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GLOSSARY

abatement, property tax. A full or partial reduction of taxes due on a property, accomplished by either lowering taxable value or directly reducing the tax bill. Reductions are usually in the form of an exemption, credit, rebate, or value freeze.

acquisition value based assessment system. A valuation approach that sets a property's assessed value at its market value at the time the property was acquired, with either no adjustment or limited annual increases until the property is resold. This system has been used in California since enactment of Proposition 13.

ad valorem tax. A tax based on the value of the item being taxed, usually expressed as a percentage of the value. For the most part, the property tax is an ad valorem tax.

appraisal. An estimation of a property's monetary value by an appraiser.

appraised value. The value of a property estimated by an appraiser.

appraiser. A person who estimates the value of property; most often, a professional who is an expert in valuation.

assessed value. The value of a property set by a government for the purpose of taxation.

assessment. (1) The act of discovering, listing, and valuing property, whether performed by an assessor, board of review, or court. (2) The value placed on property by an assessor, board of review, or court. Note: Despite efforts to distinguish the two, the terms appraisal and assessment are often used interchangeably.

assessment freeze. A mechanism that prevents any increase in assessed value from year to year. The same as **value freeze.**

assessment limit. A legal limit on annual increases in assessed values that either freezes such values or ties increases to an index or formula. Some states freeze or limit a property's assessed value until it is sold then start over with the new market value. This is known as an acquisition value based assessment system.

assessment ratio. (1) The fraction of market value used to establish a property's assessed value. For example, a state may require local governments to assess residential property at 60 percent of market value. Thus, 60 percent is the assessment ratio. (2) A measure of the level of assessment for a type of property for a particular local government, equal to the ratio of total assessed value to total market value. For example, the residential assessment ratio for a town can be computed by dividing the total assessed value of residential property by the total market value of that residential property. Assessment ratios can be less than, equal to, or greater than 100.

assessment tax rate. The term used in Montana to refer to the fraction of market value used to establish a property's assessed value. The same as the term **assessment ratio** used in other states.

assessor. The head of an assessing agency, an assessment administrator, or the public officer whose duty it is to make the original assessment.

ballot initiative. A form of direct democracy whereby a petition signed by voters can bring about a public vote on a proposed statute or constitutional amendment.

base year. The starting point used to calculate annual assessments in subsequent years.

book value. The monetary figure at which an asset is carried on the owner's regular books of account.

borough. A type of governmental unit in Alaska that is the equivalent of a county in other states.

capped value. In Michigan, an amount equal to the prior year's taxable value plus the total of the prior year's taxable value multiplied by the lesser of 5 percent or the annual inflation rate.

circuit breaker. A property tax relief program that provides households with direct property tax relief that increases as household income declines for a given property tax bill. Indiana has an overall tax cap that is labeled a circuit breaker.

classification. A system that applies different tax rates or assessment ratios to different classes of property. Many states with classified property tax systems apply higher tax rates or assessment ratios to commercial property than to residential property.

classified property tax system. A system that applies different tax rates or assessment ratios to different classes of property. Many states with classified property tax systems apply higher tax rates or assessment ratios to commercial property than to residential property. Generally the same as **split-roll property tax system**.

classified tax rates. Tax rates that are applied based on the class into which each property type falls. Many states with classified property tax systems apply higher tax rates or assessment ratios to commercial property than to residential property.

common level of appraisal. In Vermont, the percentage of a district's fair market value embodied in its assessed value. It measures how close local assessments are to fair market values. In this term, assessment is equivalent to appraisal.

community facilities districts. Designated geographic areas established prior to the build-out of a development in which the local legislative body and developers may institute a parcel tax to finance capital and in some cases operating expenditures of the new development.

compensating tax rate. In Kentucky, the property tax rate that produces an amount of revenue approximately equal to that produced in the preceding year.

compression. In Oregon, the reduction in property tax rates necessary so that the total tax rate on a particular property does not exceed the tax limit.

cost approach to valuing property. An assessment method that calculates a property's value as the replacement cost when new minus depreciation plus land value. For example, an appraiser would be likely to use the cost approach when placing a value on unique industrial property. The other two approaches to valuing property are the income approach and the sales comparison approach.

county predetermined ratio. In Pennsylvania, an assessment ratio set by the county that is the fraction of market value used to establish a property's assessed value. The same as **established predetermined ratio.**

credit, property tax. A direct reduction in a property tax payment. Property tax credits are allowed for taxpayers who meet certain criteria (such as renters) or for properties used for certain purposes (such as pollution control).

current use assessment. A valuation approach that assesses land based on its present use rather than its market value or highest potential use. Many states employ current use assessment to encourage the preservation of agricultural, forest, recreational, and open space land.

