



John H. Bowman is professor emeritus of economics at Virginia Commonwealth University in Richmond, having retired in 2004. Since the mid-1990s he has worked on a number of Lincoln Institute projects, including three David C. Lincoln Fellowships with Michael E. Bell, now research professor at The George Washington Institute of Public Policy. Together they studied local property tax reform in South Africa, edited the book Property Taxes in South Africa: Challenges in the Post-Apartheid Era (2002), and wrote a short monograph on local property taxes on commonly owned rural lands.

In 2008 Bowman completed a major study of circuit breakers for property tax relief, available as a working paper on the Lincoln Institute Web site. That research served as the starting point for the recently released policy focus report, Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers, authored with Daphne A. Kenyon, Adam Langley, and Bethany P. Paquin.

Bowman served for 10 years on the Governor's Advisory Board of Economists under three Virginia governors, and was a consultant on state tax studies in several states, working mostly on property taxes. Before joining the VCU faculty in 1981, he held several academic and nonacademic positions. In the early 1970s he headed a tax policy unit in the Ohio Department of Taxation, which he left for a two-year stint as senior resident in public finance at the U.S. Advisory Commission on Intergovernmental Relations. In the late 1970s, Bowman was on the faculty of the School of Public and Environmental Affairs at Indiana University in Bloomington. He received his Ph.D. in economics from The Ohio State University in Columbus in 1973.

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LAND LINES: *How did you become interested in property taxes?*

JOHN BOWMAN: My introduction to property taxes came about through a series of accidental developments. I entered Ohio State intending to major in industrial management. To my initial dismay, I had to take some economics courses, but I actually enjoyed them.

I did some work with Arthur D. Lynn, Jr., associate dean and a public finance economist and lawyer, who later became president of the National Tax Association (NTA). Lynn was very interested in the property tax, having edited *The Property Tax and Its Administration* in 1969, and he would go on to edit books on property taxation, land use, and public policy, and another on land value taxation. All of these were under the aegis of the Committee on Taxation, Resources, and Economic Development (TRED), which later was associated with the Lincoln Institute. So I had a lot of exposure to property tax issues, although my master's degree focused on labor economics.

After a few years away from Columbus, I returned to take a position on a manpower study at Battelle Memorial Institute, a large contract research organization. On my first day the manpower study had not materialized, but a request came in from the Ohio legislature to study a local tax restructuring proposal. Since I had taken several classes in public finance, I was put to work on the tax revision study. Frederick D. (Fritz) Stocker, another economist active in TRED and the NTA, and later the NTA executive director, was hired as a consultant, and my academic focus soon turned to public finance. A few years later, Stocker was my dissertation advisor at Ohio State.

LAND LINES: *Did your academic work continue to focus primarily on tax policy?*

JOHN BOWMAN: For the most part, yes. I think my early association with Art Lynn and Fritz Stocker, and consequent involvement with NTA, pointed me in that direction. My Battelle work led to being hired in early 1971 to head a tax policy unit in the Ohio Department of Taxation in the Gilligan administration; this was when Ohio adopted its state-level income taxes, as well as a property tax circuit breaker. That job led to my appointment to a newly created position at the Advisory Commission on Intergovernmental Relations, where I worked with John Shannon, then head of ACIR's public finance unit and later its executive director.

From ACIR, I went to the School of Public and Environmental Affairs at Indiana University's main campus in Bloomington, and then back to Columbus at the Academy for Contemporary Problems (ACP), which had started a few years earlier as a Battelle-Ohio State joint venture but was by then another contract research organization.

My work in contract research, by its nature, had a policy focus. I was generally doing research for state, local, and federal government agencies. My academic research, starting with my dissertation, also has been policy oriented. And while at VCU, I worked on state tax studies in eight states and the District of Columbia, most of them dealing with property taxation.

LAND LINES: *How did your research shift to property tax circuit breakers?*

JOHN BOWMAN: You cannot dabble in property taxes without becoming aware of complaints about it and pressures for property tax relief. The Battelle project for the Ohio legislature concerned the provision of property tax relief through the use of other taxes to replace property tax revenues.

That approach did not lead to any workable solutions, but it formed part of the backdrop for the 1970 gubernatorial race, in which taxes were front and center. Fritz Stocker worked with the Gilligan campaign and proposed a circuit breaker, in conjunction with new state income taxes. After a year-long legislative struggle, the

Gilligan-Stocker income taxes and circuit breaker were adopted in December 1971. Along the way, many alternative tax measures were considered, and as head of the policy unit in the Department of Taxation, I was closely involved with them.

