state and local taxes, including property taxes, has been limited to $10,000 per year. The Ohio policy allows business owners of pass-through entities to pay state income taxes at the entity level thereby reducing taxable income before claiming any individual deductions or exemptions, effectively shielding owners of pass-through-entities from the effects of the SALT limit (Premich 2022). As of July 2023, 36 states had adopted entity-level taxes as a workaround (AICPA 2023).

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LINCOLN INSTITUTE OF LAND POLICY

Oklahoma

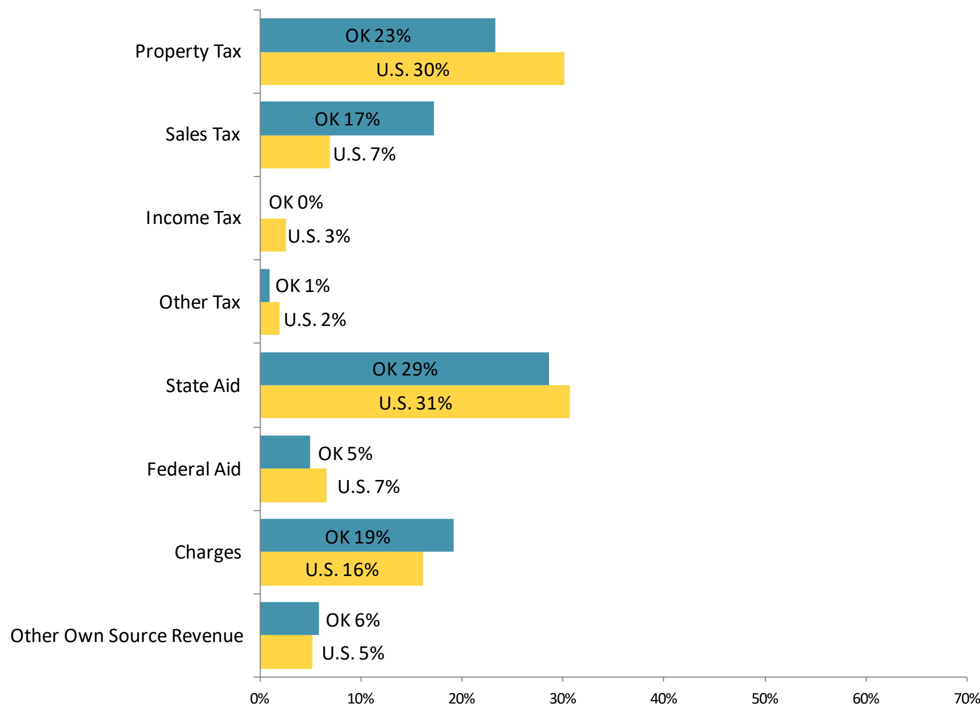
Highlights

Oklahoma relies more heavily on local option sales taxes than most states; only Louisiana derived a higher share of local government revenue from local sales taxes in 2020 (U.S. Census via Significant Features of the Property Tax). As a result, local governments in Oklahoma rely far less on the property tax than in most other states, although property taxes are still the largest component of own-source local revenue (figure OK-1).

Counties play a large role in the property tax system. They are responsible for valuing property, setting the tax rates, and collecting the taxes. In addition, under Oklahoma's local option classification system, each county determines the assessment ratio for real and personal property within the range specified in the state constitution. Assessment ratios for the five classes of property can range from 10 percent to 22.85 percent.

Oklahoma was the last state in the country to tax household tangible personal property. Beaver County was the last of the state's 77 counties to abolish the tax on household personal property effective 2020 (Oklahoma Tax Commission 2021, 5).

Figure OK-1
Sources of Local General Revenue, Oklahoma and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Across various indicators of property tax reliance, Oklahoma consistently ranks among the lowest U.S. states. In 2021, Oklahoma's total property tax as a percentage of state-local revenue ranked 45th and property taxes per capita and as a percentage of state personal income ranked second and third to last respectively. At $918, per capita property taxes in Oklahoma are less than half the U.S. average. Accounting for the low overall cost of housing in the state, the effective tax rate outcome falls back towards the middle of the distribution at 26th (table OK-1).

Table OK-1
Selected Oklahoma Property Tax Statistics, 2021[1]

	Oklahoma	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$918	$1,898	*49*
Property tax percentage of personal income	1.8%	3.1%	*48*
Total property tax as percentage of state-local revenue	9.4%	15.5%	*45*
Median owner-occupied home value[2]	$150,800	$244,900	*48*
Median real estate taxes paid for owner-occupied home[2]	$1,351	$2,690	*42*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*26*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The assessed values used to calculate property tax liabilities are generated annually by counties (table OK-2). Counties set assessment ratios for four classes of property within ranges established by the state constitution. Those classes and ranges are real property (11 to 13.5 percent), tangible business personal property (10 to 15 percent), tangible household personal property and livestock in excess of $100 (10 to 15 percent), public service corporation property (22.85 percent), and railroad and air carrier property (11.84 percent) (Lansford 2017).

Business tangible personal property is taxed, including machinery, equipment, and inventories. While the taxation of household tangible personal property is still allowed under the state constitution, all of Oklahoma's 77 counties have repealed the taxation of household personal property over the last two decades (Oklahoma Tax Commission 2021, 5).

Limits on Property Taxation

The legislative limitations on millage rates and rates of increase in property tax assessments in Oklahoma are relatively strict. Millage rates must fall at or below an aggregate rate cap of 15 mills, although nearly all counties have effective average millage rates below 10 mills (Oklahoma Tax Commission 2021). Temporary overrides of the limit are allowed through local voter support.

In 1997, Oklahoma amended the state constitution with Section X-8B, creating a maximum rate of annual increase in assessments of 5 percent for any locally assessed real property, which was subsequently strengthened by lowering the cap to 3 percent annually for all homestead and agricultural property assessments (Oklahoma Constitution 2015). These provisions are waived if the property is transferred or undergoes significant improvement.

While Oklahoma is not unique in exempting federally owned lands, it is worth noting the Osage Nation Reservation (ancestral land of the Osage Nation Native American tribe located to the northwest of Tulsa whose boundaries are coterminous with Osage County) falls under this exemption.

Property Tax Relief and Incentives

Oklahoma provides a homestead exemption of $1,000 for a taxpayer's primary residence. The size doubles to $2,000 for extremely low-income households earning less than $25,000 annually. Eligible seniors (age 65 or older with moderate or low incomes) qualify to have the taxable value of their home frozen indefinitely. Property is revalued to full market value upon the sale or transfer of the property. Completely disabled veterans and their surviving spouses qualify (regardless of their income or wealth level) for full real property and household personal property tax relief. Oklahoma also has a modest circuit breaker with a maximum benefit of $200 limited to elderly or disabled homeowners with income less than or equal to $12,000. Senior homeowners age 65 or older with income at or below the median household income for the county qualify for a valuation freeze. Oklahoma also provides an exemption for disabled veterans and a credit for properties damaged by natural disasters (Significant Features of the Property Tax).

Agricultural farmland, land used for timber production, and qualifying open space/conservation lands are assessed using current use valuation techniques as opposed to market valuation (Anderson and England 2014). Regarding commercial development incentives, local governments are authorized to create tax increment finance (TIF) districts and to award property tax abatements. Most property tax abatement incentive packages are limited to a maximum of five years, whereas TIF districts can reallocate collected tax revenues for up to 25 years.

Table OK-2
Property Tax Features of State Governments, United States, 2022

Feature	Oklahoma	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Two critical events largely set the stage for the current application of property taxes in Oklahoma. The first came in 1966 when the state legislature extended the right to levy general sales taxes (subject to local approval) to Oklahoma's municipalities, and set in motion a chain of events that has left the property tax playing a smaller role than it enjoys in most states (Burge and Piper 2012). Oklahoma's local governments raise far more funds from local option sales taxes and far less in property taxes than their counterparts in other states. One result of this structure is that the state's urban and suburban areas have a distinct advantage in raising revenue over rural communities and have thrived at the expense of areas less capable of attracting retail development (Rogers 2004).

A second defining moment came in 1994, when Tulsa County became the first jurisdiction to react to the state's newly gifted authority to exempt household personal property from the property tax. Over the next decade, more than half of Oklahoma's counties (and essentially all urban/suburban counties) followed suit. As of 2020, all counties exempt household personal property. While personal property accounted for 40 percent of Oklahoma's locally assessed property in 2020, commercial personal property constituted over 96 percent of that value (Oklahoma Tax Commission 2021, 17–19).

Recent Developments

Oklahoma adopted education funding reforms in its 2021 session. Almost one-third of state and local funding for K-12 education in Oklahoma comes from the property tax. In March of 2021, Governor Kevin Still signed Senate Bill 783 and House Bill 2078 into law, calling it a "monumental day for education reform" and saying the reforms were "vital to getting Oklahoma to be a Top Ten state in education." Senate Bill 783, the Education Open Transfer Act, authorizes students to transfer to a school district outside their assigned district at any time, up to twice in a school year, as long as the receiving district

has capacity. House Bill 2078 changed the state aid calculation in the school funding formula, basing aid on enrollment for the current year—previously, school districts could use enrollment from two years prior. Because of the effects of the Covid-19 pandemic on enrollment in the 2020–2021 school year, opponents warned the law would lead to large revenue losses for schools (Raache 2021). Enrollment rebounded nearly reaching pre-pandemic levels in the 2022-23 school year. Aside from the drop from the 2019-2020 to 2020-2021 school year, enrollment has grown each year in Oklahoma in recent decades (Oklahoma Department of Education 2022).

The 2021 legislature modified Oklahoma's manufacturing exemption and homestead exemption programs. The legislature raised the investment and payroll requirements for Oklahoma's property tax exemption for manufacturers. Qualifying manufacturers must invest at least $500,000 beginning in 2022, with an adjustment each year for inflation. Manufacturers must pay wages that exceed the minimum Oklahoma Quality Jobs Program Act wage requirements (Amended Okla. Admin. Code § 710:10-7-2.2). The legislature also raised the income limit for Oklahoma's additional homestead exemption for low-income households from $20,000 to $25,000. Qualifying households receive a $2,000 exemption instead of the standard $1,000 exemption (Amended Okla. Admin. Code § 710:10-1-4) (Helmes 2022).

Three new laws regarding property appeals emerged from the 2022 legislative session. Two of the bills grew out of an interim study exploring valuations of oil, gas, and wind energy properties (Prather 2022). As of September 2021, $80 million dollars of property tax revenues that would have flowed to school districts was held up in escrow accounts, some of it for years. In Oklahoma, when a company disagrees with the valuation by the county assessor and cannot reach an agreement, it could appeal to the county board of equalization, and finally to a district court. A company with a pending appeal can file a form to "pay under protest" which requires the county to hold the funds in escrow until the dispute is resolved. Questions surrounding depreciation of wind turbines and counties' reliance on third party consultants led to inconsistent and confusing practices and protracted appeals (Prather 2021). Legislation enacted in 2022 directs appeals of decisions by the county board of equalization on valuations over $3 million to the court of tax review instead of the district court (House Bill 3901); requires county assessors to notify school districts and other affected jurisdictions by June 1 of any protests filed on property valued over $3 million (HB 2627); requires that taxpayers protesting valuations provide documentation at the time of appeal, and receive a protest timeline with applicable deadlines (HB 2627); specifies that for non-residential protests, the county may appoint an appraiser to assist with the valuation, but that appraiser may not participate in negotiations or appeals, and such contracts are subject to the state's Open Records Act; (HB 2627); and clarifies that wind energy facilities are not eligible for the state's manufacturing exemption (HB 4451).

Beaver County became the last Oklahoma county to repeal the local tax on household personal property effective for 2020. Oklahoma was the only state in which counties still taxed household personal property (Oklahoma Tax Commission 2021).

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LINCOLN INSTITUTE OF LAND POLICY

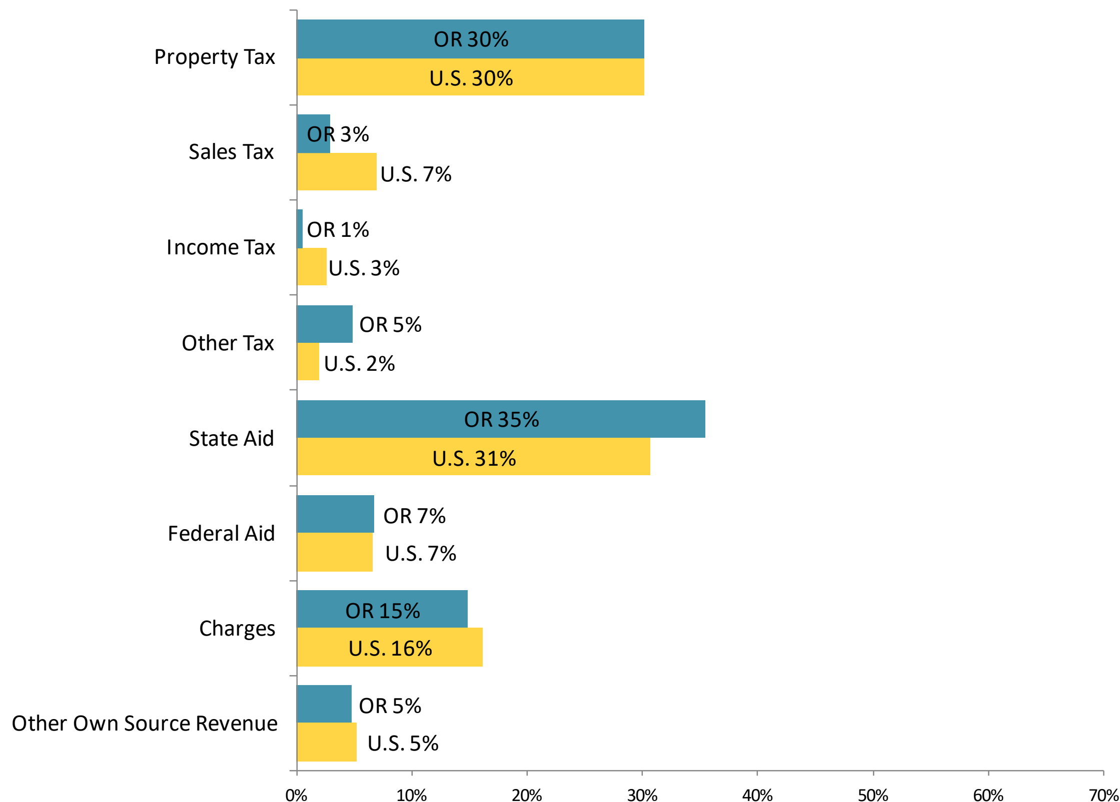
Oregon

Highlights

Oregon's property tax system was transformed by use of the ballot initiative during the 1990s. Combined, Ballot Measures 5, 47, and 50 imposed limits on property taxes and the speed by which assessed values can adjust between years. One effect of these measures was making Oregon's property tax system one of the most complex in the United States. Although several other states use assessment limits, Oregon is "the only state where assessed values do not reset to market value each time a property is sold" (Shafroth 2016).

Oregon is one of five states (along with Alaska, Delaware, Montana, and New Hampshire) that do not impose a general sales tax (Fritz 2023). As a result, the state is highly reliant on the personal income tax. At the local level, sales taxation is limited primarily to the taxation of public utilities, and there is no personal income tax. Hence, local governments are highly reliant on state aid and local property taxes, which combined provide 65 percent of local general revenue (figure OR-1).

Figure OR-1
Sources of Local General Revenue, Oregon and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

For 2021, state and local property taxes were 3.1 percent of personal income, the same percentage as the U.S. average. State and local per capita property taxes of $1,813 were slightly below the national average (table OR-1).

Table OR-1
Selected Oregon Property Tax Statistics, 2021[1]

	Oregon	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,813	$1,898	*23*
Property tax percentage of personal income	3.1%	3.1%	*19*
Total property tax as percentage of state-local revenue	13.3%	15.5%	*29*
Median owner-occupied home value[2]	$362,200	$244,900	*7*
Median real estate taxes paid for owner-occupied home[2]	$3,352	$2,690	*16*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*25*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are carried out at the county level and are limited by Ballot Measure 50, as described under Limits on Property Taxation below. Revaluation is performed annually, and Oregon does not classify property. Personal property used in a business is taxed, but business inventories are exempt from property taxation (table OR-2).

Limits on Property Taxation

Property taxes are limited by Measure 5 to $5 per $1,000 of real market value for school taxes and $10 per $1,000 of real market value for general government operations. Real market value is Oregon's term for market value. Special-issue bonds put to a vote are exempt from these limitations.

Measure 50 is Oregon's assessment limit. Due to Measure 50, there is now a distinction between taxable assessed value (the value upon which the property tax is levied), maximum assessed value, and real market value. Taxable assessed value is the lower of real market value and maximum assessed

value. Growth in maximum assessed value is limited to 3 percent per year, unless there are changes to the property, such as new construction.

When Measure 50 was enacted in 1997, the assessed value of each property was rolled back to 90 percent of its assessed value as of 1995 through 1996. The original assessed value for new construction is calculated as the real market value multiplied by the ratio of assessed value to real market value of similar property at the time of completion. Significant structural changes (such as additions) are added to assessed value in a similar manner. Importantly, property is not reassessed when it changes ownership.

One of the most important results of Oregon's transformed property tax system is that similar properties located next to each other can be subject to very different property tax bills.

Because taxable assessed value is the lower of two items that can grow or decline at different rates, some unexpected property tax changes can result. For example, the property tax for a property owner in a declining market whose real market value is plummeting and for whom maximum assessed value is lower than real market value will be based on maximum assessed value. Since maximum assessed value rises 3 percent per year, property tax due can increase even when the property value is falling.

Alternatively, the property tax on a property for which real market value is less than maximum assessed value will then be based on real market value. If real market value increases by 10 percent (and remains below maximum assessed value), property taxes can increase by 10 percent. This can seem counterintuitive when growth in maximum assessed value cannot exceed 3 percent.

If localities approve tax rates for a given property that are over the limit set by Measure 5, the property is said to be in compression. State statutes specify how taxes must be reduced in order to meet the limit. Local-option taxes (temporary taxes above the permanent rate limits) are reduced first, then other taxes are reduced proportionately. If additional property taxes are passed by voters, the tax on compressed properties cannot increase. Thus, voters subject to compression can vote to raise taxes on their neighbors, but not on themselves. The lack of an adjustment of assessed value at resale means that today, two properties that sell for identical prices can have widely different property tax payments resulting from their original assessed value in 1995 and 1996.

Property Tax Relief and Incentives

A residential property tax deferral program allows income-qualified disabled or elderly residents to defer tax payments until death, transfer of the property, or end of disability. Property tax exemptions on homesteads are available to active military, veterans, and surviving spouses of veterans.

Oregon provides property tax incentives for economic development, including an enterprise zone program that exempts up to the full value of qualifying construction-in-process property for up to 10 years, and tax increment financing (TIF) for urban renewal areas.

Several types of property are eligible for preferential treatment under current use: conservation/open space, forest land/timber production, farmland, and wetlands.

Table OR-2
Property Tax Features of State Governments, United States, 2022

Feature	Oregon	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Prior to 1991 through 1992, each taxing district calculated its own tax levies, which were constitutionally limited to an annual growth of 6 percent. Levies increasing by more than that amount had to be placed before voters.

Local government in Oregon provided 78 percent of school funding in the early 1970s. A majority of this funding was from property taxes with large variations in per-pupil spending among districts. While some districts spent $1,795 per pupil, others were spending as little as $674 per pupil (SchoolFunding.Info). These funding disparities prompted an equity case, *Olsen v. State*, in 1976. The Oregon Supreme Court found that the school finance system was not violating either the equal protection or education clauses of the state's constitution because it simply states a minimal standard. The court did, however, acknowledge the link between district wealth and educational opportunity for students.

It wasn't until 1991 that plaintiffs again challenged the equity of the state education finance system in *Coalition for Equitable School Funding v. State* (SchoolFunding.Info). The court ruled in the state's favor, denying the plaintiffs relief. Despite this outcome, voters were able to use the referendum process to pass Measure 5 the same year. Property taxes for school districts were capped at $15 per $1,000 of real market value and were lowered by $2.50 each year thereafter until reaching $5 per $1,000, the statutory limit. Taxes for other purposes were capped at $10 per $1,000 per year, so that at the end of the five-year phase-in period, the maximum property tax rate was 1.5 percent. Under the new funding system, the state provides about 75 percent of school funding.

Citizens' initiative Measure 47 was passed by voters in 1996, reducing property taxes to 90 percent of either the 1994 through 1995 level or the 1995 through 1996 level (whichever was lower) for every property in the state. It also limited increases in assessed property values to 3 percent in subsequent years.

In 1997, the Oregon legislature sent Measure 50 to voters in order to clarify language from Measure 47. The most important change was that Measure 50 rolled back the *assessed value* of each property to 90 percent of its assessed value as of 1995 through 1996 instead of rolling back *property taxes* to 90 percent of their 1995 through 1996 level. The voters passed Measure 50 in November of that year.

Two cases challenged the constitutionality of the Measure 5 funding reforms between 1994 and 2000 (SchoolFunding.Info). In the first case, the plaintiffs claimed that the transition mechanism in the new school funding formula furthered inequality by limiting the amount that funding could increase or decrease in each district. In the second, they claimed that a student's class, based on geographical location, determined the level of funding that they received. The Oregon Court of Appeals did not find a constitutional violation and the Supreme Court denied a petition for review after determining that there was no need to resolve the question of whether funding is distinguished on a geographical basis.

In 2006, six school districts and three parents filed a school funding case based on the state constitution's requirements to provide a uniform and general school system and to sufficiently fund those schools (SchoolFunding.Info). Plaintiffs in *Pendleton School District v. State* asked the court to declare the school finance system unconstitutional and for the state to create and fund a better system. They cited the Quality Education Model in their complaint, arguing that the state fell short of reaching required funding levels. In 2009, the state's supreme court ruled that the legislature failed to fund public schools at the constitutionally-required level, but did not mandate full funding because language in the constitution states that if the legislature does not meet the funding requirement, they must provide a report that publicly explains why that is the case and the impact of underfunding (SchoolFunding.Info).