"dark stores" assessment theory. The theory that the best comparable sales for valuing big box stores are those of vacant or abandoned big box stores (dark stores).

effective tax rate. A rate that is calculated by dividing tax liability by market value. For example, a home with a $100,000 market value and a $2,000 property tax bill has an effective tax rate of 2 percent. In Ohio, the effective tax rate is the total nominal rate for a local government or tax district once tax reduction factors have been applied, but before certain property tax relief measures are taken into account.

enterprise zones. Designated geographic areas, usually economically depressed, within which special tax and other incentives are provided to encourage business development. For example, local governments may provide property tax abatement for new businesses being developed in a designated zone.

equalization. A process by which a government attempts to ensure that all property under its jurisdiction is assessed at the same assessment ratio or at the ratio or ratios required by law. For example, a state may conduct equalization among school districts so that its state aid payments, which depend on property value per pupil, are calculated equitably.

established predetermined ratio. In Pennsylvania, a term used to mean the assessment ratio set by the county, which is the fraction of market value used to establish a property's assessed value. The same as **county predetermined ratio.**

exemption, property tax. Freedom from the property tax granted to certain owners or for certain uses. For example, government buildings, consulates, educational institutions, and churches are generally exempt from the property tax.

expanded income. Income from nontaxable sources, such as social security retirement income and nontaxable bond interest income.

expenditure limit. A legal limit on annual increases in a jurisdiction's total expenditures.

fair cash value. In Kentucky, 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 same as **market value.**

farm-to-market road. A state or county road that connects agricultural areas or ranches to towns so that farmers and ranchers can bring their goods to market.

fee in lieu of tax (FILOT). In South Carolina, a negotiated fee paid by eligible manufacturers in lieu of paying property taxes.

fee simple. Complete ownership in a property, subject only to government powers such as eminent domain.

fixture. An improvement that is attached to property. Fixtures are considered real property if removal would damage the property but are considered personal property if removal would not cause damage.

foundation aid. A form of school aid that ensures that per-pupil expenditure meets or exceeds a certain minimum in all districts by filling the gap between the foundation amount and the amount of funding a district can provide by setting a particular tax rate.

full cash value. In Arizona, the cash-equivalent value of the property; similar to, but not always equal to, market value.

full disclosure laws. Laws requiring local governments to disclose certain tax changes and hold public hearings on such changes. Such requirements may be considered a type of tax-and-expenditure limitation. The same as **truth-in-taxation requirement.**

general education levy. In Minnesota, the portion of general education revenue received through the property tax.

government property lease excise tax (GPLET) In Arizona only, an excise-style property tax based on the physical characteristics of the development.

gross assessed value. In Indiana, the assessed value of all property after the application of all exemptions.

ground rent. Rent paid for the use and occupancy of a parcel of land.

growth limitation factor. In Maine, 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 and that is used to determine a municipal tax levy limit.

highest and best use. A principle that requires appraisal and assessment of property at its most profitable use. States often define market value based on the property's highest and best use.

homeowner's exemption. A form of property tax relief that removes a portion of the assessed value of a homestead property from the tax base before the tax rate is applied. For example, a government may reduce the assessed value of all homesteads by $50,000. This is more frequently called a homestead exemption.

home rule. The delegation of power from the state to its subunits of governments, creating autonomy and limiting the degree of state interference in local affairs.

homestead. The principal residence of the property owner.

homestead exemption. A form of property tax relief that removes a portion of the assessed value of a homestead property from the tax base before the tax rate is applied. For example, a government may reduce the assessed value of all homesteads by $50,000. This is sometimes called a homeowner's exemption.

improvements. Any real property that is not land, such as buildings, fences, driveways, tennis courts, utilities, and infrastructure.

income approach to valuing property. An assessment method that calculates a property's value as the present value of future net income expected to be generated by the property over its lifetime. For example, an appraiser would be likely to use the income approach when placing a value on commercial property. The other two approaches to valuing property are the cost approach and the sales comparison approach.

income sensitivity. In Vermont, the system that allows certain homeowners to pay school taxes on their primary residences based on their household income rather than on their property value.

intangible personal property. Property that does not have a physical character or existence, such as money, mortgages, stocks, bonds, and other paper claims to real and tangible personal property.

just value. In Florida, the price a property is most likely to fetch in the current real estate market. The same as **market value.**

land value tax. A type of property tax that exempts improvements and taxes land values only (in pure form) or taxes improvements at a lower rate (partial form).

levee district. A special district government in Louisiana charged with constructing and maintaining flood-protection infrastructure.

levy. (1) The amount of money to be raised by property taxation in a given taxing district. (2) To use a tax district's legal authority to impose or collect the property tax.

levy lid. A legal limit on the amount of revenue raised by the property tax or on the rate of growth in property tax revenues. Same as levy limit.