LAND LINES: *How common were circuit breakers in 1971?*

JOHN BOWMAN: At the end of 1970, five states had circuit breakers. While this approach to property tax relief was not yet widespread, it was gaining acceptance rapidly after Wisconsin's pioneering 1964 program. Ohio's adoption was one of five in 1971, and by the end of 1974, circuit breakers had been adopted in 25 states, including the District of Columbia. Strong interest in circuit breakers caused the National Association of Tax Administrators to devote a session to them at its fall 1971 Revenue Estimating Conference, where I presented a paper on the Ohio efforts.

LAND LINES: *Were you involved with circuit breakers during your time at ACIR?*

JOHN BOWMAN: Yes, they were one of my areas of involvement there. Although this is now long ago, it is well-known in public finance circles, particularly among property tax people, that ACIR and John Shannon advocated the circuit breaker approach; in fact, he gave this approach its name. I was principal author of the 1975 ACIR report *Property Tax Circuit-Breakers: Current Status and Policy Issues*, and I made presentations on property tax relief and circuit breakers in various forums at that time.

LAND LINES: *Do you prefer circuit breakers over other property tax relief approaches and, if so, why?*

JOHN BOWMAN: Aside from deferral, which has never gained much political traction, a circuit breaker seems the best approach to residential property tax relief. I like the approach because—at least if designed well—it targets property tax relief to those who are most in need of it. I believe income, broadly defined, is the best measure of ability to pay taxes, and that property tax relief is best determined by considering the tax bill in relation to income. Some critics complain that, because circuit breakers rely on income to target property tax relief, they convert the

property tax into an income tax and are inconsistent with the logic of property taxation. These concerns have some merit, but several points must be kept in mind.

- Property taxes are unpopular, even relative to other taxes, and state and local policy makers are responsive to pressures for tax relief.
- Any property tax relief undermines the strict logic of the property tax as a levy on the market value of real property; property owners receiving preferential treatment face lower net effective property tax rates (net property tax liability as a percent of market value of property) than those not so favored.
- A well-designed and rather narrowly targeted circuit breaker will cause less distortion in the property tax than other forms of tax relief, and will reduce aggregate property tax relief cost.

LAND LINES: *Briefly, what do you consider to be a well-designed circuit breaker?*

JOHN BOWMAN: The recently published policy focus report and my working paper address this in some detail, but here are some highlights. First, a broad definition of income is the centerpiece of a good circuit breaker. A circuit breaker should target property tax relief to those most in need, as measured by income. Unfortunately, some states recently have eliminated part or all of Social Security from consideration, for example.

It is understandable that recipients of specific income sources wish to have their income disregarded, but caving in to such requests severely damages equity. It makes many who actually are better off appear worse off than those with little income from the favored income source, which qualifies the favored group for a larger piece of the property tax relief pie.

Second, circuit breakers should offer broad coverage and be available to those who meet the need standard; whether they are old or young and whether they own or rent should be irrelevant.

Third, among the circuit breaker types identified in the report, I favor the threshold approach—specifically, multiple thresholds, applied incrementally. This approach grants relief based on the property tax amount in relation to income; no prop-

erty tax relief is given until the tax rises above the defined threshold percentage of income. Incremental application of multiple thresholds abates more taxes for those at very low income levels, but increases the tax liability incrementally as income rises, rather than abruptly. The result is better targeting of property tax relief.

LAND LINES: *Do you have a candidate for the worst property tax relief approach?*

JOHN BOWMAN: Yes. Tax caps that limit the assessed value of property, or limit increases in the property tax bill, have been popular in the recent housing boom, but they move the property tax seriously away from the logic of a tax based on property value. Moreover, caps tend to distribute tax relief perversely, subsidizing those with windfall gains in property value (net worth) resulting from market forces and, often, government actions. Not everyone whose property value increases significantly is unable to deal with the tax bill change.

A circuit breaker can take care of the true problems resulting from value increases, as well as from income reductions. State limits on local tax collections are also problematic when state legislators seek political credit for lowering taxes but do not face the consequences of revenue shortfalls. A state-funded circuit breaker matches the decision to cut one tax with the responsibility for raising revenue in other ways. **L**

REFERENCES

Bowman, John H. 2008. Property tax circuit breakers in 2007: Features, use, and policy issues. Working Paper. Cambridge, MA: Lincoln Institute of Land Policy.

Bowman, John H., Daphne A. Kenyon, Adam Langley, and Bethany P. Paquin. 2009. *Property tax circuit breakers: Fair and cost-effective relief for taxpayers*. Cambridge, MA: Lincoln Institute of Land Policy.

Note: Both of these publications can be downloaded from the Lincoln Institute Web site (www.lincolnst.edu).