Recent Developments

Oregon enacted a major school funding bill in May 2019. Dubbed the Student Success Act, HB 3427 imposed a new 0.57 percent corporate income tax on gross receipts over $1 million while reducing personal income tax rates. Democrats who supported the bill said it was meant to address school funding challenges that arose from the Measure 5 property tax limits that shifted school funding to the state without creating a new revenue source to fill the gap (VanderHart 2019). However, projected funding from the Student Success Act fell short of projections during the Covid-19 pandemic. In 2021, the legislature passed a budget that diverted some of the funding to the State School Fund. The latest biennial report from the Education Quality Commission (commissioned by the legislature) estimates that the state's education budget will need an additional $2.7 billion over the 2023–2025 biennium in order to meet state goals. The commission recommends against diverting the Student Success Act funding for general school aid, and continuing to fund the program, fulfilling the intent of those funds to improve equity by targeting funding to improve access and opportunity and reduce educational disparities (Quality Education Commission 2022).

A constitutional amendment will appear on the 2024 ballot to freeze property taxes on primary residences for homeowners age 65 and older. The Oregon Senior Property Freeze Act would freeze the value the year after enrollment with the county, but the value would be reassessed when the property is transferred (Initiative Petition 2024-010).

The property tax is by far the largest state and local tax paid by Oregon businesses, putting it at the center of numerous political and legal disputes. With no sales tax and some large manufacturers shielded from most business income taxes, Oregon's incentives for economic development often focus on property tax relief. Preferential treatment for large technology companies has been controversial, with efforts to attract chipmakers sometimes benefiting data centers and warehouses instead (Rogoway 2023). At the same time, the valuation of centrally assessed telecommunications property has given rise to extended legal challenges concerning the distinction between business value and property value for tax purposes (*Level 3 Communications LLC v. Department of Revenue*). The property tax also figures in disputes that mirror the distinctive character of the state and its municipalities. A long-running dispute over the classification of an artists' space led to a 2022 finding that a performance and event site outfitted with a recording studio, a music stage, a mini golf course, a playground slide, and a skateboard park did not qualify as residential property even though it contained a two-bedroom living area intended to serve as a "crash pad" for musicians during their recording sessions *(Helms Deep LLC v. Multomah County Assessor*).

In its 2023 legislative session, Oregon enacted legislation to extend sunsets for several property tax exemption and incentive programs to 2030, and to expand and modify several property tax exemptions. Under House Bill 2080 of 2023, a property tax exemption for residential solar projects would extend to nonresidential property; a property tax exemption for food processing equipment would extend to equipment used to process meat and wild game; and an exemption for multi-unit rental housing would extend to the entire housing property and would no longer require city approval by ordinance or resolution for each property. The measure would allow cities or counties to increase the exemption percentage for affordable multi-unit residential housing proportionally to the share of units rented to low-income households. Finally, the bill would eliminate the requirement for surviving spouses of qualifying veterans to reapply for the property tax exemption each year (Jones 2023a; Oregon Office of Legislative Information Services 2023).

The legislature also passed legislation to extend the state's standard enterprise zone and long-term rural enterprise zone property tax abatements and require a *school support fee* equal to 15 to 30 percent of property taxes abated. The bill would also raise the investment requirement for businesses benefiting from the strategic investment property tax program for rural projects from $25 million to $150 million depending on the project value with annual adjustments for inflation. The minimum investment for urban projects is $100 million (Jones 2023b).

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Pennsylvania

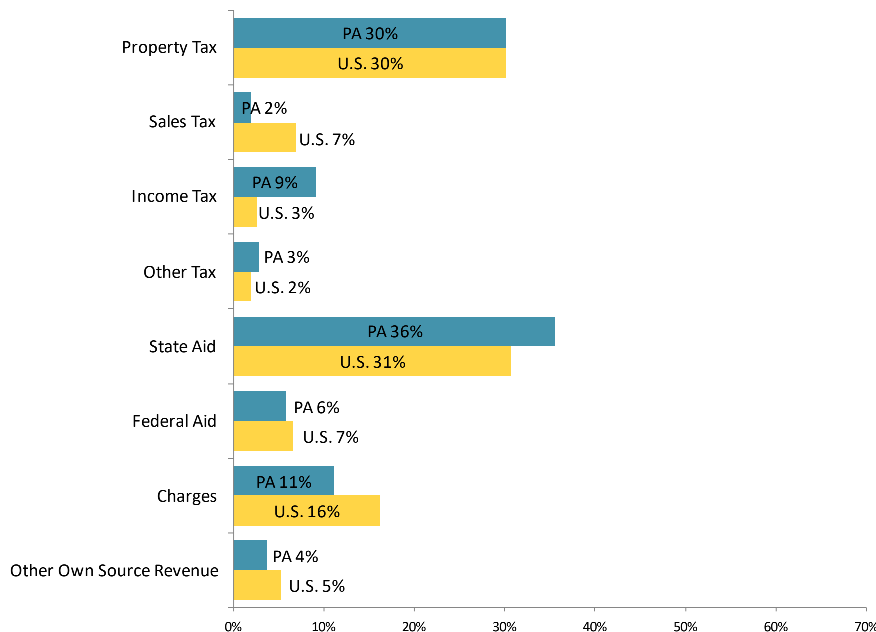
Highlights

Although local government reliance on income tax revenue in Pennsylvania is over three times the national average, income taxes account for only 9 percent of local general revenue. Pennsylvania relies more heavily on state aid and the property tax (figure PA-1).

Pennsylvania's system is highly decentralized compared to other states. Classification, assessment practices, and other policies vary among jurisdictions (Wolters Kluwer Editorial Staff 2022, 1469–1504). Pennsylvania's 67 counties are responsible for assessment, with assessment ratios varying across counties. Counties also vary in their appraisal cycles, and they may use either market value or a base year as the basis for determining assessed values.

The quality of property tax assessment has long been a concern in Pennsylvania (Strauss 2001, 2018). In its 2019 study, the Council on State Taxation and the International Property Tax Institute gave Pennsylvania the lowest grade among the U.S. states on its administrative practices (Dobay et al. 2019, revised 2020). A 2021 analysis of property taxation and school finance in Pennsylvania found counties do not uniformly follow generally accepted standards for assessment quality, and that assessing standards prescribed by the International Association of Assessing Officers are absent from state law (Kent 2021).

Figure PA-1
Sources of Local General Revenue, Pennsylvania and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Pennsylvania is the only state that has allowed local taxing bodies for more than a century to levy a higher tax rate on land than on buildings (known as a split-rate tax). The number of municipalities with separate tax rates on land and buildings peaked in 2000, but it has dropped over the past two decades (Hanson 2022; Yang 2014).

Property Tax Reliance

In 2021, property tax as a share of state and local revenue in Pennsylvania was slightly lower than the national average. At the same time, the effective property tax rate for the median value owner-occupied home in Pennsylvania ranked 12th highest in the nation (table PA-1).

Table PA-1
Selected Pennsylvania Property Tax Statistics, 2021[1]

	Pennsylvania	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,678	$1,898	*26*
Property tax percentage of personal income	2.7%	3.1%	*29*
Total property tax as percentage of state-local revenue	13.3%	15.5%	*30*
Median owner-occupied home value[2]	$197,300	$244,900	*33*
Median real estate taxes paid for owner-occupied home[2]	$3,022	$2,690	*17*
Effective tax rate, median owner-occupied home[3]	1.5%	1.1%	*12*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are not levied at the state level in Pennsylvania, and they are the only type of taxes authorized by law to be levied by all classes of local governments in the state. Property tax revenue is an important source of local revenues for Pennsylvania's 67 counties, 2,560 municipalities, and 500 school districts (Pennsylvania Department of Community and Economic Development 2022). Pennsylvania does not tax tangible personal property.

Assessments are conducted at the county level (table PA-2). The assessment ratio, which the state refers to as the established predetermined ratio or county predetermined ratio, is established by ordinance by the board of county commissioners and varies by county. Counties may use current-year market values or adopt a base year for market values to compute assessed value. They may also decide when to

conduct reassessments; as of 2010, seven counties had not conducted a reassessment since at least the mid-1980s (Legislative Budget and Finance Committee 2010).

Local governments are divided into classes, using population as a guide. There are nine classifications for counties, four for cities, two for townships, and five for school districts. For example, Philadelphia is the only first class city and Philadelphia County is the only first class county, but there are several fifth class counties, all with populations between 90,000 and 144,999 (Unified Judicial System of Pennsylvania). The Consolidated County Assessment Law regulates the property assessment process in counties of the second class A through the eighth class. Property assessments in Philadelphia and Allegheny Counties are subject to distinct statutory provisions in addition to unique home rule charter and administrative code requirements. The Third Class City Code governs the assessment of real estate for tax purposes in third class cities that choose to assess property separate from the corresponding counties.

Limits on Property Taxation

Statutory tax rate limitations on real estate have been established for all classes of taxing jurisdictions in Pennsylvania except the cities of Philadelphia, Pittsburgh, and Scranton, and in the Philadelphia School District. Jurisdictions that have adopted home rule charters under the Home Rule Charter and Optional Plans Law are not subject to property tax rate limits imposed by the legislature in various local government codes.

The Consolidated County Assessment Law also places restrictions on property taxation after a countywide reassessment. In particular, each taxing district in counties of second class A and third class is required to reduce the tax rate for the first year after a countywide reassessment so that the total amount of taxes levied that year against properties taxed in the preceding year does not exceed 110 percent of the tax levied in the preceding year. This requirement does not apply to school districts subject to property tax limits on reassessment under the 2006 Taxpayer Relief Act.

Property Tax Relief and Incentives

Pennsylvania offers a number of property tax relief and incentive programs. The Homestead (or Farmstead) Exclusion Program provides local-option property tax relief to owners of qualifying homestead or farmstead properties by exempting a portion of the assessed value of owner-occupied properties. The homestead exclusion amount cannot exceed 50 percent of the median value of all homestead properties within the taxing jurisdiction. Act 50 requires a taxing district granting homestead exclusions to provide similar exclusions for farmstead property by a fixed dollar amount not to exceed the amount of homestead exclusions (Pennsylvania Legislator’s Municipal Deskbook 2020). The Property Tax/Rent Rebate Program grants tax rebates to eligible Pennsylvanians age 65 and above, widows and widowers at least 50 years of age, and people with disabilities age 18 and older. The annual income limit for this program is $35,000 for homeowners and $15,000 for renters. The program provides a standard rebate up to $650, but supplemental rebates for eligible homeowners can raise total rebates to $975. Claimants who qualified for the rebate on taxes or rent paid in 2021 received a one-time bonus rebate due to the pandemic (Significant Features of the Property Tax).

Other programs have been created to promote economic development. The Keystone Opportunity Zones Program allows abatements or exemptions of certain state and local taxes, including local property tax, sales tax, and other taxes in designated areas. The purpose of the program is to revive economically distressed urban and rural areas. The Tax Increment Financing Guarantee Program aims to stimulate economic development through the use of tax increment financing. The program provides credit enhancement for approved projects to enhance market access and lower capital costs through the use of guarantees to issuers of bonds or other indebtedness.

Table PA-2
Property Tax Features of State Governments, United States, 2022

Feature	Pennsylvania	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1913, Pennsylvania passed a property tax reform bill that allowed Pittsburgh and Scranton to set different property tax rates for land and buildings, known as "two-rate" or "split-rate" property taxation. The purpose of the reform was to encourage development of large land holdings and discourage land speculation. In 1975, Harrisburg became the third city to adopt two-rate property taxation after third class cities were authorized to set separate tax rates for land and buildings. School districts coterminous with third class cities were authorized to implement two-rate property taxes in 1993, and boroughs were allowed in 1998 (Bourassa 2009). Between 1980 and 2000, the number of municipalities levying a higher tax rate on land than on buildings rose. The land-to-building tax rate ratio varied across two-rate municipalities and over time (Yang 2014). Seven municipalities, including Pittsburgh, reverted to the conventional property tax after 2000 (Yang 2018). Counties and school districts (except Aliquippa and Clairton) continued to levy a uniform tax rate on land and buildings.

The Pennsylvania State Tax Equalization Board (STEB) was established by the General Assembly in 1947 to compensate for the lack of assessment uniformity statewide in distributing school subsidies. The STEB later became a part of the Department of Community and Economic Development in an effort to improve efficiency through resource sharing. The board annually determines the aggregate market value

of taxable properties in each political subdivision and school district in Pennsylvania and establishes a common level ratio of assessed value to market value for each county for the previous calendar year. The common level ratio is admissible as evidence in any appeal involving real property assessments.

The Pennsylvania Constitution requires uniformity in taxation, which has also led to various court challenges. One particularly important case was *Clifton v. Allegheny County* (2009), in which the Pennsylvania Supreme Court found that Allegheny County's use of a base year rather than market value violated the state's constitutional requirement that all property in each county be assessed uniformly (Youngman 2016). However, the court did not find that the base year system itself was unconstitutional, merely the way that Allegheny County implemented the system (Weintraub and Karpchuk 2015).

In 2011, the City of Altoona, in Blair County, became the first city in Pennsylvania and the first city in the country to levy a pure land value tax at the municipality level, but in 2016 the city council decided to abandon the land value tax, reverting to traditional property taxation. Altoona's mayor Matt Pacifico said the policy was blunted because of the town's small share of total property taxes; the school district and county taxes make up a much greater share of the total tax bill and those governments did not adopt land value taxation. Secondly, he said the land value tax was not widely understood (Kibler 2016; Lawler 2017).

Recent Developments

In November 2017, Pennsylvania voters approved a constitutional amendment to permit the state legislature to enact legislation authorizing local taxing authorities to exempt 100 percent of homestead property from taxation (Branham 2017). This was a first step towards allowing local governments to exempt homesteads from property taxation, paving the way for consideration of a property tax swap bill. Subsequent efforts to pass legislation for a property tax swap have failed (Branham 2019; 2022). After an income for property tax swap proposal failed again in 2022 (House Bill 13 of 2022), the bill's sponsor, outgoing representative Frank Ryan, sought cosponsors for a proposed constitutional amendment that would allow voters to approve a tax swap (Branham 2022; Micek 2022).

In September 2017, in *William Penn Sch. Dist. Et al. v. Pennsylvania Department of Education*, the Pennsylvania Supreme Court reinstated a 2014 lawsuit challenging the state's system of school funding. That lawsuit "contends that Pennsylvania's school-funding system violates the state constitution's guarantee of a 'thorough and efficient system' of education as well as its equal-protection provision" (Hanna, Graham, and Boccella 2017). In 2018, the case was remanded to the trial court and the trial commenced in 2021 (Superville 2018). In February 2023, Pennsylvania Commonwealth Court Judge Renee Cohn Jubelirer issued a 786-page ruling almost a year after the trial ended, finding the current system in violation of the state's constitution, citing wide disparities between school districts. The ruling lays responsibility for developing a plan on the governor, legislature, and state officials (Hanna, Graham, and McGoldrick 2023).

Two recent court rulings addressed the constitutionality of school districts targeting certain properties for assessment appeals, and the constitutionality of municipalities targeting certain types of property for

reassessment. In 2021, the Pennsylvania Commonwealth Court handed down a precedential ruling in favor of Wilson School District, which challenged the assessments of properties the school district believed were underassessed based on sales prices, irrespective of property class (*GM Berkshire Hills LLC and GM Oberlin Berkshire Hills LLC v. Berks County Board of Assessment and Wilson School District*). The Pennsylvania Supreme Court affirmed the lower court in a 2023 decision (Muse 2023). In a separate case, the Pennsylvania Supreme Court denied an appeal of a trial court ruling upheld by the Pennsylvania Commonwealth Court, finding Philadelphia's reassessment of commercial and industrial properties only in its 2018 reassessment was unconstitutional. In this case, the court rejected the city's argument that the properties were reassessed not because they were commercial, but because, as a class, commercial properties were underassessed. In *Duffield House Assocs., L.P. v. City of Philadelphia*, the court found by targeting commercial and industrial property the city violated the uniformity clause of the Pennsylvania constitution (Koelsch 2022).

In 2023, the Pennsylvania Commonwealth Court denied a property tax exemption for a nonprofit hospital and denied property tax exemption appeals for three related hospitals, all owned by Tower Health, a 501(c)(3). The court found the organization failed the state's five-part HUP test established by a supreme court ruling in *Hospital Utilization Project v. Commonwealth of Pennsylvania*, because, in the court's opinion, it did not operate "entirely free from private profit motive." In its opinion, the court cited exorbitant executive salaries, 40 percent of which were tied to hospital fiscal performance as evidence of a private profit motive, and noted the hospital failed to demonstrate that management fees paid to its parent organization were reasonable (Ewing 2023).

Pennsylvania used federal relief funds for a one-time bump in its property tax and rent rebates (House Bill 1421 of 2022). In 2022, Governor Tom Wolf announced the state would use $140 million in federal relief funds to temporarily increase the maximum property tax and rent rebate amount from $975 to $1,657.50 (Hollingsworth 2022).

Governor Josh Shapiro's proposed fiscal year 2024 budget included a permanent increase to benefits and income limits for the commonwealth's property tax and rent rebate program with annual adjustments for inflation (Miller 2023).

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LINCOLN INSTITUTE
OF LAND POLICY

Rhode Island

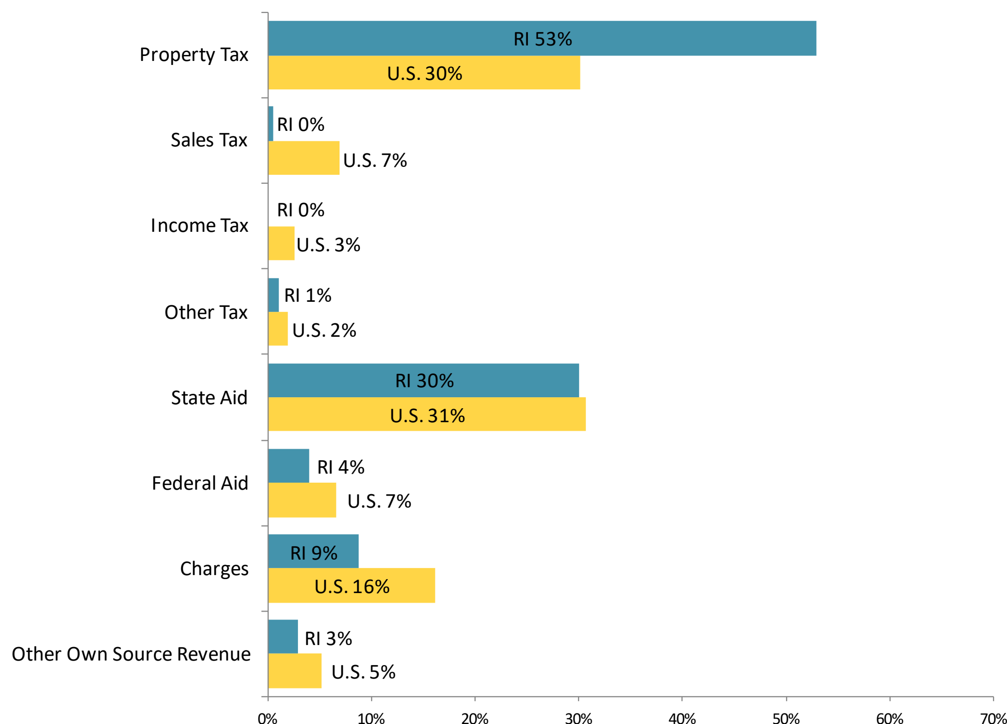
Highlights

Municipal governments in Rhode Island are heavily reliant on the property tax for revenue. In 2021, property taxes accounted for 55 percent of local government revenue (figure RI-1).

Rhode Island has among the highest property tax burdens in the United States. Property tax revenues represented 4.2 percent of personal income in the state in 2021. This placed the state eighth highest in the nation (table RI-1).

Each of the state's 39 cities and towns is allowed to use a property tax classification system when levying property taxes. State law specifies property classes that may be used and grants cities and towns the ability to set different tax rates for each class, with some restrictions. Class 1 includes residential property with fewer than five units and open space; state law authorizes municipalities to provide homestead exemptions within this class or to divide this class into owner occupied and non-owner occupied, imposing separate tax rates in lieu of homestead exemption. Class 2 includes commercial and industrial property as well as residential property with more than five units. Class 3 includes tangible personal property.

Figure RI-1
Sources of Local General Revenue, Rhode Island and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Rhode Island relies heavily on the property tax to generate revenue for state and local government operations. In 2021, the property tax accounted for 17 percent of combined state and local government revenues, the eighth-highest percentage in the United States (table RI-1).

Table RI-1
Selected Rhode Island Property Tax Statistics, 2021[1]

	Rhode Island	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,462	$1,898	*10*
Property tax percentage of personal income	4.2%	3.1%	*8*
Total property tax as percentage of state-local revenue	16.7%	15.5%	*16*
Median owner-occupied home value[2]	$292,600	$244,900	*14*
Median real estate taxes paid for owner-occupied home[2]	$4,483	$2,690	*8*
Effective tax rate, median owner-occupied home[3]	1.5%	1.1%	*11*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Each municipal government is responsible for assessing property values; a full revaluation of all real property must be done every nine years, and statistical updates must occur three and six years after the most recent full revaluation. All real property is assessed at 100 percent of its full and fair (i.e., market) value with the exception of farmland, forest, and open space land, which is assessed at its current use value. Tangible personal property is subject to taxation, but inventory and tangible property used for manufacturing is exempt. Motor vehicles are subject to an excise tax in lieu of the personal property tax.

Limits on Property Taxation

Since 1985, Rhode Island has placed limits on the growth of property taxes (table RI-2). In 2006, it significantly strengthened these limitations with the enactment of SB 3050. This legislation caps the percentage growth of a local government's total property tax levy at 4 percent above the previous year's levy. The property tax cap includes exemptions for specified circumstances that allow a 4/5 supermajority of the governing body of a city or town to exceed the property tax levy limit.