levy limit. A legal limit on the amount of revenue raised by the property tax or on the rate of growth in property tax revenues.

limited property value. In Arizona, the greater of: (1) 110 percent of the previous year's limited property value, or (2) last year's limited property value plus 25 percent of the difference between full cash value and limited property value. The amount cannot exceed full cash value.

market value. The price a property is most likely to fetch in the current real estate market.

market value-in-use. Indiana's general standard of value. This is the value a specific property has for a specific use and is not the same as market value.

mass appraisal. The process of valuing a group of properties using standard methods, employing common data, and allowing for statistical testing. Values are estimated as of a given date. The same as **mass valuation**.

mass appraisal market model. A formula generated using statistical analysis that can be applied to property characteristics to estimate values for groups of properties.

mass valuation. The process of valuing a group of properties using standard methods, employing common data, and allowing for statistical testing. Values are estimated as of a given date. The same as **mass appraisal.**

maximum assessed value. A value assigned to a property in Oregon used in the calculation of taxable assessed value, which can increase by no more than 3 percent per year.

millage. An expression of the tax rate. A millage of 20 mills could also be expressed as a tax rate of 2 percent, a rate of $20 per $1,000 of assessed value, or a rate of $2 per $100 of assessed value.

millage rate. An expression of the tax rate as mills per dollar. A millage rate of 20 mills per dollar could also be expressed as a tax rate of 2 percent, a rate of $20 per $1,000 of assessed value, or a rate of $2 per $100 of assessed value.

mills. Units equal to one-thousandth of one dollar, or one tenth of one cent. Property tax owed is computed by multiplying each $1,000 in assessed value by the mill levy. For example, the property tax bill for a $200,000 home in a town with a mill levy of 9 would be $1,800 (200 * 9).

multiresidential. In Iowa, a class of property that includes mobile home parks, manufactured home communities, land-leased communities, assisted living facilities. property used for dwelling that has three or more units, and the portion of a building used for dwelling where human habitation is not the primary use of the building.

net assessed value. In Arizona, the same as limited property value (LPV) when the tax is computed.

net book value. A property's cost minus depreciation.

nominal tax rate. The stated or statutory tax rate. For example, a nominal tax rate of 1.5 percent applied to a $100,000 home would result in a tax bill of $1,500. This assumes no complications, such as homestead exemptions.

occupational license tax. In Kentucky, a charge for the privilege of working in, or conducting business within, a city. This fee may be imposed as a percentage of gross earnings, gross receipts, or net profits or may be levied as a flat rate.

parcel tax. In California, a special tax levied at a flat amount per parcel. For example, a local government may, by a two-thirds majority vote, impose a tax of $150 per parcel on all property within its jurisdiction.

parish. In Louisiana, a type of governmental unit that is the equivalent of a county in other states.

personal property. Moveable items, not permanently affixed to or part of the real estate. For example, retail inventory may be taxed as personal property. Includes tangible personal property and intangible personal property.

payment in lieu of tax.

portability. The ability of a homeowner to transfer or "port" tax savings realized under assessment limits to a new homestead property.

preferential assessment. A system in which the property tax on participating land is reduced by decreasing its assessed value, most commonly through use value assessment.

present value. The value of an income stream after discounting future payments by the appropriate interest rate. For example, the present value of a $100,000 payment received a year from now would be $94,340 if one assumes that the appropriate interest rate is 6 percent (100,000/1.06).

primary property tax. In Arizona, a property tax that funds the maintenance and operation budgets of state and local government entities.

productive value. The value of land based on its income-producing ability in its current use (as opposed to market value).

property tax cap. A state-imposed limitation on local governments' ability to increase property taxes. States commonly limit increases in tax rates, assessed values, or tax levies.

rate limit, for property tax. A legal limit on property tax rates so that they are either frozen or tied to an index or formula.

real market value. In Oregon, the same as **market value**.

real property. Land and permanent improvements to land, such as buildings.

reappraisal. The reestimation of a property's monetary value.

reassessment. (1) The rediscovery, relisting, and revaluation of property, whether performed by an assessor, a board of review, or a court. (2) The redetermination of the value of property by an assessor, board of review, or court.

rebate, property tax. A refund of property taxes previously paid.

revaluation. The process of reestimating the value of a property or properties.

revenue limit. A legal limit on annual increases in total revenues from all sources in a jurisdiction.

rollback. In Iowa, a set of assessment limitations on the state's six classes of property that limit the growth in assessed value, or set the taxable value at a certain fraction of assessed value, or both.

rollback. In Ohio, a form of property tax credit provided by the state that works as a direct reduction of property tax liability by a specified percentage.

sales comparison approach to valuing property. An assessment method that estimates a property's value by referring to comparable sales. The technique used for single-property appraisal is different from that used for mass appraisal:

(1) For single property appraisal, a small number of sales of property comparable to the subject property are found and analyzed, with adjustments made for significant differences between each comparable sale property and the subject property.