Property Tax Relief and Incentives

Rhode Island has a statewide property tax circuit breaker program that offers tax credits to individuals age 65 years or older and to disabled residents. In addition, local governments have the ability to offer property tax credits or exemptions to military veterans, the elderly, and the disabled.

The state has enacted an exemption of the first $50,000 of business property from the municipal tangible property tax beginning on the assessment date of December 31, 2023.

Rhode Island has three main property tax incentive programs designed to encourage economic development in the state: tax stabilization agreements for manufacturing and commercial property, tax exemption for idle manufacturing or mill property, and tax increment financing (TIF). Each of the three programs is authorized by the state government, but the individual cities and towns determine program specifics within the guidelines of state law.

Rhode Island also has property tax programs designed to encourage the renovation of historic structures in the state. Under the program, municipalities may opt to allow the owners of historic properties that incur substantial maintenance or rehabilitation costs to receive a property tax reduction of up to 20 percent for up to five years.

Table RI-2
Property Tax Features of State Governments, United States, 2022

Feature	Rhode Island	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1985, Rhode Island enacted legislation that limited the rate of growth for the overall property tax levy or the property tax rate to 5.5 percent annually. Although this law had some success in limiting the growth of property taxes in the state, many communities applied the 5.5 percent property tax cap to their tax rates rather than to the overall levy. As a result, overall property tax levies continued to grow rapidly throughout the 1990s and early 2000s.

In 2006, Rhode Island enacted SB 3050, referred to locally as the property tax cap, which amended the 1985 limit. One feature of this amendment was to make the tax cap a pure levy limit by applying the cap only to increases in property tax revenues. The amendment first went into effect on January 1, 2007, and restricts the annual growth of property tax levies to 4 percent above the previous year's levy. The cap on annual levy growth was phased in over several years, starting at 5.25 percent in fiscal year 2008 until reaching the current cap of 4 percent in fiscal year 2013.

The property tax cap does provide exemptions from the cap if debt service expenditures increase rapidly, non-property tax revenues are lost, public employee fringe benefit costs triple from the previous year, or in the event of rapid growth of the tax base that requires significant expenditures on infrastructure or schools. In each case, a four-fifths supermajority of the governing body of the municipality must vote in favor of the levy exceeding the cap. The Division of Property Taxation and Municipal Finance in the Department of Revenue monitors city and town compliance with the tax cap (Rhode Island Department of Revenue, Division of Municipal Finance 2018).

Recent Developments

Rhode Island expanded its circuit breaker program in 2022, adding $4 million in funding for the program. The new law raises the income ceiling from $30,000 to $35,000 and the maximum property tax credit from $400 to $600. It also increases the exemption for pension income when calculating eligibility (House Bill 7123, Substitute A of 2022) (Rhode Island Office of the Governor 2022).

Local governments may not revalue land based on the presence of renewable energy with the passage of House Bill 8820 Substitute A in 2022. Under the new law, jurisdictions may only tax renewable energy as personal property and may only assess the land value as real property. In addition, farmland that is developed with renewable energy may not be reclassified and any farmland that was reclassified will revert to its assessed value before developed for renewables. The governor let the controversial bill become law without his signature over opposition from local governments (Gregg 2022).

The Rhode Island Supreme Court upheld the City of Providence's practice of reassessing properties at market value upon expiration of tax stabilization agreements, a type of development incentive under which the city exempts some portion of new value for up to 20 years. The court rejected a lower court ruling in favor of the plaintiffs that found the revaluation was selective and illegal. The Rhode Island Supreme Court ruled in *Athena Providence Place v. Pare* that upon "the expiration of the TSA, the city was entitled, and indeed required, to tax the property at its full and fair cash value" (Hodges 2021).

In 2022, cities and towns across Rhode Island pursued a variety of policies to counter or delay the anticipated effects of rapidly rising home values on taxpayers. Some municipalities petitioned the legislature to delay revaluation by a year, while others enacted differentiated property tax rates to shift the local property tax burden away from full-time residents (Dunning 2022; Sacharczyk 2022). Under one such policy, which received legislative approval in 2022, the City of Newport extended a lower residential property tax rate to city residents who occupy their home in Newport at least seven months out of the year and apply for the reduced rate (Newport Daily News 2022).

In *Newport & New Rd. LLC v. Hazard*, the Rhode Island Supreme Court upheld a trial court's ruling that a taxpayer had not filed a timely court petition arguing that property tax assessments were illegal and excessive. The Supreme Court, in its June 2023 decision, held that such assessment challenges in a court are subject to a three-month statute of limitations and not the 10-year general statute of limitations for civil actions (Long 2023). Rhode Island Governor Dan McKee signed the fiscal year 2024 budget, which includes an exemption for the first $50,000 of business property from the municipal tangible personal property tax starting on the assessment date of December 31, 2023. The state will reimburse municipalities for the lost revenue beginning in fiscal year 2025 (Valdez 2023).

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LINCOLN INSTITUTE OF LAND POLICY

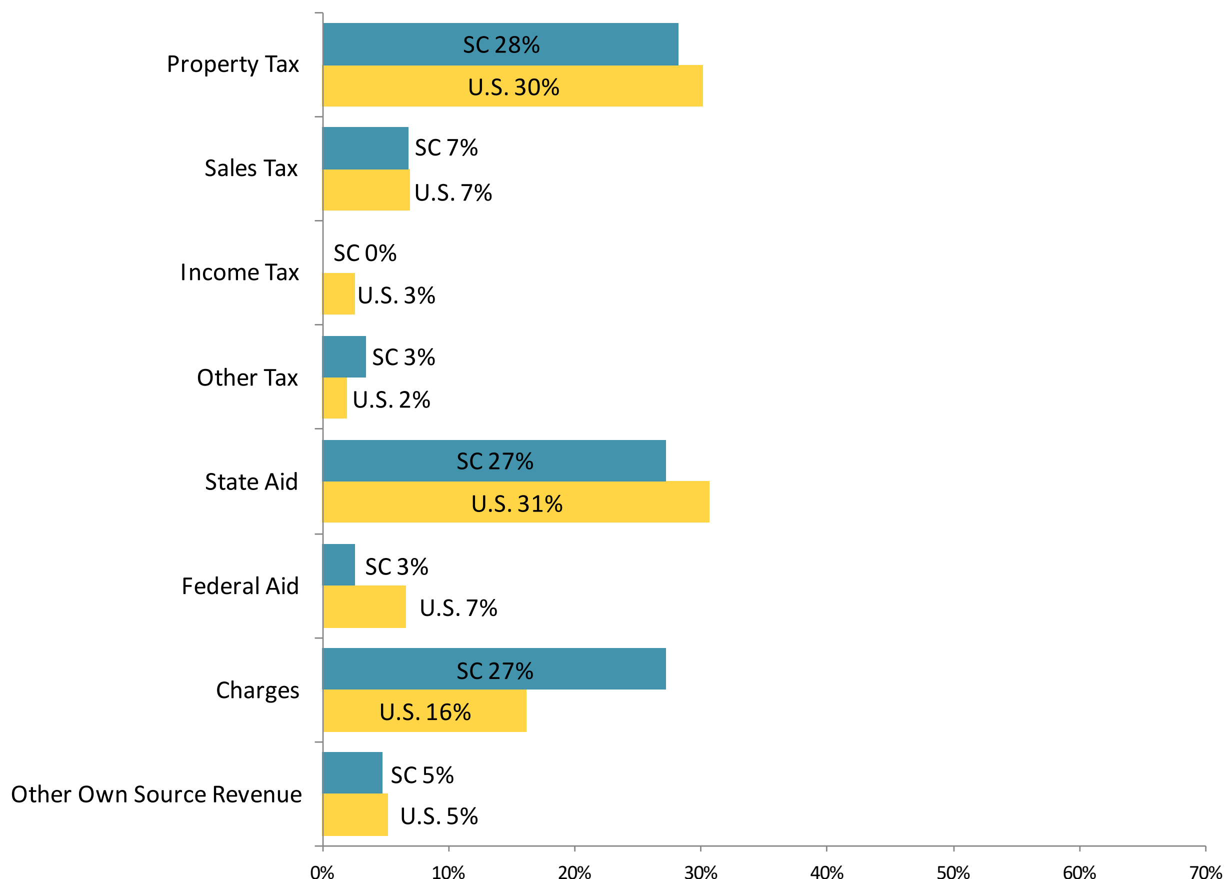
South Carolina

Highlights

South Carolina has long had a classified property tax, with fractional assessment ratios well below 100 percent. For example, primary residences are currently assessed at 4 percent of market value, so that a home with a market value of $100,000 is assessed at $4,000.

Between 1995 and 2006, the legislature passed significant changes in its property tax structure that substantially reduced homeowners' property tax burdens, increased state-local dependence on the general sales tax, and decreased reliance on the property tax. South Carolina became the only state to exempt homeowners from property taxes to fund school operations (SC Chamber Foundation, SC Realtors, and Lincoln Institute of Land Policy 2020). Reliance on the property tax among South Carolina local governments is slightly lower than the U.S. average (figure SC-1).

Figure SC-1
Sources of Local General Revenue, South Carolina and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Because of the tax benefits afforded to owner-occupied homes, local governments rely more heavily on the taxation of commercial businesses, manufacturing and utility companies, and non-owner-occupied property than most other states. The effective property tax rate for a median value home in Charleston is the second lowest among the largest cities in each of the 50 states and DC (only Honolulu is lower), and the effective tax rate on manufacturers in Charleston is the 4th highest (Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence 2023).

Property Tax Reliance

In 2021, property tax as a percentage of state and local revenue was lower in South Carolina than the national average and ranked 31st out of 51 (table SC-1). The effective tax rate on the median value owner-occupied home in South Carolina is about half of that typically seen in the United States and ranks 47th lowest in the nation.

Table SC-1
Selected South Carolina Property Tax Statistics, 2021[1]

	South Carolina	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,380	$1,898	*34*
Property tax percentage of personal income	2.7%	3.1%	*31*
Total property tax as percentage of state-local revenue	13.5%	15.5%	*28*
Median owner-occupied home value[2]	$181,800	$244,900	*37*
Median real estate taxes paid for owner-occupied home[2]	$1,024	$2,690	*47*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*47*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In South Carolina, property taxes are levied by local taxing districts, including county governments, cities, towns, independent school districts, and special districts. Assessments are conducted primarily at the county level with assessing responsibility split between assessors, auditors, and the state department of revenue. Property is revalued every five years (table SC-2).

The state's system of property tax classification employs eight property classes, with assessment ratios ranging from 10.5 percent for manufacturers, utilities, mines, and personal property not included in another property class to 4 percent for owner-occupied homes and agriculture.

Limits on Property Taxation

Act 388, adopted in 2006, introduced several tax limitations, including an assessment cap. Assessed value cannot increase more than 15 percent over a five-year period unless the property is sold. When a property is sold, the state's Assessable Transfer of Interest (ATI) law requires that most property be reassessed at fair market value for the current year. South Carolina offers a 25 percent ATI exemption for non-owner-occupied residential properties but the owner must submit an application (Lincoln Institute of Land Policy 2020).

South Carolina also has a property tax rate limitation. Property tax rates may not increase by a rate greater than population growth plus inflation in any given year, and there is no catch-up provision if a taxing entity chooses to forego an increase one year. This may incentivize taxing districts to increase rates more frequently than would have previously been seen.

Property Tax Relief and Incentives

Act 388 provides significant property tax relief to property owners for their owner-occupied homes. The School Property Tax Exemption for All Homeowners exempts owner-occupied homes from the property taxes levied for school operating costs. South Carolina also provides exemptions for seniors and disabled homeowners. South Carolina does not provide for targeted property tax relief through a circuit breaker program.

South Carolina allows a wide array of property tax exemptions for economic development, including tax increment finance. State law allows companies to apply for a five-year exemption from county property tax levies (except for school operating taxes) if they make an investment of at least $50,000 in manufacturing facilities, research and development facilities, corporate headquarters that create at least 75 new jobs, or distribution facilities (South Carolina Department of Commerce 2023).

Three fee in lieu of property tax (FILOT) statutes authorize county governments to offer manufacturers payments in lieu of property taxes for new investment in the county of at least $2.5 million. Counties may reduce the 10.5 percent assessment ratio to 6 percent for businesses that invest at least $2.5 million and to 4 percent (a *super fee*) for businesses that invest over $400 million, or over $150 million plus 125 jobs, for up to 50 years. Property already subject to South Carolina property taxes is generally ineligible unless the investment is greater than $45 million, so this program is intended to encourage and support new investments (South Carolina Department of Revenue 2017). This is the state's largest property tax incentive for businesses. The value of property benefiting from FILOTs more than tripled between 1997 and 2016 (Lincoln Institute of Land Policy 2020).

Table SC-2
Property Tax Features of State Governments, United States, 2022

Feature	South Carolina	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1995, a battle over residential property taxes resulted in a major policy change in South Carolina. That year, the legislature passed state-funded relief from school taxes on the first $100,000 of market value of an owner-occupied home. It is important to note that median home value in South Carolina was around $80,000 at the time of passage, and therefore the majority of South Carolina primary residences were completely exempt from school property taxes under the 1995 legislation.

Significant changes to the South Carolina tax code continued into the new millennium. In 2000, intense pressure to reduce the property tax on personal vehicles led to a constitutional amendment that significantly reduced assessment rates. The rate on motor vehicles was reduced from 10.5 percent to 6 percent, and new rates were phased in between 2001 and 2006. Considering that the personal vehicle portion of total property tax revenues was equal to 20 percent in 2000, this resulted in an 8.3 percent reduction in the property tax.

In 2006, Act 388 was passed in South Carolina, which drastically altered the property tax system and school finance within the state. The major property-tax-related components of the act are as follows:

- **Tax Swap:** Act 388 eliminated the property tax on owner-occupied homes for all school expenditures other than debt service and increased the state sales tax from 5 percent to 6 percent. The tax swap substantially reduced many homeowners' property tax obligations, some in excess of 50 percent.
- **State Tax Reimbursement:** For the first year of implementation, the state of South Carolina was required to reimburse local school districts dollar for dollar for the monies lost by the elimination of the school property tax on owner-occupied homes. After the first year, reimbursements were to grow at the rate of population growth plus inflation.

- **Reimbursement Guarantee:** Act 388 guarantees that the one percentage point increase in the sales tax will be used to fund reimbursements to local school districts and will be placed in the Homestead Exemption Fund. If the fund has a shortfall (e.g., the increased sales tax revenue is insufficient to cover reimbursements), the reimbursements must be taken from the general revenue fund.
- **Property Assessment Cap:** A 15 percent cap was placed on the growth of property tax assessments over a five-year period unless the property is sold during that time. This change to the tax code was passed as a constitutional amendment.
- **Property Tax Rate Cap:** Act 388 imposes a cap on the rate at which property tax rates can increase in a jurisdiction. Rate increases are capped at inflation plus population growth.

An important issue with Act 388 is that while the law was marketed as being revenue neutral, the sales tax revenue failed to fully fund state reimbursements (Kenyon, Paquin, and Reschovsky 2022). The law went into effect at the start of the Great Recession, and the sales tax base fell rapidly. Because property tax revenues are more stable than sales tax revenues in an economic downturn, the 1 percent increase in the sales tax did not fully cover the revenue lost in the tax swap (Kenyon and Munteanu 2022).

Recent Developments

In 2022, South Carolina enacted several property tax measures, some in response to recent court rulings. Act 236 of 2022 enacted and expanded property tax exemptions and gave local governments broader authority to impose fees in place of property taxes. The new law exempted barns, chicken coops and other structures that house livestock, poultry, crops, and farm equipment or supplies. The fiscal impact note for the original legislation estimated that up to 50 percent of all agricultural assessed value in the state could be exempt under this legislation (South Carolina Revenue and Fiscal Affairs Office 2022). The law also amended the property tax exemption for disabled veterans, police officers, and firefighters to extend surviving spouse benefits to spouses, regardless of ownership status (South Carolina Department of Revenue 2022a).

South Carolina enacted broader authority for local governments to impose fees in order to avert property tax increases after the South Carolina Supreme Court ruled in 2021 that county road maintenance fees and telecommunications network fees were invalid. In *Burns v. Greenville*, the court found that the fees in question were in fact taxes since payers did not receive a substantially different benefit than the general public. Since state law prohibits counties from imposing taxes other than ad valorem property taxes—and neither of the fees was based on value—the court struck them down. In response to the ruling, the legislature passed an amendment through Act 236 that permits local governments to impose fees "even if the general public also benefits." The law states that local governments that approved new property tax millage for road maintenance following the Supreme Court decision must repeal the millage before imposing new road maintenance fees (Passiment and Kirven 2022).

Finally, Act 228 of 2022 enacted a 42.8751 percent exemption for real and personal manufacturing property. The exemption is to be reimbursed by the state up to $170 million per year. The law replaced

a repealed six-year phased 14.2857 percent manufacturing exemption. The new law excludes utility-owned property from this exemption even if the property is used for manufacturing. That exclusion follows an October 2021 administrative law court decision in which Duke Energy was denied the since repealed manufacturing exemption. The Department of Revenue had denied the exemption, claiming the property was classified as utility property, not manufacturing property (*Duke Energy Carolinas LLC v. Department of Revenue* and *Duke Energy Progress LLC v. Department of Revenue*).

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LINCOLN INSTITUTE OF LAND POLICY

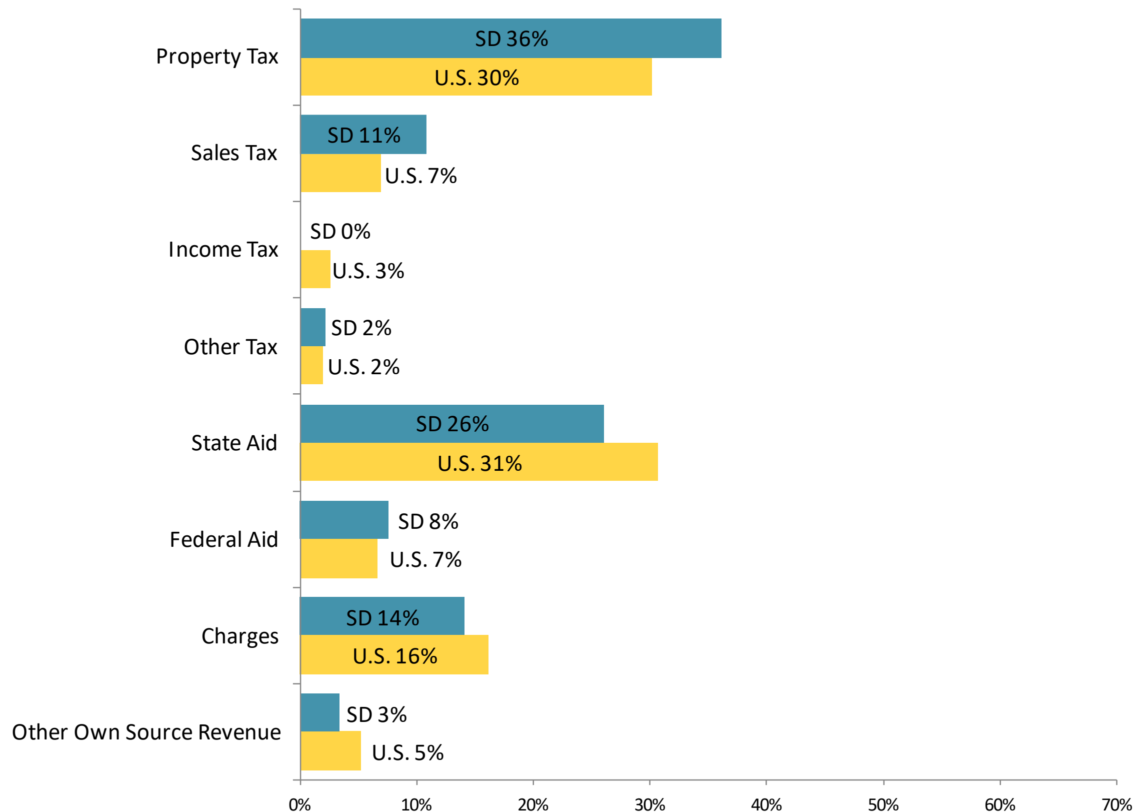
South Dakota

Highlights

South Dakota is one of eight states with no state individual income tax, and one of four states with no general corporate income tax (Federation of Tax Administrators 2023a; 2023b). Because of the state government's limited resources, it provides relatively low amounts of state aid (almost all for education), leaving local governments, especially counties, to rely heavily on the property tax (figure SD-1).

The state taxes agricultural property at a preferentially low rate through two mechanisms. First, agricultural property is given a favorably low value for tax purposes through the system of productivity value, a type of use value. Second, school district property tax rates for agriculture are lower than for other types of property. Together, these provisions result in a lower effective tax rate for agriculture than for owner-occupied homes or commercial, utility, and non-owner-occupied residential property (South Dakota Department of Revenue 2022, 26).

Figure SD-1
Sources of Local General Revenue, South Dakota and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

South Dakota's overall state and local tax burden is low relative to that of other states. Even though its property tax as a share of state-local general revenue is slightly higher than the U.S. average, its property tax burdens per capita and relative to personal income are below the national average (table SD-1).

Table SD-1
Selected South Dakota Property Tax Statistics, 2021[1]

	South Dakota	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,661	$1,898	*28*
Property tax percentage of personal income	2.7%	3.1%	*30*
Total property tax as percentage of state-local revenue	18.1%	15.5%	*11*
Median owner-occupied home value[2]	$187,800	$244,900	*35*
Median real estate taxes paid for owner-occupied home[2]	$2,331	$2,690	*26*
Effective tax rate, median owner-occupied home[3]	1.2%	1.1%	*17*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

County directors of equalization assess property under regulations set by the state Department of Revenue (table SD-2). The Department of Revenue directly assesses some property of utilities, railroads, and pipelines. All real property is revalued annually.

Property (except agricultural land) is assessed at 85 percent of market value. Since 2011, agricultural land has been assessed according to its "productivity value" (use value). Except for school districts, local governments tax all properties at the same rate. For school districts, the state sets maximum tax rates for each of three classes of property: agricultural, owner-occupied single-family dwelling, or other (commercial and industrial). School districts may set lower tax rates, but the rates must be proportional to the maximum rates for each class (Significant Features of the Property Tax). Local school districts account for about 56 percent of property tax collections statewide (South Dakota Department of Revenue 2022, 26).

Property owned by charitable, benevolent, or religious societies; educational institutions; nonprofit health care organizations; and agricultural and horticultural societies is exempt as is most personal property.

Although South Dakota's constitution authorizes a state property tax under certain conditions, only local governments actually levy property taxes. Counties, municipalities, townships, and special districts set their own rates; the same rate applies to all classes of property. A different system applies to school districts.

Limits on Property Taxation

State law establishes mill levy limits, but as a practical matter they are not constraining. Except for school districts, annual growth in local jurisdictions' property tax revenue is limited to the lesser of 3 percent or the rate of inflation as measured by the preceding year's consumer price index (CPI) with adjustments for property improvements, new construction, reclassifications, and annexations.

Local governing boards for counties, municipalities, and townships may exceed these growth limits by an affirmative vote of at least two-thirds of the governing board members. Boards must then announce the "opt-out" decision in local newspapers or directly by mail. A board can refer its decision to voters directly; if it does not, citizens can petition for a vote.

The legislature sets statewide school district property tax rates (uniform tax rates) annually for each classification; in recent years, the rate for commercial and industrial property has been roughly five times the rate for agricultural property and twice that for owner-occupied residences (South Dakota Department of Revenue 2022). According to statute, the "per-student allocation" (state aid plus property tax generated with the statewide rates) is to grow by 3 percent or the rate of inflation, whichever is less. In some years, school district property tax rates for the Capital Outlay Fund and the Pension Fund have also been limited. School boards may exceed the statewide rates for each classification by following similar procedures as for local governing boards.

Property Tax Relief and Incentives

A property tax circuit breaker program provides relief to owners of single-family residences if they are at least 65 years old or disabled and have owned the property for at least three years or lived in the state for at least five years. Household income may not exceed $17,420 (for 2021 claim).

Homeowners 65 years of age or older or disabled are able to have their property valuations frozen for tax purposes if they have resided in the single-family residence for 200 days of the previous calendar year, have been a resident of South Dakota owning a single-family residence for at least one year, and have income below the threshold amount (in 2023, $37,065 for a single individual and $47,655 for a multiple-member household). Property with a full and true market value of $317,700 or more is not eligible for this tax program unless the applicant has received the assessment freeze on the property in a prior year.

The deferral program known as the Property Tax Homestead Exemption delays payment of property taxes until the property is sold for homeowners 70 and over who have owned a house for at least three years or have been a South Dakota resident for at least five years, subject to income limitations (in 2023, $16,000 for a single-person household and $20,000 for a multiple-member household).

Other programs provide income-graduated property tax reductions for paraplegics, full exemptions for paraplegic veterans, and limited exemptions for other disabled veterans. County commissioners may freeze taxes levied for up to five years for property purchased by a beginning farmer (Significant Features of the Property Tax).

South Dakota allows cities and counties to offer tax incentives for economic development that specify the percentage of property value to be taxed in a given year for new construction and additions. For qualifying non-residential property, this may be any level of property value in each of the five years following construction. For qualifying housing, the agreement must be effective for seven years and the taxable percentage is subject to specific limits that increase progressively over the seven-year term. (South Dakota Codified Laws § 10-6-137).

Part of the value ($750,000) of property owned by a local industrial development corporation is exempt from property taxation, as is part of the value (the greater of $50,000 or 70 percent of assessed value) of certain renewable-energy facilities. Increased value due to restoration of historical property is not taxed for eight years after restoration. Second-class and third-class municipalities may also offer property tax rebates for industrial development. South Dakota also uses tax increment finance (and the districts are called tax incremental districts).

Table SD-2
Property Tax Features of State Governments, United States, 2022

Feature	South Dakota	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In the late 1970s, South Dakota exempted from taxation all personal property except for some centrally assessed utility property. After a major reform effort in the mid- to late 1970s, assessment-sales ratios rose dramatically. Additional reform in 1989 set the standard for assessment-sales ratios at 85 to 100 percent. Since that time, assessments have tended to be closer to actual market values (Ring 2006).

Over the past four decades, property taxes have generally risen in real terms but fallen as a percentage of state personal incomes. Individual tax bills were frozen in 1990 and 1991, after which they rose dramatically as local governments recovered from the freeze and school districts responded to an odd school aid formula that created a strong incentive to raise property taxes (Ring 1991; South Dakota Department of Revenue 2006). In 1994, a ballot initiative that would have drastically cut property taxes nearly passed, prompting state officials to provide significant property tax relief. Taxes for agricultural and owner-occupied properties were reduced by 30 percent in increments between 1996 and 2001, with the state reimbursing local governments for lost revenue (South Dakota Department of Revenue 2006). The state also enacted the foundation school aid formula that is still in place and imposed the revenue growth limits (3 percent or the rate of inflation, whichever is less) discussed above.

Despite these restrictions, real property taxes have continued to rise because of increases in the tax base (allowed for property improvements, new construction, etc.) and because many local governments chose to “opt out” of state-imposed limits. On average, 43 percent of school districts opted out during each of the school years 2021 to 2023 (South Dakota Department of Education 2023).

In 2016, the state legislature increased the sales tax rate from 4 percent to 4.5 percent in order to provide additional money for teacher salaries and to provide additional property tax relief (National Conference of State Legislatures). The National Education Association Rankings and Estimates reports show that South Dakota rose from the lowest ranking (out of the 50 states and DC) for average teacher salary in the 2015–2016 school year to the 48th place rank for 2016–2017, and to 47th rank for 2017–2018, ahead of New Mexico, Oklahoma, West Virginia, and Mississippi (Ramposa 2018; National Education Association 2019).

Recent Developments

In 2020, South Dakota enacted a law that requires counties to annually notify homeowners of residential property tax relief programs they may be eligible for. County equalization departments are required to send out assessment notices each year and beginning in March 2022, those notices will include information about property tax relief programs for eligible homeowners including seniors, veterans, and paraplegics (S.D. Codified Laws § 10-6-50).

In 2022, the South Dakota Department of Revenue launched its Property Tax Portal, the first piece of a multi-phase transparency initiative. The portal includes a property tax explainer tool that includes tax levy information for each taxing jurisdiction by year, with data on changes in the levy and state rankings. Taxpayers can enter their property’s taxable value and estimate what they will pay to their city, county,

and school district. The portal also includes informational resources, data, reports, statutes, and regulations (Mercer 2022; South Dakota Property Tax Portal).

South Dakota, one of the least densely populated of the states, is home to nine Native American tribes. Five of the state's counties are entirely within the boundaries of sovereign Indian reservations, including the Pine Ridge Indian Reservation, at nearly 3,500 square miles one of the largest in the United States. This has raised periodic questions of state and local tax jurisdiction over Indian activities off reservation land and non-Indian activities on reservation land. In *Pickerel Lake Outlet Ass'n v. Day County*, 2020 S.D. 72, the South Dakota Supreme Court upheld a county property tax on recreational cabins located on tribal land but owned by individuals who were not tribal members.

In 2022, South Dakota voters defeated a legislatively referred constitutional amendment that would have required a three-fifths supermajority for tax measures put before the voters (Amendment C of 2022). As a result, these measures will continue to require only a simple majority.

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Tennessee

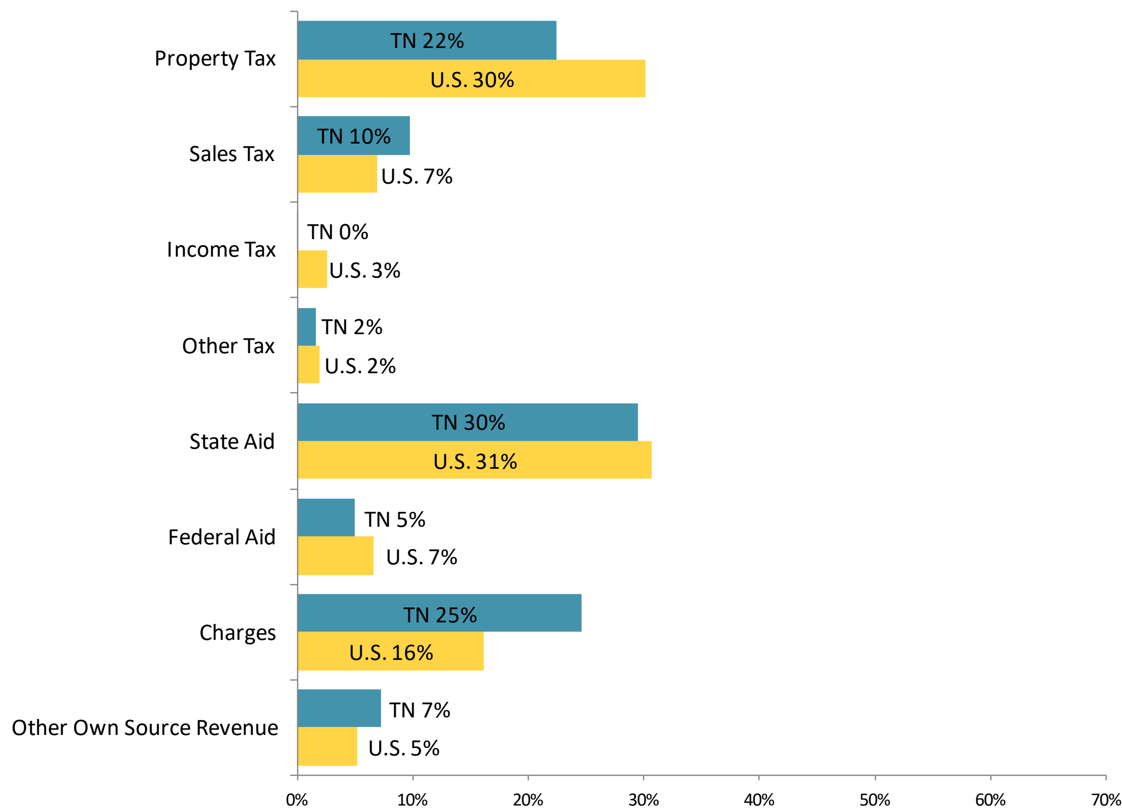
Highlights

Tennessee relies less on the property tax than do most other states, partly because sub-state governments have the authority to enact local option sales taxes, which many localities have done. Tennessee local governments also rely much more heavily on charges than do local governments in other states (figure TN-1).

The state is one of only four others with no state-imposed limitation on property tax rates, levies, or assessments (Paquin 2015; Significant Features of the Property Tax). Although Tennessee does not place constraints on property taxation, it does have a truth-in-taxation requirement.

In 1973, Tennessee adopted a system of property tax classification. Assessment ratios for the six real and personal property classes range from 25 percent for residential real property to 55 percent for real and personal property of public utilities.

Figure TN-1
Sources of Local General Revenue, Tennessee and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, Tennessee's reliance on the property tax was low compared to other U.S. states, whether measured as property tax per capita, property tax as a percentage of personal income, property tax as a percentage of state-local revenue, or the effective property tax rate on the median-value owner-occupied home (table TN-1).

Table TN-1
Selected Tennessee Property Tax Statistics, 2021[1]

	Tennessee	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$926	$1,898	*48*
Property tax percentage of personal income	1.7%	3.1%	*50*
Total property tax as percentage of state-local revenue	10.4%	15.5%	*42*
Median owner-occupied home value[2]	$193,700	$244,900	*34*
Median real estate taxes paid for owner-occupied home[2]	$1,270	$2,690	*45*
Effective tax rate, median owner-occupied home[3]	0.7%	1.1%	*37*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017-2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessment of most property is performed by Tennessee's 95 counties (table TN-2). State law requires that property be reappraised every four to six years, depending on the county, with physical reinspection every three to five years. Tennessee's property tax administration system is highly transparent, with county assessment data centralized in an easily accessible online database. The International Association of Assessing Officers awarded Tennessee the Distinguished Assessment Jurisdiction Award for the online system (Paquin 2020).

Tennessee has six separate classifications for property, each with a corresponding assessment percentage: (1) public utility real and personal property (55 percent); (2) industrial and commercial real property (40 percent); (3) residential real property that contains no more than one rental unit (25 percent); (4) farm real property (25 percent); and (5) business personal property (30 percent) (Tennessee Department of Revenue).

Limits on Property Taxation

Tennessee's truth-in-taxation requirement ensures that higher taxable values after a reappraisal do not automatically result in a tax increase. After a general reappraisal, counties and municipalities must advertise intent in the newspaper and hold a public hearing before they adopt a resolution or ordinance establishing a tax rate that would generate greater overall tax revenues than were billed in the year before the reappraisal (Tennessee Comptroller of the Treasury).

Property Tax Relief and Incentives

Tennessee has an incentive that promotes improvements of historic structures in counties with populations greater than 200,000 or in incorporated municipalities. Subject to various criteria, the value of any improvement is exempt from property taxation for 10 to 15 years. The state also promotes economic development through tax increment financing.

A local option property tax freeze act has currently been adopted by 25 counties and 34 cities in the state as of 2023 (Tennessee Comptroller of the Treasury 2023). Under this program, property taxes are held at the lesser of the value recorded in the year the property owner became eligible for the program, or the current value. To qualify for the program, individuals must be at least 65 years of age, use the property as their primary residence, and meet income requirements.

Tennessee does not have a circuit breaker but has property tax credits that provide property tax relief for homeowners who are low-income elderly, disabled, or disabled veterans.

Table TN-2
Property Tax Features of State Governments, United States, 2022

Feature	Tennessee	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

When Tennessee became a state in 1796, both the state and local governments levied property taxes, but the property tax did not become an ad valorem tax until the second state constitution was ratified in 1835. The state government continued levying a property tax until 1949 (Green, Chervin, and Lippard 2002).

Authorization of the local option sales tax in 1963 reduced local government reliance on property tax revenue.

Litigation brought by railroad companies in 1965 led to the adoption of a property tax classification system in 1973 whereby different types of property are taxed at different rates. In 1976, Tennessee adopted use value for agriculture, forest, and open space (Green, Chervin, and Lippard 2002).

In the 1980s, Tennessee reformed its property tax assessment system. The Division of Property Assessments developed a statewide computer-assisted tax billing system in 1985, and in 1989, the state enacted Chapter 495 of the Public Acts of 1989 which implemented systematic revaluation cycles of four to six years with physical re-inspection phased in over the term of the cycle (Paquin 2020, 112; Stein, Allen, and Lippard 2003).

Significant disparities in property tax bases among counties over time led to substantial differences in education funding across counties. The Basic Education Program (BEP) was enacted in 1992 as a result of litigation that determined that the state's previous school district funding mechanism was unconstitutional. The effect was a subsidy for low property tax revenue counties that allowed them to postpone needed tax rate increases (Chervin 2009). Litigation ensued a year after the enactment of BEP. Over the last three decades, the BEP has been the subject of five lawsuits. In March 2015, *Hamilton County Board of Education v. Haslam* became the fourth lawsuit concerning education funding against the state in less than 25 years. The suit claims the state has failed to adequately and equitably fund K-12 schools. In 2020, the Davidson County Chancery Court dismissed the Hamilton County lawsuit citing school funding reforms in recent years (SchoolFunding.Info).

Tennessee replaced the BEP with a new school funding formula, the Tennessee Investment in Student Achievement (TISA), in 2022. The formula provides additional funding over the base amount for students in poverty, English language learners, disabled students, and students in rural districts.

Recent Developments

The structure of the Basic Education Program is still the object of litigation. In September 2015, school boards in Memphis and Nashville filed a lawsuit, *Shelby Co. Bd of Educ. v. Haslam*, which claims that the state has denied an adequate and equal education for low income and minority students (SchoolFunding.Info). The Davidson County chancellor denied a motion by the state to dismiss the Shelby County Schools case in July 2018 and again on appeals in September 2018 and January 2019 (Aldrich 2018; 2019). Metro Nashville Public Schools joined the lawsuit in 2017 and a coalition of 84

small districts joined the lawsuit in April 2021 (SchoolFunding.Info). The case is pending trial (*Shelby Co. Bd of Educ. v. Haslam*).

The Tennessee Investment in Student Achievement (TISA), which replaced the BEP in 2022, is a foundation formula that sets base per-pupil funding at $6,860 with additional weights for students who have additional needs, including economically disadvantaged students, students with unique learning needs, and students in small or rural districts. Local contributions under TISA are expected to both be significantly lower than under the BEP and are expected to grow at a slower rate, reducing pressure on local governments to raise taxes and making these funds available for other investments (Tennessee Department of Education 2021). The rules comprising TISA were finalized and adopted in February 2023 (Tennessee Department of Education 2023).

After experiencing record property value growth from 2013 to 2017, Nashville property assessments skyrocketed in the city's 2017 revaluation, increasing on average 37 percent above the 2013 revaluation. Higher assessments triggered a 45 percent increase in appeals and an unusually high appeal success rate. The tax rate had been adjusted down as state law requires revenue-neutral reappraisals. As a result of appeals and lower-than-expected growth, property tax revenues were down between $20–25 million, leaving a hole in the city's $2.2 billion 2018–2019 budget. Mayor David Briley vowed not to raise the tax rate (Wharton 2018). In 2020, the city council approved a budget that increased property taxes 34 percent with increased funding for police and schools. In response, a Nashville taxpayers group petitioned to repeal the increase via referendum. In November 2020, Chancellor Ellen Hobbs invalidated the measure, blocking it from the special election ballot (Jones 2020). The Davidson County Election Commission appealed the decision. After an appeals court upheld the Metro Council decision, the commissioners appealed to the state's highest court. In September of 2022, the Tennessee Supreme Court declined to hear the appeal but ruled the appeals court decision holds "no precedential value" (Stephenson 2022).

Shelby County became the state's first county to move to adopt a two-year reappraisal cycle to avoid large changes in valuations. In 2021, some Shelby County property owners saw values increase 20 to 30 percent. All other counties follow either a four-year or six-year reappraisal cycle. However, four months after the county initially adopted the two-year cycle, the State Board of Equalization voted to maintain the four-year cycle after the mayors of the seven municipalities within the county opposed the two-year plan (Burgess 2021).

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LINCOLN INSTITUTE OF LAND POLICY

Texas

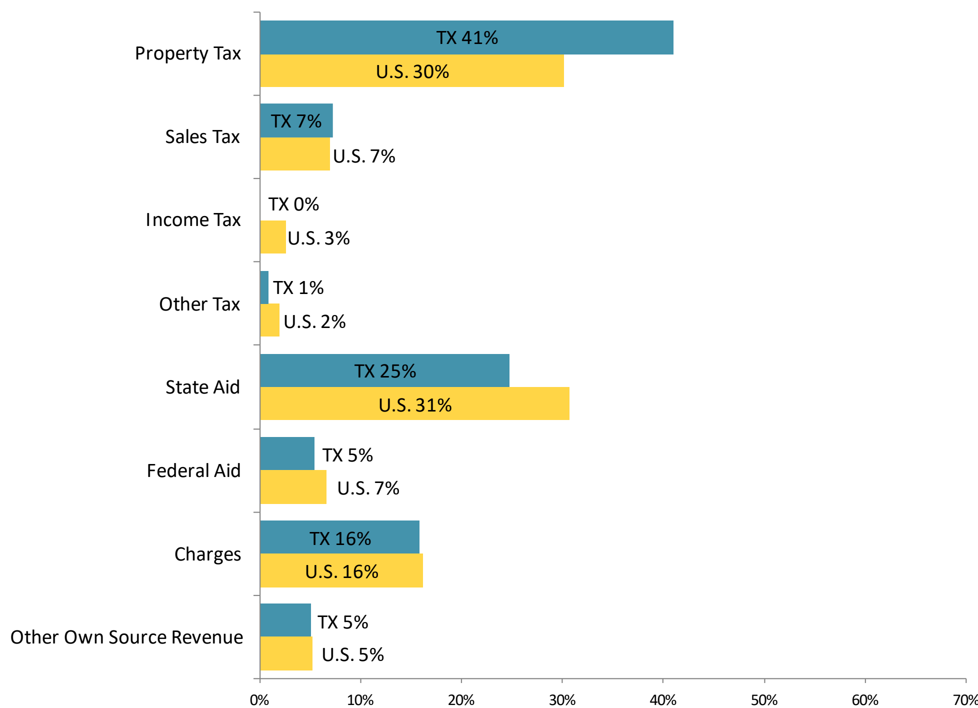
Highlights

Texas property tax rates are more akin to those in New England or the Midwest than to rates for other states in the South. Effective property tax rates on owner-occupied housing in Texas are the seventh highest in the United States and well above the median rate for all states. Texas's high reliance on the property tax partly results from the state not having a personal income tax (figure TX-1).

The Texas state constitution prohibits state-level property taxation. Despite not taxing property itself, the state does play a large role in overseeing the practices of local taxing entities, for example, by setting caps on local tax rates, minimum exemption levels, special preferences, and caps on increases in assessed values.

The majority of Texas property tax revenues support public education. The state has a long history of court challenges to its school finance system, some of them contending that the state's system of school finance has created a de facto state property tax in violation of the state's constitution.

Figure TX-1
Sources of Local General Revenue, Texas and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, the effective property tax on the median value owner-occupied home was sixth highest in the United States (table TX-1). Texas ranked sixth highest for share of state and local revenue from the property tax.

Table TX-1
Selected Texas Property Tax Statistics, 2021[1]

	Texas	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,218	$1,898	*12*
Property tax percentage of personal income	4.0%	3.1%	*9*
Total property tax as percentage of state-local revenue	21.1%	15.5%	*6*
Median owner-occupied home value[2]	$202,600	$244,900	*30*
Median real estate taxes paid for owner-occupied home[2]	$3,520	$2,690	*13*
Effective tax rate, median owner-occupied home[3]	1.7%	1.1%	*6*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Cities, counties, independent school districts (ISDs), and special districts (such as hospital or mosquito control districts) all levy property taxes. Property is assessed at 100 percent of market value and is revalued at least once every three years. The state does not require physical re-inspection.