(2) For mass appraisal, a mass appraisal market model is built from statistical analysis of a sample of sales and property characteristics for a particular type of property in the tax district. The model, which is a formula, is then used to estimate market value for all property of the same type in the tax district.

An appraiser would be likely to use the sales comparison approach when placing a value on single-family homes. The other two approaches to valuing property are the cost approach and the income approach.

school board. The governing body that guides policy for a school district. The same as **school committee.**

school committee. The governing body that guides policy for a school district. The same as **school board.**

secondary property taxes In Arizona, the property taxes used to fund bond issues, budget overrides, and special-district funding.

special assessment. A charge levied on selected groups of properties to defray the costs of specific public improvements such as paving, sidewalks, or water lines. These charges can be assessed according to a physical measure, such as street frontage.

special district. A local governmental unit formed to provide specific services or benefits such as flood control, fire protection, or transit. Special districts often use special assessments to finance the public improvements.

split-rate property tax system. A system that applies a higher property tax rate to land than to improvements.

split-rate tax. A property tax in which land and improvements are taxed at different rates.

split-roll property tax system. Generally, the same as **classified property tax system**. In California, this term refers more broadly to proposals to change the way the property tax assessment limit applies to business property so as to increase property taxes on businesses relative to residential property.

tangible personal property. Moveable items with physical characteristics, such as furniture, fixtures, machinery and equipment, motor vehicles, inventories of goods, and animals, both livestock and pets.

taxable assessed value. In Oregon, the value upon which the property tax is levied, which is equal to the lower of real market value and maximum assessed value.

taxable value. In Michigan, the lesser of assessed value or capped value.

tax and expenditure limitations (TELs). Statutory and constitutional limits designed to control the growth of government public spending or to promote accountability. Six basic types of TELs are overall property tax rate limits, specific property tax rate limits, property tax levy limits, limits on general revenue or expenditure increases, limits on assessment increases, and truth-in-taxation requirements.

tax base, property. The total assessed taxable value within a taxing district.

tax burden. The economic costs of, or losses resulting from, the imposition of a tax. Tax burden measures usually do not account for tax shifting, which occurs when some of the tax burden is borne by individuals who did not pay the tax bill themselves, such as when property taxes paid by a landlord are shifted to tenants in the form of higher rent.

tax capacity. (1) In general, a government's potential ability to raise revenue through taxation, given the tax base in its jurisdiction. (2) In Minnesota, a property's taxable value multiplied by the property tax rate for its class.

tax-exempt property. Property excluded from taxation because of its type or use. For example, all 50 states exempt from taxation the property owned by some nonprofit organizations.

tax increment financing (TIF). A method of financing whereby growth in property taxes or other revenues in a designated geographic area is earmarked to support economic development in that area, usually to fund infrastructure improvements. Often, bonds are issued to finance improvements in a TIF district, with future growth in property taxes used to pay back the bonds.

taxing district. A state or any political subdivision of a state with the authority to levy taxes.

taxing unit. Any political unit of a state that imposes property taxes, such as counties, municipalities, school districts, and special districts.

tax levy limit. In Maine, a limit on growth of municipal property tax revenue determined by calculating the growth limitation factor and applying it to the prior year's limit.

tax rate floor. A minimum tax rate allowed by state law.

tax rate, for the property tax. The percentage of assessed value at which property is taxed in a given taxing district. For example, a tax rate of 2 percent applied to a property with an assessed value of $100,000 results in tax liability of $2,000. This may be expressed as a tax rate of 20 mills.

tax stabilization agreements. Tax incentives that freeze property taxes for a specified period of time then gradually increase to full tax liability.

tax swap. A policy whereby a government reduces or eliminates one tax, such as a property tax, and replaces the lost revenue by increasing or establishing another tax, such as a sales tax.

total household resources. In Michigan, all income (taxable and nontaxable) received by all household members during a year.

truth-in-taxation requirements. Laws requiring local governments to disclose certain tax changes and hold public hearings on such changes. Such requirements may be considered a type of tax and expenditure limitation. Same as **full disclosure laws**.

two-rate tax. A property tax under which land and improvements are taxed at different rates.

uniformity clause. A constitutional provision that requires property taxation at a uniform rate within a jurisdiction.

use value. The value of a property in a specific use. For example, many states assess the value of farmland in its current agricultural use rather than its most profitable use.

valuation. The process of estimating the value of a property or properties. The value usually estimated is market value.

value freeze. A mechanism that prevents any increase in assessed value from year to year. The same as **assessment freeze.**

work-off abatement. In Massachusetts, a reduction of property tax liability for taxpayers who agree to perform volunteer work for the local government in lieu of paying the full property tax bill.