Local governments within Texas do tax some types of personal property and Texas is one of nine states that tax business inventories. The Texas Supreme Court has held that taxing inventories does not violate the prohibition on state property taxes.

Assessment is carried out by county appraisal districts (CADs). Each CAD is governed by a board of directors appointed by the local governments. The office of the Texas Comptroller provides guidance to the appraisal districts and conducts performance audits to ensure compliance with state laws and regulations. CADs have the same borders as counties except in one instance where two counties share a combined district. Each CAD also establishes an appraisal review board to adjudicate disputes between property owners and the CAD as well as objections or queries raised by the taxing units.

Limits on Property Taxation

The Texas Constitution sets limits on levels of property taxation, including rate limits, levy limits, full disclosure and truth in taxation requirements, and an assessment limit. The limits are complex, sometimes depending on the use of the revenues and sometimes on antiquated distinctions between how cities were incorporated (Significant Features of the Property Tax).

The state also caps the increase in assessed values for a homeowner's primary residence. Assessed values are not permitted to increase by more than 10 percent since the previous assessment (not counting the value of improvements to the property) and may not exceed market value if market value is lower than the allowable assessed value (table TX-2).

Property Tax Relief and Incentives

With respect to real property, the state imposes mandatory exemptions and tax caps while also permitting taxing units to enact others (Texas Comptroller of Public Accounts). For residential homesteads, the state imposes a $40,000 exemption against taxes levied by school districts. All taxing units have the option of offering an exemption equal to as much as 20 percent of a property's value but not less than $5,000. More than 20 percent of the state's school districts offer an optional homestead exemption (Significant Features of the Property Tax). State residents over age 65 or disabled are entitled to an additional $10,000 exemption for school taxes, and city and county governments have the option of exempting $3,000 or more for seniors and disabled taxpayers. Additionally, the state mandates a $3,000 exemption for primary residences in counties that raise revenue from farm-to-market roads or flood control taxes.

School districts must freeze property taxes for taxpayers who are over 65 or disabled who are receiving exemptions. The freeze limits tax liabilities (for the portion of the property tax allocated to schools) to taxes owed for the year the taxpayer first received the exemption. Taxpayers who change residences are entitled to an exemption equal to the percentage of tax savings that they were receiving prior to the move. The over 65 exemption and tax cap is transferable to surviving spouses who are at least 55 years of age when widowed.

U.S. military veterans with 100 percent disability ratings from the Department of Veterans Affairs are completely exempted from all property taxes on their primary residence, as are un-remarried spouses of veterans or first responders killed in the line of duty. Jurisdictions are required to offer partially disabled veterans and their spouses partial exemptions. Despite its high effective property tax rates, Texas does not have a property tax circuit breaker.

Texas employs several property tax exemptions for economic development, including enterprise zone tax abatements and tax increment financing for reinvestment zones.

Table TX-2
Property Tax Features of State Governments, United States, 2022

Feature	Texas	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	Yes	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The current Texas property tax system owes its structure to the 1979 "Peveto Bill," named after its sponsor, former state representative Wayne Peveto.

Prior to 1979, taxing units had great autonomy, little coordination with overlapping taxing units, and virtually no overarching superstructure—with what did exist usually emanating from court rulings. The same property might be appraised at vastly different values by each of its jurisdictional taxing units. Furthermore, properties of equal market value might have vastly different assessed values depending on how recently they were last sold. The lack of formal rules for appraisals or schedules for reappraisal led to complaints and lawsuits questioning the system's fairness. Rapid increases in house prices during the 1970s exacerbated these problems, as did state aid for education formulas, which were based partly on the assessed value of each district's tax base.

The Peveto Bill accomplished several things. It separated appraisals from tax collection by creating the central appraisal districts, required assessment at full market value, mandated reassessment at least once every three years, and improved state oversight and guidance by creating the State Property Tax Board (which was eliminated in 1982, with many of its responsibilities transferred to the Comptroller's Office) (Haney 2015).

Texas has had a long series of court challenges to its school finance system, starting in 1973 with *San Antonio Independent School District v. Rodriguez*, with many challenges still ongoing. Court challenges have alleged that the Texas school finance system has created a de facto state property tax in violation of the state constitution. The logic is as follows: State law puts a cap on local property tax rates for school districts. At some points, the majority of school districts have been at the cap, without the ability to lower tax rates because of their revenue needs or to raise tax rates. This leads to the argument that the school property tax had been converted into a state property tax (TTARA 2012).

In the 2014 case *Morath v. The Texas Taxpayer and Student Fairness Coalition*, District Court Judge Dietz ruled that the Texas school finance system violated the Texas Constitution on issues of equity and adequacy, and that it employed a de facto state property tax (TTRA 2014). In May 2016, the Texas Supreme Court unanimously reversed the trial court's ruling in the case (SchoolFunding.Info). In their ruling, the "justices noted that the school funding system is 'undeniably imperfect with immense room for improvement. But it satisfies minimum constitutional requirements. Accordingly, we decline to usurp legislative authority'" (Parsons 2016).

Texas enacted major reforms to its school finance system again in 2019, this time without the prompting of the courts. Rising home values between 2012 and 2019 shifted a larger share of the burden of school funding to local governments and away from the state. In response to increasing residential property taxes, the state enacted House Bill 3 in 2019. This increased the per-pupil allotment—that is, the amount of money that a state government provides each school district for each student enrolled—for the first time since 2016. It also increased student weights (for students with disabilities, English language learners, and who are economically disadvantaged), and added funding for full-time pre-K. In companion legislation, Texas Senate Bill 2 (also 2019) aimed to moderate growth in property tax revenues, capping year-over-year growth in property tax revenues at 2.5 percent for general purpose taxing units, 4 percent for the portion of the property tax used to fund the maintenance and operations of school districts, and 8 percent for special districts (Kenyon, Paquin, and Reschovsky 2022). There are exceptions to these rules and the caps can be exceeded if approved in a local referendum (Roldan and Najmabadi 2019).

The property tax for Texas ISDs includes a maintenance and operations (M&O) component and an interest and sinking (I&S) component. The M&O component is used to fund the day-to-day operations of school districts (including teacher salaries, school supplies, and building maintenance). The I&S component is used to pay debt, such as bonds that were issued to build new schools or renovate existing schools. The M&O tax accounts for roughly 80 percent of property tax revenue for schools in Texas.

Recent Developments

In 2022, a federal district court upheld the state's use of federal Covid-19 aid for property tax relief. Texas, Louisiana, and Mississippi challenged an American Rescue Plan Act (ARPA) restriction against using funds to reduce taxes. Texas appropriated $3 billion of its $16 billion in ARPA aid for property tax relief (Johnson 2022).

Samsung won $1.2 billion in federal, state, and local tax incentives, including property tax incentives, in the state's largest ever corporate incentive package. The Korean tech giant is building a $17 billion semiconductor factory in Taylor, Texas. The deal included $468 million in property abatements and was one of the last incentives awarded under the state's Chapter 313 property tax incentive before the legislature let the controversial program expire (Good Jobs First; Wire Services 2022).

Governor Greg Abbott signed legislation dubbed “Back the Blue” in 2022 that required counties with population over 1 million to get voter approval for law enforcement budget cuts. Under the law, the state can freeze county property tax revenue if jurisdictions cut police budgets without voter support (House Bill 1900 of 20022). In October 2022, the Texas Comptroller notified Harris County (which includes most of Houston) that its proposed budget would reduce funding for police and thereby would require voter approval. The county commissioners voted to sue the state over the law (Miller 2022). The Harris County Commissioners Court was unable to adopt the proposed budget after two conservative commissioners boycotted meetings through the October 28 deadline, effectively preventing its passage (Murney 2022). The county’s overall no-new-revenue property tax rate was $0.53 per $100 valuation compared to a proposed rate of $0.57 cents—the difference was $101 dollars on a $300,000-value home with a 20 percent local homestead exemption (Carlton 2022).

Voters passed two constitutional amendments to increase exemptions from the property tax in May 2022. Proposition 1 increased the homestead exemption for disabled and elderly Texans from $25,000 to $40,000. Benefits to most elderly and disabled residents from the tax compression legislation in 2019 were limited because their school property tax liabilities were already capped. The other amendment, Proposition 2, increased the mandatory homestead exemption for the school district portion of the property tax from $25,000 to $40,000 (Lindell 2023).

The Texas Supreme Court ruled in May 2023 that the Iraan-Sheffield Independent School District erred when it contracted an attorney to bring litigation against taxpayers to recover property tax revenue on a contingency basis—the attorney was to be paid 20 percent of the taxes recovered. The court remanded the case to district court and directed that the school district should alter its agreement or hire new counsel to comply with the law (*Pecos Cty. Appraisal Dist. v. Iraan-Sheffield Indep. Sch. Dist.*, Tex., No. 22-0313, 4/28/23) (Hamilton 2023b).

A year after letting the expansive Chapter 313 business property tax incentive expire, Texas enacted a new business property tax incentive in 2023. Under Chapter 403 (enacted by House Bill 5 of 2023), qualifying businesses may receive up to a 50 percent reduction in school district maintenance and operations property taxes for 10 years. To qualify for the state-funded incentive, a business must demonstrate that the development would not occur in Texas without the incentive, and must fulfill investment, wage, and hiring requirements laid out in an agreement approved both by the state comptroller and the school district. The new incentive is more restrictive than its predecessor and does not permit payments to school districts from developers, an oft criticized feature of the expired Chapter 313 incentives (Jones 2023b).

Flush with budget surpluses, Governor Greg Abbott made cutting property taxes a priority for the 2023 legislative session. While property tax relief was not enacted during Texas’s 2023 regular legislative session, Governor Abbott called for two special sessions to address this issue (Hamilton 2023a). On July 22, 2023, Governor Abbot signed into law a tax reduction package that also cut franchise taxes (Senate Bills 2 and 3). He boasted that the “largest property tax cut in Texas history, and likely the world” would return $18 billion of the state’s record surplus to taxpayers in the form of tax relief. But voters must pass a constitutional amendment (HJR 2) at the ballot in November 2024 in order to for the cuts to take

effect. SB 2 reduces school district property tax rates by 10.7 cents per $100 of assessed value and raises the homestead exemption from $40,000 to $100,000 of assessed value, and to $110,000 for seniors. The legislation temporarily caps increases in appraisals for non-homestead property valued under $5 million, limiting increases to 20 percent per year for three years. The state is supposed to reimburse local governments for the projected $12.7 billion property tax loss (Harper 2023; Jones 2023a).

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Utah

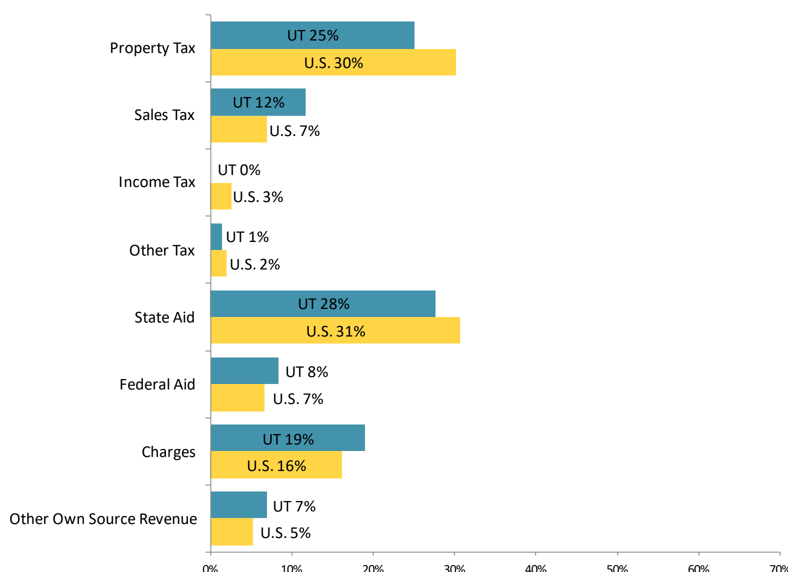
Highlights

The property tax in Utah is levied by counties, cities and towns, and special districts. School districts are the most significant users of property tax revenue, with more than 50 percent of the tax collected going to K-12 education (Utah State Tax Commission 2023, 23). The state levies personal and corporate income taxes and a retail sales tax. Cities, counties, and some special districts are also allowed to levy a local option sales tax on top of the state sales tax (figure UT-1). Revenue from the state personal and corporate income taxes are constitutionally required to fund only K-12 and state-sponsored university education entities. The state's general fund is supported by the state retail sales tax.

All property is assessed at 100 percent of market value except for residential property and agricultural land. Primary residential property is assessed at 55 percent of market value, and agricultural land is assessed at use value based on a constitutional amendment. Recreational or second homes are assessed at full market value. Agricultural land represents 20 percent of all land in Utah, but the assessed value is less than 1 percent of the state's total assessed value (U.S. Census of Agriculture 2019). Federal or publicly owned land is very significant in Utah.

Utah adopted a truth-in-taxation law in 1986 that appears to have limited the growth of revenue from the property tax. When the law was first adopted, property tax as a percentage of personal income was approaching 6 percent (Cornia and Walters 2006). In 2021, the property tax represented 2.5 percent of personal income (Utah State Tax Commission 2022, 33).

Figure UT-1
Sources of Local General Revenue, Utah and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, property tax as a percentage of state and local revenue was in the bottom third of reliance when compared to the other 50 states. The effective property tax rate on a median-valued owner-occupied home was only 0.6 percent, compared to 1.1 percent for the U.S. average (table UT-1).

Table UT-1
Selected Utah Property Tax Statistics, 2021[1]

	Utah	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,229	$1,898	*37*
Property tax percentage of personal income	2.3%	3.1%	*38*
Total property tax as percentage of state-local revenue	10.5%	15.5%	*41*
Median owner-occupied home value[2]	$339,700	$244,900	*10*
Median real estate taxes paid for owner-occupied home[2]	$1,967	$2,690	*31*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*44*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

In Utah, property tax administration is the responsibility of the state's 29 counties (Utah Property Tax Division). County assessors are elected every four years in partisan elections. County assessors must follow the state constitution and enabling statutory legislation and regulations. They must also maintain assessment ratios equal to 100 percent of market value and review the property tax values in their county annually. In addition to the annual review, counties are required by state law to reappraise properties on a five-year cycle. The State Tax Commission monitors the work of the county assessors and can impose requirements on assessors to rectify appraisal problems. The Utah State Tax Commission is a constitutionally established body with four Commissioners who are charged with the administration of all taxes in Utah and the requirement to conduct administrative hearings on tax questions.

Utah does not have any legal requirements for disclosing information on real estate sales. The lack of a state disclosure law inhibits the accurate assessment of properties. In urban counties, residential properties are valued using econometric models. Commercial and industrial properties in urban counties are valued using the cost approach, though in urban counties where data are available, income and

market data are used. In rural counites, the cost approach is the primary assessment tool due to lack of data on sales. The Marshall & Swift Estimator application is the primary source of information on cost. The State Tax Commission staff plays an important role in supporting the appraisal process in rural counties, especially for commercial and industrial properties. The Tax Commission can order county assessors to apply a factor to adjust the overall assessed value in a county.

The Tax Commission values centrally assessed property on an annual basis. These include electric utilities, gas utilities, gas transmission lines, telecommunication and inter- and intrastate transportation firms, metal mines, nonmetal mines (coal), and oil and gas properties. The method to value centrally assessed properties is generally a variation of an income-based appraisal. Adjusting for the intangible value of entities is difficult when using the income approach. When the cost approach is used to value centrally assessed properties the, adjustment for obsolescence is frequently in dispute. In several rural counties, centrally assessed values represent a substantial portion of the taxable value in the county.

Tangible personal property of businesses is taxed, with the exception of inventories. Taxpayers are allowed an exemption of $10,000.

Some sources describe Utah as having a classified property tax system because most property is assessed at 100 percent of market value, except for residential property, which is assessed at 55 percent of market value (table UT-2). Other sources do not consider this classification but describe this as an exemption of 45 percent of the value of residential property.

Table UT-2
Property Tax Features of State Governments, United States, 2022

Feature	Utah	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Limits on Property Taxation

Utah imposes two types of limits on property taxation: rate caps and a levy limit with a truth-in-taxation override. Rate limits for cities, towns, and counties range from 3.2 to 7 mills. School districts have rate limits, but they also have a minimum basic tax rate for education set by the legislature.

The levy limit with truth-in-taxation override works as follows: Each taxing entity is required to calculate the *certified tax rate* that will provide the same amount of property tax revenue as was levied in the previous year. If the taxing entity proposes a property tax rate higher than the certified tax rate, it must provide notice to individual property owners including what taxes would be with and without the rate increase and hold a public hearing. New growth and the minimum school program levy are exempted from the calculation of the certified tax rate. Thus, the notification of expected tax rates requires a two-step process. The first notice identifies the expected tax rate and the time of a possible budget hearing on the rate, and the second is the actual tax bill.

Property Tax Relief and Incentives

The provision that assesses residential property at 55 percent of market value or exempts 45 percent of residential property from the property tax can be considered a major property tax relief program. This provision is extended only to primary residences. Secondary homes or vacation homes are taxed at 100 percent. In five rural counties in Utah, secondary homes represent more than 50 percent of the residential properties in the county. The forgone revenue from the residential exemption is estimated to be 1.9 billion in 2022 (Utah State Tax Commission 2023, 24). If the residential exemption was not in place, the state's overall tax rate would conceivably drop by 30 percent. The residential exemption places a significant burden on commercial and industrial properties.

The state has a series of programs to mitigate the property tax for groups determined by state law to deserve a reduction in the property tax. These include active-duty military, disabled veterans, blind persons, and senior homeowners and renters. The circuit breaker benefit for senior homeowners and renters is provided as a property tax credit for homeowners and a direct rebate for renters. In 2023, the maximum benefit for either homeowners or renters was $1,186 (Utah Property Tax Division 2023). Utah expanded its property tax deferral program in 2022; counties can offer property tax deferral to income-qualified homeowners 75 and over. The income ceiling is double the maximum income for the circuit breaker program (SB 25 of 2022).

The only property tax incentive for economic development is tax increment finance.

Key Property Tax History

The property tax dates back to the state's original constitution in 1896 (Utah State Tax Commission).

The legislature first enacted a state sales tax in 1933, and the first local option sales tax was authorized in 1959 (Office of Legislative Research and General Counsel 2011). Reliance on the property tax has been reduced by increased local government dependence on local option sales and use taxes. Cities and towns, counties, and special districts use the local option sales tax.

In the 1970s, Utah was one of the early developers and adopters of a computer-assisted appraisal system. The system was embraced with a strategy to introduce computer-assisted appraisal across all 29 counties in the state. The implementation of the values generated by the state system was controversial

and by many measures a failure (Cornia and Asplund 1987). A significant result was an initial shift in the property tax burden from centrally assessed properties to locally assessed residential properties.

There is a common perception that reappraisal increases can be offset by a simple reduction in the tax rate, but this cannot happen when there are uneven appraisal cycles, different assessment ratios, and different property tax bases (Cornia and Knighton 1982). The state's reappraisal program fostered a series of attempts to shift the property tax away from residential properties. These included a reduction of the assessment ratio to 15 percent and in 1980 a rollback of assessed property values to 1978 values. The rollback was ruled unconstitutional in 1984. The result of the seeds sown by the reappraisal program is that property is assessed at 100 percent of value, but residential homes have a 45 percent reduction in their taxable value.

The appraisal of centrally assessed properties has a long history of contention over assessed value. The contention has been between the owners of the property, Utah counties, and the State Tax Commission. Issues include the treatment of intangible values, the discount rate, and the impact of state and federal regulations on firm value.

Recent Developments

In November 2018, Utah voters approved a ballot measure making it easier for active-duty military members to qualify for a tax exemption. Amendment A modified the exemption criteria to 200 days of active service within a 365-day period instead of within a calendar year (Collins et al. 2019). In 2016 and 2018, Utah voters rejected proposed constitutional amendments to allow property leased by the state or by a political subdivision of the state to be exempt from property taxation. In 2022, SB 6 passed, allowing government entities to collect unpaid property taxes by going after income tax refunds.

Utah has gradually moved away from personal property taxes in recent years. S.B. 18 of 2022 increased the personal property tax exemption from $15,000 to $25,000, an action expected to save businesses $2 million per year. The National Federation of Independent Businesses estimates the bill will eliminate personal property tax liability for 30,000 to 40,000 additional businesses (NHIB 2022). The new law continues a trend away from reliance on business personal property taxes; in 2019, Utah had increased the exemption from $10,000 to $15,000 (H.B. 231 of 2019).

In 2022, Utah expanded its county-option property tax deferral program, doubling the income limit for taxpayers age 75 and over, and appropriating $8 million to reimburse counties for deferred taxes until repayment. The program allows qualifying homeowners of attached or detached single family homesteads to defer taxes until the property is transferred (HB 25 of 2022).

House Bill 151 of 2023 increased the value of property eligible for the property tax exemption for disabled veterans. The measure increased the taxable value limit for 2023 from $252,126 to $479,504.

Utah has the lowest school funding in the nation and is one of two states with no history of school funding litigation. The state pays school districts the difference between the amount raised at the state basic rate and minimum basic program amount set by the legislature. The legislature passed a five-year

freeze of the statewide basic levy rate in 2018. As property values rose between 2018 and 2023, the levy grew. The state passed a budget that allowed the freeze to expire, a move expected to reduce tax revenues by $146 million (McKellar 2023; Utah State Legislature 2022).

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LINCOLN INSTITUTE
OF LAND POLICY

Vermont

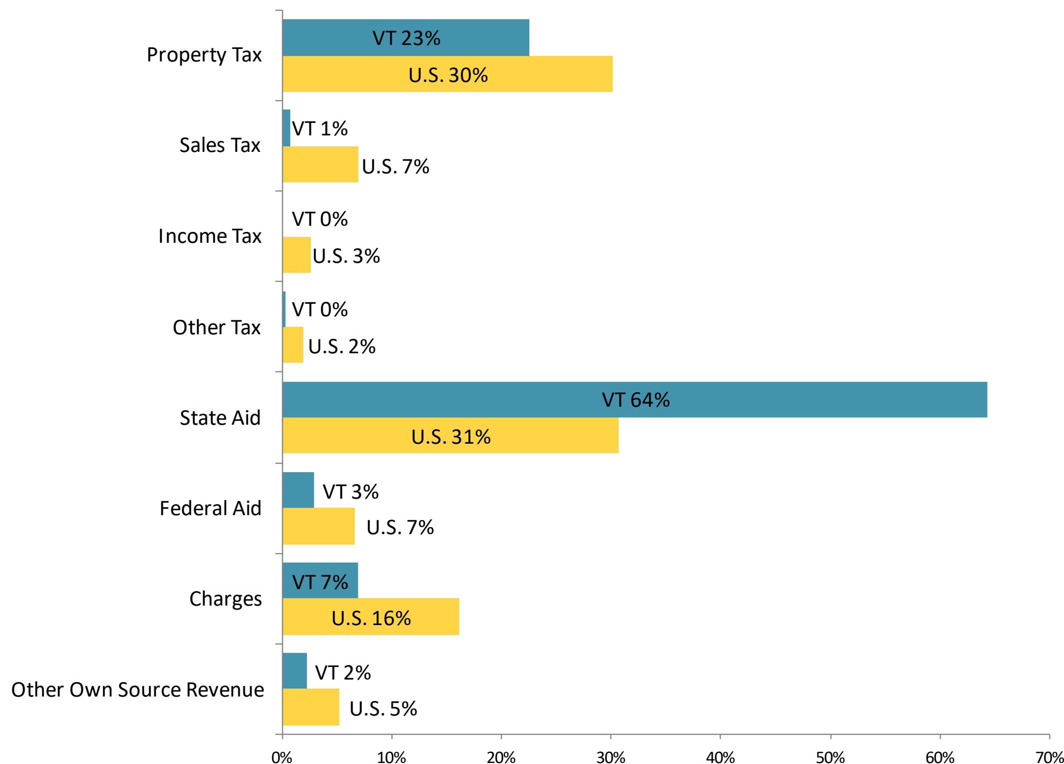
Highlights

Understanding policies and practices around property taxation in Vermont requires substantial attention to the state's education finance system. Almost all school budget expenses are funded by the state with the state property tax, which is locally billed and collected, comprising the largest source of state funding (Richter 2023). It is important to note that state aid in Vermont appears to be more than twice the national average; but the majority of state aid originates from the statewide property tax, which is transferred from local jurisdictions to the state before redistribution (figure VT-1).

Vermont is unique in the degree to which its systemic property tax relief provisions in effect convert the property tax for some low- and moderate-income households into an income tax. One such provision, known as income sensitivity, is one of several that make Vermont's property tax system one of the most complex systems in the United States.

Vermont is one of only four states with no state-imposed limitation on property tax rates, levies, or assessments (Paquin 2015).

Figure VT-1
Sources of Local General Revenue, Vermont and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2021, Vermont had the second highest property tax burden in the nation as measured by percentage of personal income. Property taxes accounted for about 21.5 percent of all state and local revenue, a rate that places Vermont fifth from the top among all states in terms of total property taxation as a percentage of state and local revenue (table VT-1).

Table VT-1
Selected Vermont Property Tax Statistics, 2021[1]

	Vermont	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,992	$1,898	*6*
Property tax percentage of personal income	5.0%	3.1%	*2*
Total property tax as percentage of state-local revenue	21.5%	15.5%	*5*
Median owner-occupied home value[2]	$240,600	$244,900	*24*
Median real estate taxes paid for owner-occupied home[2]	$4,570	$2,690	*7*
Effective tax rate, median owner-occupied home[3]	1.9%	1.1%	*5*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The education property tax is a state tax, although it is levied and collected locally. Its most important provisions are explained below. Property taxes used to fund local services other than education are controlled by local governments and administered similarly to those in other New England states. Vermont is not considered to have statewide classification of real property, as classification is used only for the education property tax (table VT-2). Until 2023, municipalities were responsible for reappraisals with no requirement for regular reappraisals. Under the new law, full reappraisals are required at least every six years, with statistical reappraisals annually (House Bill 480 of 2023).

With respect to the education property tax, there are two classes of property: homestead and non-homestead, with non-homestead property taxed at a higher rate. Assessment is done annually at the town level. Since the state relies on local assessments, it uses a measurement called the common level of appraisal (CLA) to mitigate assessment or appraisal differences from town to town. The CLA measures how close local assessments are to fair market values. Specifically, the CLA is the percentage of a

district's average fair market value embodied in its assessed value. If the assessed values are less than the fair market value (actual sales values), the CLA will be less than 100 percent. If the assessed values are more than the fair market values, the CLA will be over 100 percent. If a town's CLA drops below 80 percent (that is, if the average assessed value is only 80 percent or less of the fair market value), the state can withhold education and other funding (Vermont Children's Forum and Public Assets Institute 2006). When a town's CLA is lower than 85 percent or higher than 115 percent, or when the coefficient of dispersion (COD), which measures assessment uniformity, is above 20, the state mandates a townwide reappraisal (Vermont Department of Taxes 2022).

Non-homestead and homestead base tax rates for the education property tax are set annually by the legislature. Base spending levels in education, expressed as an average per-pupil spending level, are also set annually by the legislature. However, a significant feature of the education finance system is an excessive-spending threshold that works through a progressive tax rate adjustment to curtail spending in districts. Districts may opt to spend higher than the base; but in cases where districts opt to spend 25 percent above the average state education spending per pupil, they are subject to an additional prescribed property tax rate.

Limits on Property Taxation

Vermont imposes no state limits on property taxation.

Property Tax Relief and Incentives

Vermont has two circuit breaker programs. The first is the education property tax adjustment program, also known as income sensitivity because property taxes are adjusted based on the income of household members. This property tax adjustment is solely for education taxes. There is a single threshold percentage for each school district, which starts at 2 percent of income and is higher for districts with higher per-pupil spending (up to ≈ 4 percent). The maximum home equalized assessed value (EAV) considered for calculating benefits varies based on income. The maximum benefit is $5,600 (Significant Features of the Property Tax).

The second circuit breaker program is the homestead and renter property tax rebate, in which homeowners with incomes of $47,000 or less are eligible for additional property tax relief if the income-sensitized education property tax liabilities combined with municipal property taxes are greater than a defined percentage of household income. The maximum benefit from the property tax rebate and the education property tax adjustment combined is $8,000, and the benefit is disbursed as a property tax credit (Significant Features of the Property Tax).

Disabled veterans, their spouses and children, and surviving spouses and children of veterans who are receiving veteran disability or death benefits are eligible for a $10,000 property tax exemption (Significant Feature of the Property Tax).

Vermont has preferential property tax programs for specific land uses. It offers current-use valuation on land that is used in timber production, conservation, or forest land. Land used for hotels and airports is

eligible for full or partial property tax exemptions for up to five years. Agricultural land and farmland are eligible as well and can also qualify for full or partial property tax exemptions (Significant Features of the Property Tax).

The state also has a variety of property tax related economic development programs. A tax increment financing (TIF) program is in place, with 10 municipalities currently having TIF districts. In 2013, the state halted creation of new TIF districts, and rules adopted in 2017 limited the number of TIF districts per county to two and also allowed a new local TIF that is financed only with municipal property tax revenue (McCullum 2017; Significant Features of the Property Tax).

Additionally, state law allows for extensive property tax stabilization agreements for property that is tied to increasing jobs, wages, or municipal redevelopments.

Table VT-2
Property Tax Features of State Governments, United States, 2022

Feature	Vermont	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	No	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Vermont's property tax reforms since the 1990s have revolved around key changes in how education is financed. *Brigham v. State,* initiated by the Vermont ACLU, claimed that the existing education funding system was unconstitutional because it created large disparities in education funding from town to town. Act 60, passed in 1997 in response to that school finance litigation, allowed the state to collect and equalize property tax revenues across school districts. Under this law, Vermont distributed education funding statewide in an attempt to mitigate funding inequities (Saas 2007). Act 60 has narrowed those disparities (Downes 2004; Saas 2007). In 2003, Act 68 changed provisions of the Equal Education Opportunity Act regarding operations of the property tax while maintaining the key equalization features of that law (Schmidt and Scott 2006).

Over the past decade, the Vermont Legislature attempted a variety of school consolidation initiatives in response to declining enrollments and the perception that inefficient school district organizations had

led to excess spending and property tax burdens (Vermont Legislative Workshop 2007). In 2015, the legislature passed Act 46, which gave tax breaks to districts that consolidated but used spending caps to penalize districts that refused to consolidate by 2019 (Burnette 2016). In 2018, the Vermont State Board of Education released its final report of decisions on school district mergers, which called for the involuntary merger of 42 districts into 11 union school districts. In fiscal year 2013 (prior to consolidation legislation), Vermont had 276 districts; by fiscal year 2020, that number had declined to 120 for a net reduction of 156 districts. About 78 percent of these reductions came as a result of voter-approved mergers, while the remaining 22 percent of reductions were ordered after districts failed to merge voluntarily (Vermont Agency of Education 2019).

Recent Developments

The 2022 legislature formed the Income-Based Education Tax Study Committee to explore an income for property tax swap. The committee did not examine the pros and cons of an income-based education tax but instead made recommendations for how to design such a tax and provided sample legislation. Among the committee's recommendations were repealing the homestead property tax for education but retaining the non-homestead property tax and expanding its base to include homestead land over two acres. The recommendations include repealing the Education Property Tax Adjustment (income sensitivity) program but keeping the homestead and renter property tax rebate (Income-Based Education Tax Study Committee 2022).

Governor Phil Scott signed legislation (S. 287 of 2022) to adjust the state's school funding formula while expressing concerns about how the increased costs would be funded and warning the changes would not ensure better outcomes. The new formula adjusted student weights to target more funding to schools with students in very small schools, schools with a high share of students living in poverty, and schools with English language learners. Noting Vermont's already high spending on education, the governor expressed concern over the impact of the formula changes and how other education policy changes might increase the burden on taxpayers (Scott 2022).

In May 2023, the legislature reached an agreement to use most of the state's fiscal year 2023 $103 million surplus to lower property tax rates. But even this infusion will likely not be enough to keep homestead and non-homestead education property taxes from rising in fiscal year 2024. The average homestead and non-homestead rates dropped about 5 percent; however, the average property tax bill is expected to rise 4.06 percent (D'Auria 2023). Property values are up, plus actual tax rates (rate after adjusting for the town level of appraisal) for homestead and non-homestead property are expected to be higher, especially in towns with low CLA. The biggest reason for higher taxes is the projected 8.5 percent growth in total education spending in fiscal year 2023–2024, compared to an average education spending growth rate of 3.2 percent over the previous six years (Bolio 2023). Dedicated revenues from the state education tax significantly exceeded the state education budget in fiscal year 2023, and followed a record $90 million surplus in fiscal year 2022, and an unexpected $18.6 million surplus in fiscal year 2021 when the state had projected a $60 million shortfall amid the start of the pandemic (D'Auria 2022).

Large swings in property values contributed to abnormally low CLA rates in 2022, triggering mandatory municipality-wide reappraisals for a majority of Vermont towns and cities in 2023. The state's 2022 equalization study calculated CLA rates below 85 percent for 137 of 256 municipalities in the state (Vermont Agency of Administration). A state tax official has warned there are not enough appraisers to meet the demand. In recent years, Vermont has mandated 16 reappraisals each year on average (Weinstein 2023).

The legislature passed appraisal reform in the 2023 session. House Bill 480 transferred responsibility for reappraisals from municipalities to the Vermont Department of Taxes. The new law required full revaluation at least every six years, with annual statistical reappraisals. Prior to the law's implementation, reappraisals were only required when triggered by low CLA rates. Municipalities were responsible for revaluation and the average time since last full reappraisal was nine years (House Bill 546 of 2023).

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LINCOLN INSTITUTE
OF LAND POLICY

Virginia

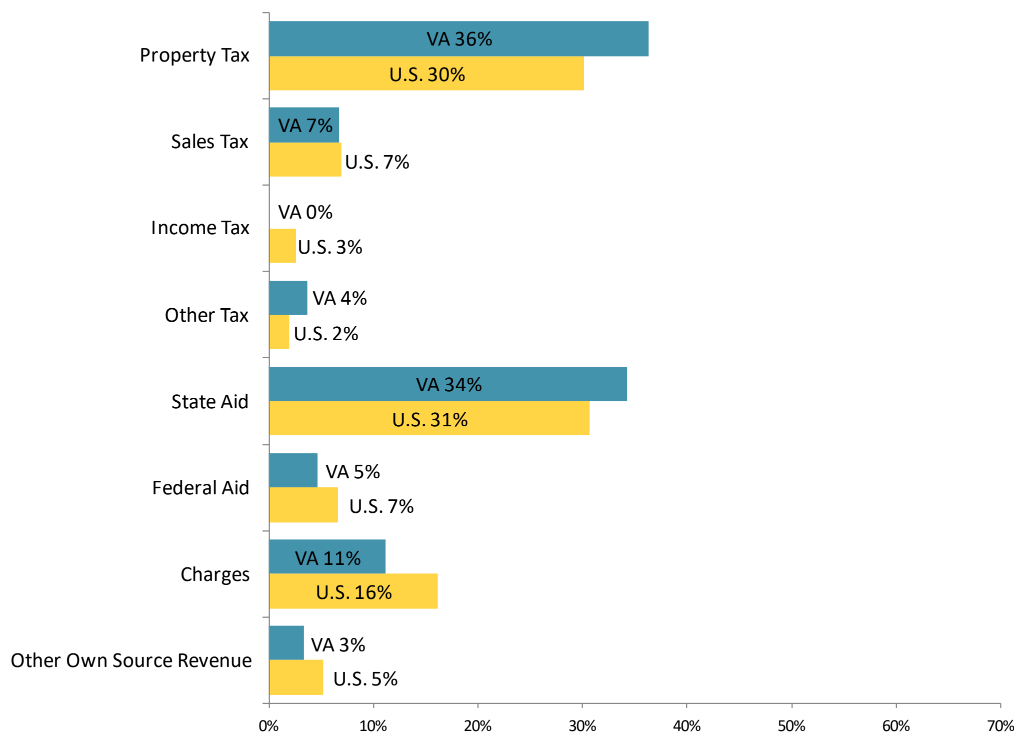
Highlights

The State of Virginia relies on a diverse tax mix, but the largest sources of state tax revenue are the individual and corporate income taxes and the state sales and use tax. The local tax base is roughly representative of the nation as a whole (figure VA-1). Property taxes make up the majority of local tax revenue, but localities collect a variety of other taxes, including utilities charges, sales and use taxes, excise taxes, and business licensing taxes.

Virginia does tax some tangible personal property, including inventories, which few states tax. In 2020, personal property made up 8.1 percent of the Commonwealth's property tax base and 23.7 percent of property taxes levied (Virginia Tax 2022).

Unlike most states, Virginia does not provide state-funded real property tax relief, and most of its property tax relief is a local option (Significant Features of the Property Tax). The only property tax relief mandated statewide is a full exemption from taxation on real property for disabled veterans with a 100 percent service-connected permanent and total disability and an exemption for surviving spouses of members of the armed forces killed in action.

Figure VA-1
Sources of Local General Revenue, Virginia and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

The effective tax rate for the median value owner-occupied home in Virginia is at 0.8 percent, well below the national average. However, total property tax collections as a share of combined state-local revenue rank 17th highest in the nation (table VA-1).

Table VA-1
Selected Virginia Property Tax Statistics, 2021[1]

	Virginia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,914	$1,898	*18*
Property tax percentage of personal income	3.0%	3.1%	*22*
Total property tax as percentage of state-local revenue	16.5%	15.5%	*17*
Median owner-occupied home value[2]	$295,500	$244,900	*13*
Median real estate taxes paid for owner-occupied home[2]	$2,420	$2,690	*24*
Effective tax rate, median owner-occupied home[3]	0.8%	1.1%	*32*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

For property tax purposes, any property not subject to “use value assessment” must be assessed at 100 percent of fair market value. Virginia permits local governments with a comprehensive land use plan to use “land use value” (or use value) assessments, rather than market value assessments, for agricultural, horticultural, forest, and open space land. Commentators have noted that golf courses qualify under the statutory definition of “open space property.” More than 11 million acres in Virginia are subject to use value assessment (which is about 40 percent of the state’s total acreage) (Kulp 2019).

Virginia does not have statewide classification of real property, but does permits four cities—Poquoson, Richmond, and Roanoke—to apply different property tax rates to land and improvements; however, so far none of these cities has adopted split-rate taxation or a land value tax (Va. Code Ann. §58.1-3221.1) (Gordon 2023).

Local governments are responsible for assessing property and levying and collecting property taxes (table VA-2). Virginia’s public school districts are not independent governmental units and depend on tax revenues levied by counties and municipalities. Localities are largely unconstrained in the tax rates

that they can set. Many cities and counties do not have a full-time assessor and contract with private parties who perform the assessments. Cities with a population over 30,000 are required to undertake a general reassessment every two years, and counties with populations over 50,000 must assess every four years; below these population thresholds, counties may elect to assess less frequently.

Limits on Property Taxation

A locality may not increase the real estate tax levy by more than 1 percent after a general reassessment or in general unless it provides public notice and holds public hearings. That notice must include, among other things, the percentage difference between the tax rate that the locality proposes to impose, and the tax rate that, when applied to the current assessed values, would generate the same tax levy as last year. This is an example of "Truth in Taxation," a policy intended to require the same procedural steps for a revenue increase due to rising property values as for a revenue increase due to a change in the tax rate.

Property Tax Relief and Incentives

State law permits local governments to grant both exemptions and tax-deferral benefits to elderly and disabled persons. Over two-thirds of cities, counties, and towns offer such a relief plan to the elderly, disabled, or both (Kulp 2019). Localities are also permitted to create circuit breakers for the nonelderly and grant deferrals of large year-on-year property tax increases, but very few localities provide either one. Fully disabled veterans and certain surviving spouses of members of the armed forces killed in action are also entitled to a property tax exemption.

Virginia provides many property tax incentives for economic development including enterprise zones and tax increment finance.

Table VA-2
Property Tax Features of State Governments, United States, 2022

Feature	Virginia	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The current version of the Virginia Constitution became effective in 1971 and was the first wholesale revision of the foundational law since 1902. This version made some significant changes to the property tax. In addition to providing for use value taxation for the first time, the 1971 Virginia Constitution permitted municipalities to grant property tax exemptions to the elderly. This permission was extended in 1977 to cover exemptions for disabled persons. In both cases, the authorization to provide exemptions was restricted to those persons who were "deemed by the General Assembly to be bearing an extraordinary tax burden on said property in relation to their income and financial worth." Beginning in 2011, however, the constitution was amended to eliminate this requirement and instead provide localities with the discretion to impose income or financial-worth limitations on the exemptions.

The commonwealth relies heavily on tangible personal property taxes on motor vehicles, with the "car tax" accounting for between 63 and 73 percent of local personal property tax collections in 2017. The Personal Property Tax Relief Act of 1998 included a phased repeal of the car tax with the state reimbursing localities for tax loss; however, the state stopped short of eliminating the tax, and froze the state reimbursement at 70 percent of the car tax. Virginia then capped the state reimbursement at $950 million and in 2006, set each locality's share of the reimbursement at the 2005 level and required localities to reduce the local car tax rate so that local revenue from the tax plus the state reimbursement would roughly equal what the local government would have received based on its valuation method and pre-rebate local motor vehicle tax rate (Kulp 2018).

In the 1990s, Virginia's system for funding schools became the subject of litigation. In *Scott v. Commonwealth* (1994), public school students and local school boards claimed that the state's system of funding public schools denied children in some districts the same educational opportunity as children in wealthier school districts (SchoolFunding.Info). The Virginia Supreme Court ruled that the school finance system was constitutional because the state constitution did not mandate equal funding or programs.

Recent Developments

The City of Fredericksburg's denial of a property tax exemption for a church minister's residence (*Trustees of the New Life in Christ Church v. City of Fredericksburg*) will stand after the Virginia Supreme Court and the United States Supreme Court declined to review the case. Virginia exempts the "residence of the minister of any church." However, the city denied the exemption because the residents of the home were youth ministers and not ordained under the Presbyterian Church's Book of Church Order (Va. Code Ann. section 58.1-3606(A)(2)) (Hodges 2022).

Local governments in Virginia may now tax motor vehicles at a different rate than other tangible personal property since the state created a separate tangible property tax class. When Governor Glenn Youngkin signed HB 1239 into law in March 2022, he stressed the need for relief for taxpayers facing higher tangible personal property tax liability due to skyrocketing used car values (Virginia Office of the Governor 2022).

A new law adds an additional transparency requirement to the state's Truth in Taxation law, as described above. House Bill 1010 of 2022 requires some local governments proposing a tax rate that would increase the levy by 1 percent or more to publish notification of a public hearing on the increase separately (different day and different format) than the notification for the annual budget hearing. The final bill did not include a provision requiring a local referendum in these circumstances, which was initially part of Governor Youngkin's legislative agenda.

In *County of Isle of Wight v. International Paper Co.*, 881 S.E.2d 776 (Va. 2022), the Supreme Court of Virginia refused to reinstate a tax on machinery and tools after finding that the tax had been an integral part of a two-part measure that coupled increased taxes on machinery and tools with an "economic development retention grant" that credited taxpayers with the increase over the previous rate. This was intended to cover a deficit resulting from an earlier ruling in International Paper's favor on the correct measurement of depreciation, showing the revenue importance of the tax on machinery and tools. The court found this to be an unconstitutional non-uniform tax and denied the County's request to reinstate the earlier uniformly applied tax (Jardine 2023).

The creative attempt to establish an "economic development retention grant" was particularly interesting in Virginia, which has recently extended a number of tax incentives, including a major business facility job tax credit, and sales and use tax exemptions for specific materials and transactions. Tax incentives for data centers helped bring approximately 70 centers to Loudoun County alone (Schweitzer 2021). In 2022, the state established a property tax exemption for residential and mixed-use solar energy systems (Misbrener 2022). The Virginia legislature's Joint Legislative Audit and Review Commission, established by the General Assembly in 2016, was recognized by the Pew Charitable Trusts (2017) as leading other states with "a well-designed plan to regularly evaluate tax incentives."

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Washington

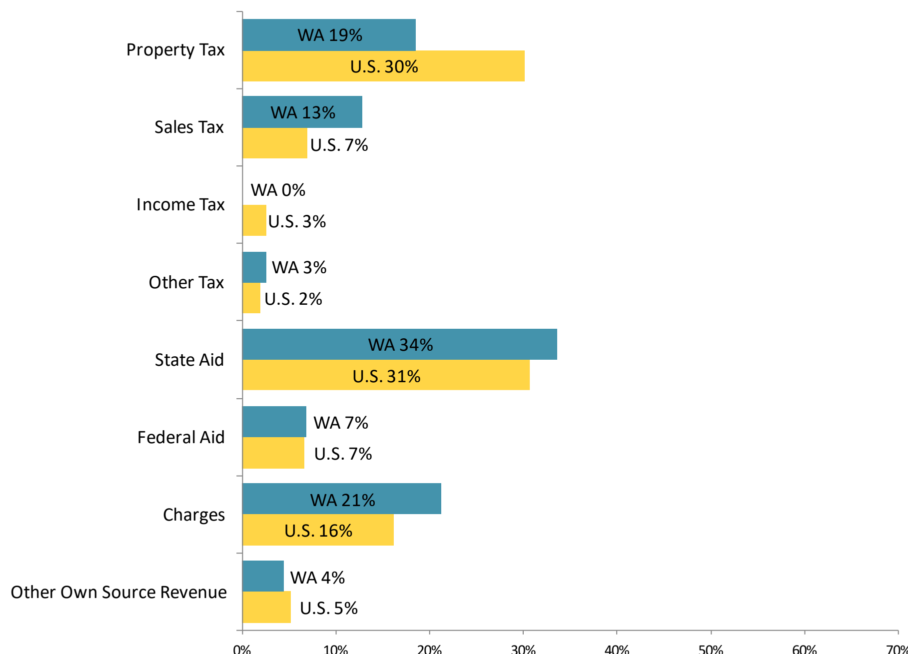
Highlights

Washington's property tax is levied by 1,792 entities, including the state, 39 counties, cities, towns, school districts, and special districts (Washington State Fiscal Information 2022). Because Washington does not levy either a personal or a corporate income tax, it derives a significant amount of revenue from the property tax (figure WA-1). In 2021, the state levied approximately $4.3 billion in property tax revenue, which accounted for about 29 percent of all property tax revenue from all taxing entities (Washington State Department of Revenue 2021a, 43–44).

Property tax-exempt government agencies own 41 percent of the state's total land inventory, of which 64 percent is in federal ownership. The remaining tax-exempt lands belong to the Department of Natural Resources, Department of Fish and Wildlife, state parks, and city and county governments (Washington State Recreation and Conservation Office; Washington State Recreation and Conservation Office 2014, 3).

Additionally, 23 percent of Washington's total acreage is enrolled in the agricultural, timber, and open-space use programs and so is assessed at reduced values (Washington Department of Revenue 2021, 17; Washington State Recreation and Conservation Office 2014, 3).

Figure WA-1
Sources of Local General Revenue, Washington and U.S., 2021



Source: U.S. Census via Significant Features of the Tax

Property Tax Reliance

In 2021, property tax collections as a percentage of state and local revenue in Washington were close to the U.S. average, while property tax burden as a percentage of personal income ranked 34th among all states (table WA-1).

Table WA-1
Selected Washington Property Tax Statistics, 2021[1]

	Washington	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,901	$1,898	*19*
Property tax percentage of personal income	2.6%	3.1%	*34*
Total property tax as percentage of state-local revenue	14.7%	15.5%	*23*
Median owner-occupied home value[2]	$397,600	$244,900	*5*
Median real estate taxes paid for owner-occupied home[2]	$3,752	$2,690	*10*
Effective tax rate, median owner-occupied home[3]	0.9%	1.1%	*24*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The State Department of Revenue assesses intercounty, interstate, and foreign utility companies, whereas the 39 county assessors assess properties for all tax districts located within their jurisdictions. The Department of Revenue also provides general guidance and support to local assessors and ensures uniformity through regularly conducted ratio studies (Washington State Department of Revenue 2023).

The property tax applies to both real and tangible personal property, although inventories are exempt from taxation. Washington requires annual reassessments and physical inspections of each property at least once every six years. Properties are appraised at full market value, according to their highest and best use.

Agricultural, timber, and open-space lands are eligible for property tax reductions within the state's current-use programs (Washington State Department of Revenue 2017). Most acreage under current use is agricultural land (Washington State Department of Revenue 2021, 17).

Limits on Property Taxation

Washington places limits on increases in both levies and property tax rates (table WA-2).

A 1 percent levy growth limit applies to the taxing district's total levy amount: districts are limited to 1 percent regular annual levy increases. Voter-approved levies apply in excess to the 1 percent property tax growth limit; some of these levies are additionally limited to the rate of inflation in specific years. However, this levy limit does not include new construction and annexation. New construction is taxed at the existing rate within the taxing district, while annexed property is taxed at the new rate of the taxing district within the new annexed area. Because of these additions and exemptions, the actual total property tax levy growth exceeds the 1 percent growth limit every year.

Statutory property tax rate limits apply to specific taxing districts. For example, counties are limited to 1.8 mills, while road districts are limited to 2.25 mills. A separate 1 percent (or 10 mill) constitutional property tax rate limit applies to an individual's combined property tax rates. Voter-approved regular levies, subject to the 1 percent aggregate limit, fund affordable housing; criminal justice; and emergency, medical, and other government services. These are introduced for six- to ten-year periods. Excess levies can exceed the constitutional 1 percent limitation. Excess levies fund school maintenance and operations, reduce bonded indebtedness, and finance other specific programs. Except for school district maintenance and operations, excess levies require 60 percent voter approval. School levies require approval by a simple majority (Significant Features of the Property Tax).

Property Tax Relief and Incentives

The Senior Citizen and Disabled Person Property Tax Exemption Program is a circuit breaker that provides property tax assistance to the retired and disabled property owners whose combined incomes do not exceed $58,423 for 2023 benefits (Significant Features of the Property Tax; Washington State Department of Revenue).

The Property Tax Deferral Program for the Elderly or Disabled is available to income-qualified homeowners, who may apply to defer annual property taxes of up to 80 percent of home equity on their primary residence. The deferred amount becomes a lien on the property and is due in full, with 5 percent interest, upon the claimant's death, relocation, or home resale. The Property Tax Deferral for Homeowners with Limited Income Program is available to homeowners with combined annual income of up to $57,000, who may defer up to 50 percent of annual property taxes (Significant Features of the Property Tax).

Washington has a tax increment finance program, called Community Revitalization Financing, and several other property tax incentive programs for economic development targeted to residential property, the aerospace industry, and aluminum smelting.

Table WA-2
Property Tax Features of State Governments, United States, 2022

Feature	Washington	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Washington State mandates uniform taxation of property within each property class in each taxing district. Property tax exemptions were granted to U.S. government property, churches, private schools, and colleges in the 1920s. In the 1990s, more exemptions were extended to federally subsidized housing, nonprofit homes occupied by persons with senior citizen exemptions, other nonprofit organizations, and the very low-income housing operated by nonprofits.

In 1955, Washington established a four-year mass valuation cycle, later revised to annual reassessment with physical reinspection required at least once every six years. Assessment levels are at full market value, up from one-half of market value before 1973. Equalization procedures were established in 1978.

Although mobile homes and fixed trailers are still part of the personal property tax system, most household goods and effects, including motor vehicles, have been exempt since 1937. Exemptions for business inventory were introduced between 1974 and 1983.

Leading up to the Washington Open Space Taxation Act in 1970, the 53rd Amendment to the State Constitution allowed for current-use assessment of open space, timber, and agricultural land in 1968. Eligible land must meet minimum acreage limits to qualify (Washington State Department of Revenue 2017; Washington State Department of Revenue, Property Tax Division 2017).

In 1978, the Washington Supreme Court issued its first ruling requiring the legislature to substantially increase school funding. *Seattle School District No. 1 v. State* stated that the duty of the state to provide an adequate education for its students was “preeminent” and that “sufficient funds” from “dependable and regular tax sources” were necessary (SchoolFunding.Info). A subsequent trial court decision in 1983 expanded the definition of basic education, including bilingual education, special education, remedial education, and transportation. These cases, sometimes referred to as the *Doran* cases, were the first in a series of school funding lawsuits in Washington.

In 2001, Initiative 747 (I-747) was enacted, limiting levy increases for taxing districts to 1 percent annually and imposing requirements for additional public disclosure of a district's decision to increase property taxes. In 2007, the Washington Supreme Court ruled I-747 unconstitutional; but the legislature met in a special session in November of that year and reinstated the limit provisions that had been contained in the initiative.

A 2012 Washington Supreme Court ruling, *McCleary v. State of Washington*, found that the legislature had fallen short of providing adequate resources for basic education. The legislature increased funding in the 2013–2015 budget, but the court found this increase insufficient and continued to monitor state education aid. The mandate under *McCleary* called for the state to fully fund basic education by 2018 (Harvard Law Review 2015; Ujifusa 2015). In July 2017, to try to bring the state into compliance, Governor Jay Inslee signed into law a budget that increased education spending paid for in large part by an increase in the statewide property tax called the state levy Part 2. House Bill 2242 of 2017 also capped local school levies at the lower of $1.50 per $1,000 of property value or $2,500 per pupil (Associated Press 2017; Washington State Department of Revenue 2017). The state supreme court evaluated the 2017 reforms and found them in compliance with the requirements, with the exception of delaying teacher pay increases until 2019–2020. After the legislature acted to implement salary increases for the 2018–2019 school year, the court terminated its jurisdiction in the case in July 2018 (SchoolFunding.Info).

In 2013, in *Confederated Tribes of the Chehalis Reservation v. Thurston County Board of Equalization*, the U.S. Court of Appeals for the Ninth Circuit ruled that improvements to land held in trust for an Indian tribe or tribal member are exempt from property taxation regardless of their ownership. Because 7 percent of total land in Washington is held in trust funds for Indian tribes, and because the assessed value of some of these improvements (e.g., the Great Wolf Lodge resort) significantly curtails the property tax base in select counties, this ruling marked a major change to Washington's property tax system (Washington State Department of Revenue 2014).

Recent Developments

In 2019, Washington implemented a graduated rate for its real estate excise tax (REET), a real estate transfer tax based on the value of the property. The rate ranges from 1.1 percent for properties that sell for $500,000 or less to 3 percent on properties with a sales price over $3 million (Martinell 2020). In 2022, the state enacted a law exempting real property transfers to nonprofits, housing authorities, public corporations, counties, and municipalities (Chapter 199, Laws of 2022).

Democratic lawmakers in Washington State have proposed legislation to levy a property tax on intangible personal property aimed at the ultra-wealthy. The proposal would expand property taxation to financial assets, exempting the first $250 million in stocks, bonds, and assets. Revenue from the proposed tax, estimated at $3 billion from a base of 700 taxpayers, would support housing and education. The Washington State proposal is one of eight similar wealth tax proposals Democrats are attempting to advance in states across the country in a campaign dubbed Fund our Future. The legislature defeated a similar measure in 2022 (Radil 2023; Withycombe 2023).

Washington's Wahkiakum School District, represented by the lead attorney in the state's landmark *McCleary* school finance case, filed a lawsuit in December 2021 claiming the state's failure to amply fund capital needs violates Washington's constitutional mandate to "make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex" (Washington State Constitution Article IX, §1). The district argues that property tax funding for capital needs is inequitable since districts with larger tax bases are more likely to approve capital funding and can raise more funds at a lower rate than poor districts like Wahkiakum, a rural school district with 500 students, a majority of whom are low-income. The Washington Supreme Court has agreed to hear the case in March 2023 (Shapiro 2021; Zimmerman 2022). King County, Washington enacted a property tax levy to fund behavioral health services and crisis service centers by ballot at a special election in April 2023. Seniors, veterans, and disabled taxpayers are exempt from the new nine-year levy of 14.5 cents per $1,000 of assessed value in 2024 (King County, Washington, Proposition No. 1, Crisis Care Centers Tax Measure) (Baruchman 2023).

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Publication Date

October 2023, data updated March 2024

LINCOLN INSTITUTE OF LAND POLICY

West Virginia

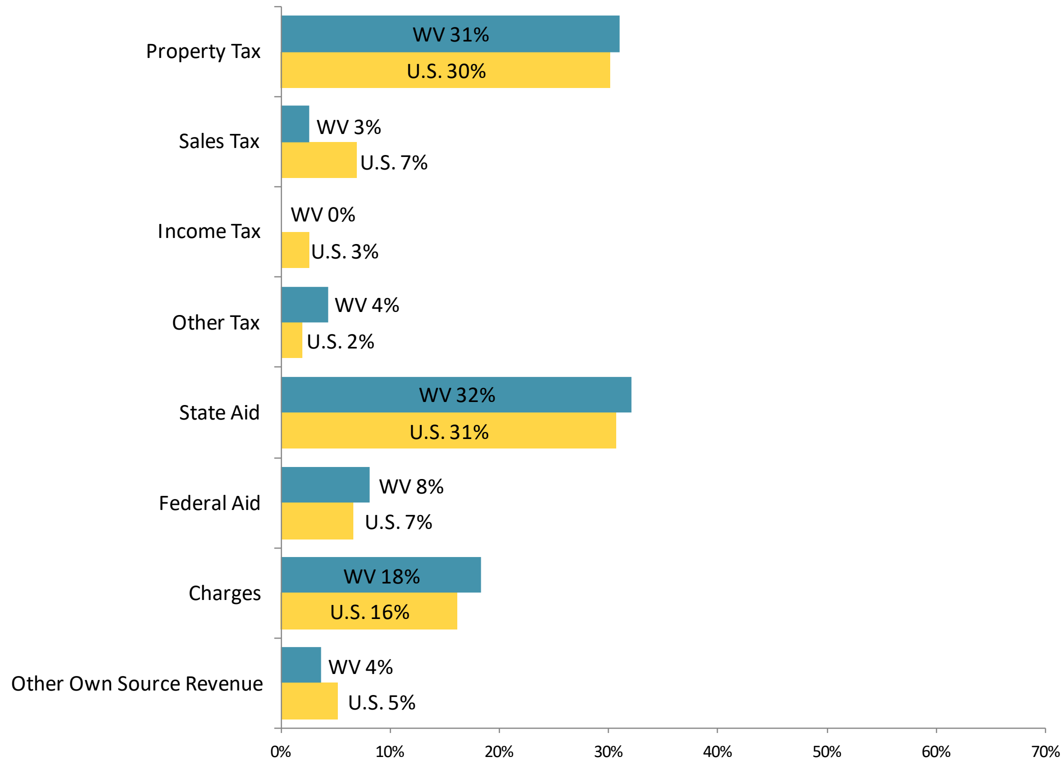
Highlights

Natural resources, especially coal, are an important source of West Virginia's property tax revenue. Taxes related to the coal industry cover five primary categories—active coal mining property, reserve coal property, coal property that can't be mined, buildings and land owned by coal companies, and equipment and machinery used in coal production (Higginbotham et al. 2010). In several counties, the coal industry alone accounts for a significant portion of the total property tax revenue. Coal production declined from 2008 to 2016, reducing the property tax base supporting county governments and school districts; production rebounded between 2017 and 2019, then fell steeply during the pandemic (Pace 2021). Coal production picked up in 2021 and 2022 but still hovered below pre-pandemic levels (Lego et al. 2022).

West Virginia is among a minority of states that still tax tangible personal property, including inventories (Watson 2019). This revenue is significant for West Virginia, and efforts to reduce or eliminate personal property taxes have failed in recent years. In 2022, voters defeated a constitutional amendment to exempt personal property from taxation (Amendment 2 of 2022).

Property taxes are levied by the state, counties, municipalities, and school districts. Although property taxes are a small share of state revenue, West Virginia counties and school districts rely heavily on them. For counties, the property tax is the single largest source of funding. The percentage of local government revenue in West Virginia generated by the property tax is slightly higher than the national average (figure WV-1).

Figure WV-1
Sources of Local General Revenue, West Virginia and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Compared to the rest of the United States, West Virginia has a very low effective property tax rate. Median real estate taxes paid on an owner-occupied home ranked next to last, and property tax as a percentage of state and local revenue in 2021 ranked 44th among the states (table WV-1).

Table WV-1
Selected West Virginia Property Tax Statistics, 2021[1]

	West Virginia	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,076	$1,898	*44*
Property tax percentage of personal income	2.2%	3.1%	*39*
Total property tax as percentage of state-local revenue	9.5%	15.5%	*44*
Median owner-occupied home value[2]	$128,800	$244,900	*51*
Median real estate taxes paid for owner-occupied home[2]	$756	$2,690	*50*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*42*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are levied by the State of West Virginia but can also be administered by counties, county school boards, and municipalities. The tax rates for school districts are set by the West Virginia legislature, whereas counties and municipalities set their own tax rates with the help of the state auditor (O'Leary 2011). West Virginia's 55 counties are required to revalue properties annually, with physical reinspection every three years. West Virginia's constitution establishes four property tax classes: personal property used in agriculture, farm real estate and owner-occupied property, all other real and personal property located outside a municipality, and all other real and personal property located inside a municipality. The tax rates, but not the assessment ratio, vary for these four classes, but West Virginia does not currently tax any personal property used in agriculture (class 1).

Limits on Property Taxation

The West Virginia Constitution sets the maximum tax rates that each taxing body may levy for each class of property. However, these maximums can be exceeded for up to five years if approved by the voters in a special election. There is also a second rate limit that applies by class to overall taxes by all overlapping taxing jurisdictions. Override provisions exist for this overall property tax rate cap as well.

In addition to tax rate caps, West Virginia has a cap on the growth of property tax levies, which is considered a levy limit with a truth-in-taxation override. When annual property reappraisal would increase total property taxes by 1 percent or more under current tax rates, property tax rates must be reduced. However, an override provision allows rate increases (not to exceed a 10 percent increase in the levy) after public notice and hearings.

Property Tax Relief and Incentives

West Virginia has a homestead exemption that applies to the first $20,000 of value for a senior or disabled homeowner. It also provides a senior citizens' property tax credit and circuit breakers for elderly homeowners and renters (table WV-2).

The state also has three programs that provide property tax incentives to promote economic development. One is tax increment financing, and the others are tied to investment or increases in jobs or wages.

Table WV-2
Property Tax Features of State Governments, United States, 2022

Feature	West Virginia	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In response to the problems farmers and homeowners had in paying their property taxes during the Depression, in 1932 West Virginia passed the Tax Limitation Amendment, which separated properties into four different classes with different maximum tax rates. The initial effect of this amendment was to decrease the share of property taxes paid by farmers and homeowners, shifting that burden toward businesses. In addition, the amendment created limits on the maximum property tax rate. These rate limits were criticized because they restricted the ability of local government to provide municipal services and to adjust as necessary to changing economic conditions (Shamberger and Thompson 1950).

In 1980, the Homestead Exemption was passed, which reduced property taxes for individuals over the age of 65. Over the years, West Virginia has added exemptions for other types of property including all land used exclusively for agricultural purposes (Higginbotham et al. 2009). In 1982, the legislature also changed how property was valued and assessed. Specifically, taxes were assessed at 60 percent of fair market value rather than at 100 percent of fair market value.

In 1989, The Supreme Court of the United States ruled that West Virginia's practice of assessment on sale violated the equal protection clause of the U.S. Constitution. The practice, also referred to as "Welcome Stranger," created horizontal inequities, with higher effective tax rates on more recently purchased properties (*Allegheny Pittsburgh Coal Co. v. Commission of Webster County, West Virginia*) (Bowman and Mikesell 1989).

In 1990, West Virginia implemented a property tax revenue limit (Mullins and Wallin 2004). While the 1932 Tax Limitation Amendment limited the amount by which rates could change, this more recent legislation stated that property tax revenues could grow by no more than 3 percent as a result of increases in assessed property values (Lyons and Lav 2007). As is the case with other property tax caps set by West Virginia law, this maximum can be overridden by voter approval.

In 2006, the Governor of West Virginia, Joe Manchin, convened a state summit on tax modernization in the state. The West Virginia Tax Modernization Project included a variety of recommendations, as well as comparisons to other states, and outlined a variety of policy changes and initiatives to consider over the next several years (State of West Virginia 2006). In the 2006, 2007, and 2008 legislative sessions, several changes were adopted from that proposal that related to the property tax, specifically provisions that provided additional tax credits for senior citizens and a reduction in assessed values of aircraft (West Virginia Development Office 2008).

Recent Developments

A law enacted in 2021 reformed West Virginia's property tax appeals process (House Bill 2581 of 2021). West Virginia property taxpayers now have the option to appeal county assessments before an independent tribunal instead of the county commissioners meeting as a board of equalization and review. Prior to the passage of House Bill 2581 (2021), all property tax appeals went to county commissioners. Under the new law, property taxpayers can choose to appeal to either the county commissioners or the independent Office of Tax Appeals which hears appeals for almost all other West Virginia taxes (Griffith 2021).

Although West Virginia relies less on property tax revenue than do most other states, it is among the minority of states that tax business inventory, and personal property accounts for a third of the state's property tax base. In November 2022, voters defeated the constitutional amendment to authorize the legislature to exempt business inventory, machinery, equipment, and motor vehicles from personal property taxation. Sixty-nine percent of West Virginia voters opposed the measure (Amendment 2 of 2022) (McElhinny 2022).

In 2023, the legislature curtailed personal property taxes, and provided real property tax relief for disabled veterans as part of a tax plan that also cut income taxes (Norton 2023). In his 2023 State of the State address, Governor Jim Justice proposed halving the state's income tax over a three-year period, calling for "the biggest tax cut in the history of this state" (Hamilton 2023). House Bill 2526 struck a compromise between the governor's proposal and property tax reductions supported by Senate leadership. In addition to reducing the state's individual income tax rates, the legislation enacted a

refundable personal property tax credit for motor vehicles, a 100% property tax credit for qualifying disabled veterans, and a 50 percent personal property tax credit for small businesses. The motor vehicle personal property tax credit eliminated the personal property tax on vehicles for most taxpayers. Businesses with personal property valued under $1 million became eligible for a refundable tax credit against income taxes equal to half of personal property taxes paid (Norton 2023). Governor Justice argued that the state's revenue surplus could support new tax cuts, but the West Virginia Center on Budget and Policy pointed to declining severance tax collections as reason for caution. The reduction in taxes on business machinery and equipment had been recommended under many administrations, and proponents applauded this change as an improvement to the state's business competitiveness (Valdez 2023).

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LINCOLN INSTITUTE OF LAND POLICY

Wisconsin

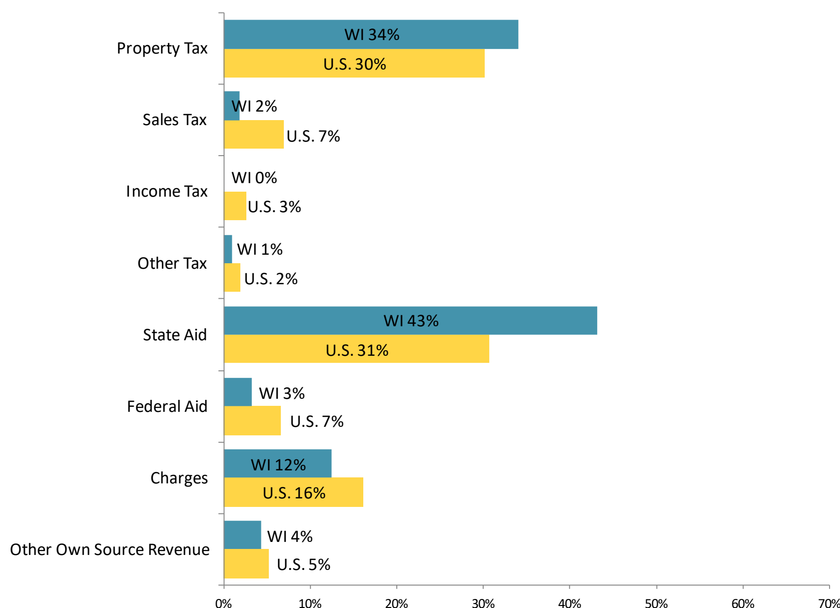
Highlights

Despite efforts to reduce property taxes that go back at least a century, the property tax remains an important source of local government revenue in Wisconsin. The state's municipal governments, county governments, independent school districts, and technical college districts all rely on property taxes, with the tax contributing 34 percent of the total revenues of these local governments in 2021 (figure WI-1).

Wisconsin's constitution includes a uniformity clause that requires that subject to certain exceptions, notably agriculture, all types of property within a community must be taxed uniformly. For example, residential property cannot be assessed or taxed at a lower rate than commercial or industrial property. The uniformity clause as interpreted by Wisconsin courts places stricter limitations than are found in most states on the way Wisconsin can provide property tax relief (Fontaine and Peacock 2007).

The state has enacted constitutional amendments that allow for preferential assessment for agricultural property so that farmland in Wisconsin is taxed on the basis of use rather than market value (Youngman 2005). One indication of farmland's preferential treatment is that in 2022, its value equaled only 0.3 percent of the total market value of all real property, although farms made up 41 percent of the land area of the state in the last Census of Agriculture (U.S. Census of Agriculture 2019; Wisconsin Department of Revenue 2022a).

Figure WI-1
Sources of Local General Revenue, Wisconsin and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Wisconsin has pursued three major strategies designed to reduce property taxes. First, the state operates several programs that provide direct property tax relief to homeowners and in some cases also to renters. Second, the state provides grants to local governments with the express goal of reducing the property taxes levied by those governments. And third, the legislature has placed limits on the annual property tax levies of local governments that only permit an increase in the levy for new construction. As long as property values rise, public policies that limit property tax revenues of local governments force these governments to lower their property tax (millage) rates.

Property Tax Reliance

By various measures, property taxes in Wisconsin are high relative to the average state. In 2019, per capita property tax revenue in Wisconsin was $1,783, a level close to the national average. In part because the value of the median owner-occupied home in Wisconsin is below the U.S. average, the effective tax rate on owner-occupied housing was 1.7 percent, a rate substantially higher than the national average rate of 1.1 percent (table WI-1).

Table WI-1
Selected Wisconsin Property Tax Statistics, 2021[1]

	Wisconsin	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,783	$1,898	*25*
Property tax percentage of personal income	3.1%	3.1%	*17*
Total property tax as percentage of state-local revenue	16.8%	15.5%	*15*
Median owner-occupied home value[2]	$200,400	$244,900	*31*
Median real estate taxes paid for owner-occupied home[2]	$3,472	$2,690	*14*
Effective tax rate, median owner-occupied home[3]	1.7%	1.1%	*7*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey
[1] All revenue numbers in this table include the state government as well as local governments.
[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.
[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Most real property is assessed by local governments or county assessors, who are required by state statute to assess property on an annual basis at full market value. Wisconsin's Department of Revenue is responsible for monitoring the quality of local assessments.

Wisconsin is characterized as having statewide classification of real property because agricultural forest land and undeveloped land is assessed at 50 percent of market value, whereas all other property is assessed at 100 percent (table WI-2).

Limits on Property Taxation

In 1993, the Wisconsin legislature imposed an annual limit on the sum of general (non-categorical) state aid and property taxes levied in each school district (Kava and Drilias 2019). Each year, the legislature determines an amount by which these revenue limits are allowed to rise. School districts determine the amount of their maximum allowable property tax levy by subtracting their current-year general state aid from the current value of their revenue limit. This implies that if the revenue limit is not increased, any increase in state aid translates into a dollar-for-dollar reduction in school property taxes. Almost the only way that school districts can increase their revenues above their revenue limit is to successfully pass, by majority vote of their electorate, a referendum that allows them to override their revenue limit and raise additional property tax revenues (Kenyon, Paquin, and Reschovsky 2022).

Starting in 2005, the Wisconsin legislature has imposed limits on the year-to-year increases in the property tax levies of Wisconsin's 1,851 municipal governments and 72 county governments. Under current law, local governments, with minor exceptions, are prohibited from increasing their previous year's nominal property tax levies by more than the percentage increase in their property value due to the net value of new construction. In 2022, the statewide average property value growth due to net new construction was 1.71 percent (Wisconsin Department of Revenue 2022, 76).

Property Tax Relief and Incentives

The School Property Tax/Rent Credit is a nonrefundable income tax credit that provides homeowners with a 12 percent credit on up to $2,500 of their annual property tax liability. Renters are also eligible for this property tax credit, with their property tax statutorily determined to be equal to 25 percent of their actual rent. The state also provides an income tax credit for property taxes paid by disabled veterans.

Wisconsin also has a modest circuit breaker program that provides a refundable income tax credit to low-income homeowners and tenants (table WI-2). Credits are available only to households with income below $24,680, with a maximum allowable credit of $1,168.

Three additional state-funded property tax credits are available, the largest of which is the School Levy Tax Credit. The state in effect pays a portion of school property tax levies by requiring a reduction in school property tax rates and then compensating school districts for the lost revenue. Tax savings are proportional to the value of property. All property owners, including those who are not Wisconsin residents, may claim this property tax credit on their state income tax return. The other state-funded credits are the First Dollar Credit, which allocates a fixed dollar credit to all owners of developed parcels, and the Lottery and Gaming Credit, which is restricted to homeowners for their primary residence.

Wisconsin is one of 29 states that authorize property tax deferral. The Property Tax Loan Deferral program allows low-income seniors and veterans to defer up to $3,525 per year, with the deferred amount becoming a lien on the property. The deferred property taxes must be paid with interest upon transfer.

The second type of state policy intended to reduce local government reliance on the property tax is the allocation of state aid to school districts and municipal and county governments. Excluding federal funds, the Wisconsin state government provides just under half of the state and local revenues of public

school districts, a state share slightly below the average state share of such funding. Wisconsin is one of relatively few states that provide county and municipal governments with general purpose state aid. Although the amount of state aid has been declining in recent years, receipt of some of the state aid is conditional on local governments limiting increases in spending.

Wisconsin does not employ property tax incentives for business to the same degree as do many other states. It is one of 49 states that employ tax increment finance (TIF), but its enterprise zone program does not include property tax incentives, nor does the state have other general business property tax incentive programs.

Table WI-2
Property Tax Features of State Governments, United States, 2022

Feature	Wisconsin	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes were levied in Wisconsin even before it was organized as a territory in 1836. Wisconsin's first state constitution, in 1848, "included only one provision about the property tax, a 'uniformity clause' stating that taxation must be uniform" (Stark 1991–1992). The 1849 statutes creating a system for administering the property tax borrowed heavily from New York statutes. In early years, property tax controversies included the difficulties with enforcing assessment at 100 percent of market value, taxing intangibles, and properly taxing railroad property (Stark 1991–1992).

Reducing reliance on the property tax has been a major goal in many of the key developments in the financing of state and local governments in Wisconsin. In 1911, Wisconsin became the first state in the nation to adopt a state individual income tax. In the same year, the state established a mechanism to share some of its tax revenues with municipal governments. The primary objective of this financial assistance was to reduce local governments' reliance on the property tax. Large increases in state aid to public schools enacted during the 1980s and 1990s were also primarily motivated by the desire on the part of the legislature to reduce school property taxes.

Recent Developments

Like many Midwestern states, Wisconsin has been affected by challenges to property tax assessments by big-box stores using the "dark stores" approach to property tax assessment under which empty stores may serve as comparable elements in the valuation of successful operating stores (Hamilton 2016). The legislature has considered but failed to pass legislation to block the use of dark stores assessment in recent years. In 2023, The Wisconsin Supreme Court ruled in favor of the city in *Lowe's Home Centers, LLC v. City of Delavan* where the home improvement chain sought to have its store valuation lowered from $8.9 million to $4.6million using distressed or vacant properties as comparable sales (Muse 2023).

Wisconsin used stimulus funds from the American Rescue Plan Act (ARPA) to provide over $1 billion in property tax rebates, about 10 percent of property taxes paid in 2020. In 2022, the Wisconsin Help for Homeowners Program was established to assist homeowners with income at or below area median income who experienced a pandemic-related hardship with assistance for mortgage payments, property taxes, utilities, and some housing related services. (Wisconsin Department of Administration 2022; Wisconsin Office of the Governor 2022).

In 2021, Wisconsin State Treasurer Sarah Goldeski announced a new pilot program in six counties under which low and moderate income homeowners can obtain low-interest financing of up to $5,000 to pay delinquent property taxes and avoid foreclosure. The Property Tax Revolving Loan Program was not available for mortgaged properties. The program was a recommendation of the Treasurer's Homeowners Task Force and is backed by a grant from the Foundation for Rural Housing (Wisconsin Office of the Treasurer 2021).

In 2023, the Republican-led Legislature and the Democratic governor agreed to repeal the tax on personal property as of 2024, with the state providing compensating aid to local governments, an amount estimated to be $183 million in the next fiscal biennium (Jones 2023).

The Wisconsin levy limit was tightened in 2013 by the requirement that local governments classify as tax revenue any funds raised by new fees for specific services that were previously funded by the property tax, such as snow removal and refuse collection. In 2023, the Wisconsin Supreme Court unanimously struck down a transportation utility fee intended to fund a range of services from street lighting, traffic control, and sidewalks to highways and stormwater management. The fee was a uniform charge for residential property and a variable amount for commercial property based on size, type of business, and estimated use of municipal roads. The court found the fee to constitute an impermissible property tax that exceeded the town's levy limit. A referendum to increase the levy limit had previously been rejected by the town's voters. A concurring opinion considered the constitutionality of the transportation utility fee, characterizing it as a violation of the state's uniformity clause (*Wisconsin Property Taxpayers, Inc. v. Town of Buchanan*, 2023 WI 58 (June 29, 2023)).

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Wyoming

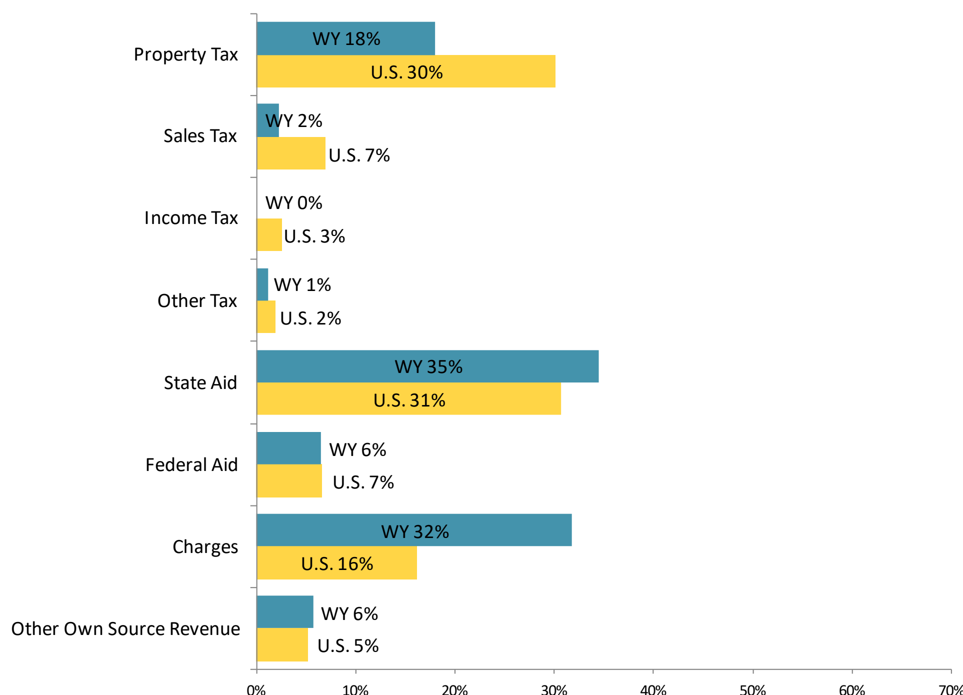
Highlights

Mineral production (predominantly natural gas, coal, and oil) dominates Wyoming's property tax base, accounting for 45 percent of the property tax base in 2022 (Wyoming Taxpayers Association 2022, 33). The state also levies a severance tax, which raises about 7 percent less than the mineral portion of the property tax, and which helps account for Wyoming's higher than average state aid as a proportion of local general revenue. Wyoming also relies more heavily on charges than the average state (figure WY-1) (Wyoming Taxpayers Association 2022b).

Wyoming's classified property tax system assesses mineral production at 100 percent of market value, more than 10 times the 9.5 percent at which counties assess residential and most other property values. Industrial property is assessed at 11.5 percent of market value (Wyoming Taxpayers Association 2022b, 78).

In 2018, Wyoming spent $16,228 per pupil for K-12 public education, more than the per pupil expenditure of 38 other states (U.S. Department of Education 2021). Sixty-eight percent of Wyoming's property tax revenue supports public schools (Wyoming Taxpayers Association 2022a, 4).

Figure WY-1
Sources of Local General Revenue, Wyoming and U.S., 2021



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although Wyoming ranks in the top third of states for property tax per capita, the state's effective tax rate on a median value owner-occupied home ranks among the 10 lowest states, as residential real estate accounts for only 31 percent of the tax base (Wyoming Taxpayers Association 2022a, 4) (table WY-1).

Table WY-1
Selected Wyoming Property Tax Statistics, 2021[1]

	Wyoming	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$2,160	$1,898	*14*
Property tax percentage of personal income	3.5%	3.1%	*13*
Total property tax as percentage of state-local revenue	12.7%	15.5%	*33*
Median owner-occupied home value[2]	$237,900	$244,900	*25*
Median real estate taxes paid for owner-occupied home[2]	$1,442	$2,690	*41*
Effective tax rate, median owner-occupied home[3]	0.6%	1.1%	*41*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2017–2021.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Property taxes are levied by the state, counties, cities and towns, and special districts.

County assessors in the state's 23 counties assess residential, commercial, industrial, and agricultural real and personal property and the state Department of Revenue assesses mineral production; pipeline companies, telecommunications, and other utilities; and airline, railroad, and rail car companies (Wyoming Property Tax Division). Assessors update values annually, with physical reinspection at least every six years.

Wyoming applies different assessment ratios to three classes of property: 100 percent of market value for minerals and mine products; 11.5 percent of value for industrial property; and 9.5 percent of value for all other real and personal property, including residential (table WY-2).

The state taxes tangible personal property of business, except inventories.

Limits on Property Taxation

Wyoming's property tax rate cap limits state, county, city, and school property tax rates. The cap ranges from 4 mills for state general fund property taxes to 25 mills for local school property taxes. As noted above, the assessment ratios used to calculate taxes can cause these rates to be applied to fractional assessments, as low as 9.5 percent of value for residential property.

Property Tax Relief and Incentives

Wyoming's Property Tax Refund Program for Low Income Homeowners provides property tax rebates to homeowners who have lived in the state for at least five years, whose incomes do not exceed three quarters of the median gross household income in their county of residence (statewide median income was $47,864 in 2019), and whose assets do not exceed an annually adjusted limit ($122,746 per person in 2020) (Significant Features of the Property Tax). When the legislature funds the program, qualifying applicants receive a refund of up to half of their taxes paid in the previous year. The program went unfunded in tax year 2020 (Arnold 2021).

Wyoming enacted a parallel county option program in 2022. Benefits and eligibility criteria for the County Optional Property Tax Refund Program eligibility are almost identical to the state-funded program, but homeowners are required to have occupied the home for nine months of the previous calendar year (Wyoming Act 26 of 2022).

Wyoming also authorizes a local option property tax deferral program, and offers a homestead exemption to combat veterans and their surviving spouses.

Wyoming's only property tax incentive for economic development is tax increment financing (TIF).

Table WY-2
Wyoming Property Tax Features, 2022

Feature	Wyoming	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	No	31

Sources: Significant Features of the Property Tax

Key Property Tax History

Wyoming relied heavily on property taxation from its beginning as a territory. Early efforts to diversify tax sources were unsuccessful; but in 1935, a state sales tax was enacted with local options for cities and counties, and in 1969, the state legislature authorized a severance tax on minerals. Both of those sources reduced reliance on property taxation. Wyoming remains one of the few states not imposing a personal income tax (Roberts 2004).

In *Washakie County School District v. Herschler* (1980), the Wyoming Supreme Court first ruled the state's education finance system unconstitutional on equity grounds, noting disparities between funding in property-wealthy and property-poor communities. Fifteen years later, in 1995, the court again found the system in violation of the state's constitution in *Campbell County School District v. State* (*Campbell I*), both on equity and adequacy grounds. In this decision, the court ordered the legislature to determine the cost of a quality education and to fund it, based on parameters spelled out by the court (SchoolFunding.Info).

The legislature reformed its school finance system in response to the ruling. The state's foundation program sets a guaranteed funding level for each school district according to a formula that accounts for student enrollment, special education costs, and other factors. Revenue from local resources, most importantly a mandated 25-mill school district property tax and a 6-mill county property tax, are applied toward each district's guarantee. Districts with local resources below the foundation guarantee receive state aid to make up the difference; some state aid comes from the 12-mill statewide property tax. The state recaptures and redistributes local resources that exceed a school district's guarantee (Wyoming Department of Education).

In 2001, the Supreme Court handed down a decision known as *Campbell II*, which found the state's education finance system "appropriate for the times." The court also found the system met some of its guidelines, such as those related to class sizes and teacher salaries, but ordered the legislature to reexamine certain aspects of the system, most notably capital funding, and advised regular review of cost-based factors and inflation adjustments. In 2008, the court relinquished its jurisdiction in the case, finding the state in full compliance with its constitutional obligations (SchoolFunding.Info).

Recent Developments

In August 2022, the Wyoming Education Association filed a lawsuit (*Wyoming Education Association v. State of Wyoming*) against the state for failing to adequately fund education. A Laramie County district court judge denied the state's motion to dismiss the lawsuit in early 2023, allowing the case to proceed to trial. The plaintiff claims funding does not accurately reflect the costs of education and that the legislature has not consistently adjusted its foundation formula for inflation (Education Law Center 2023). Property taxes comprise the largest share of local funding for schools in Wyoming, and the state's 12-mill statewide property tax supports state aid.

The legislature enacted a new county option property tax rebate effective for 2022 that mimics a state-backed rebate program that went unfunded in tax year 2020 (Arnold 2021). Under the new program, counties can opt to fund a property tax refund of up to half of the previous year's property tax liability subject to the same income and asset limits as the state-funded program. The county option version uses the same residency requirement but also requires claimants to have occupied their home for nine months of the calendar year for which they are claiming benefits (Wyoming Act 26 of 2022).

In 2022, the Wyoming Supreme Court upheld the requirement of three years of in-state residency for a veterans' property tax exemption. The court found that the goal of encouraging long-term residence was a rational basis for the requirement that did not deny equal protection of the laws (Patterson 2022).

In 2024, Wyoming voters will decide whether to authorize the legislature to create a fourth property tax class for owner-occupied primary residences. Upon signing Senate Joint Resolution 3 on the last day of the 2023 legislative session, Governor Mark Gordon touted the legislatively referred amendment as "an opportunity to put the state on a path for long term property tax relief for families" (Wyoming Governor Mark Gordon 2023). The amendment would allow the state to apply a different assessment ratio to owner-occupied primary residences (Jones 2023). Separate legislation from the 2023 session fully funded the property tax refund program for tax year 2022 and expanded eligibility, raising the income ceiling from 50 percent to 75 percent of county median household income (HB 99 of 2023).

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