

RETHINKING LOCAL GOVERNMENT RELIANCE ON THE PROPERTY TAX

Urban Institute-Brookings Institution Tax Policy Center and
Lincoln Institute of Land Policy
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Introduction

How has the recent recession affected the fiscal position of governments in the U.S.?

- Federal?
- State?
- Local?

In particular, how has the local property tax performed?

So, we cover:

- National Trends in Property Tax Collections
- A Case Study: Property Tax Collections in the State of Georgia
- Conclusions

To anticipate, we find that:

- There is great diversity in the experiences of local governments.
- Even so, the perception that most local governments have suffered the fate as state and federal governments is not generally supported – *at least to date*.
- In Georgia, property values have declined but local school districts have in most cases been able to maintain a steady level of collections – *at least to date*.
- Whither the property tax?

A Brief Note on Data and Sources

- For national trends, we use quarterly tax collection data from the Government Finances Division of the Census Bureau for each quarter 1998 through 2009 (Quarterly Collections Data, QCD).
- For national trends, we also use property tax collections from the Census Bureau by state by fiscal year through 2007 (Census Data).
- For Georgia data, we use Georgia Department of Revenue information on the annual property tax base for each of the 180 school districts in Georgia for 1997 through 2009.
- For Georgia, we also have property tax rates and property tax liability for school districts for 2006-2009.

National Trends in Property Tax Collections

Some highlights:

- Overall collections of local property taxes rose steadily over the last decade (Figure 1).
- The annual percentage change always exceeded 4 percent (Figure 2).
- Per capita collections also rose steadily (Figure 3).
- There was much state variation (Charts 1 to 4).

Figure 1. Local Government Real Property Tax Revenues, 1998 to 2009

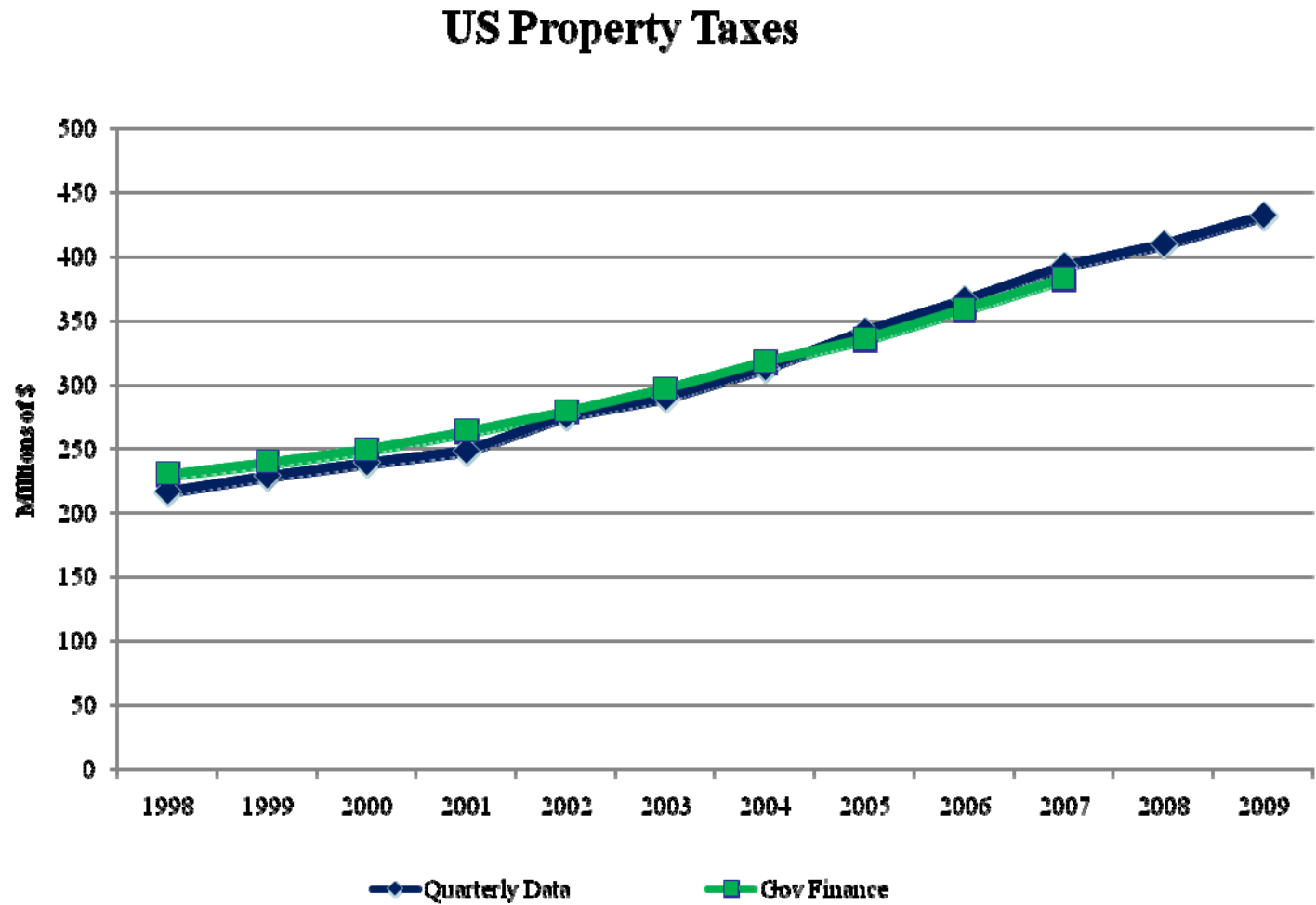


Figure 2. Annual Percentage Change in Local Government Real Property Tax Revenues, 1998 to 2009

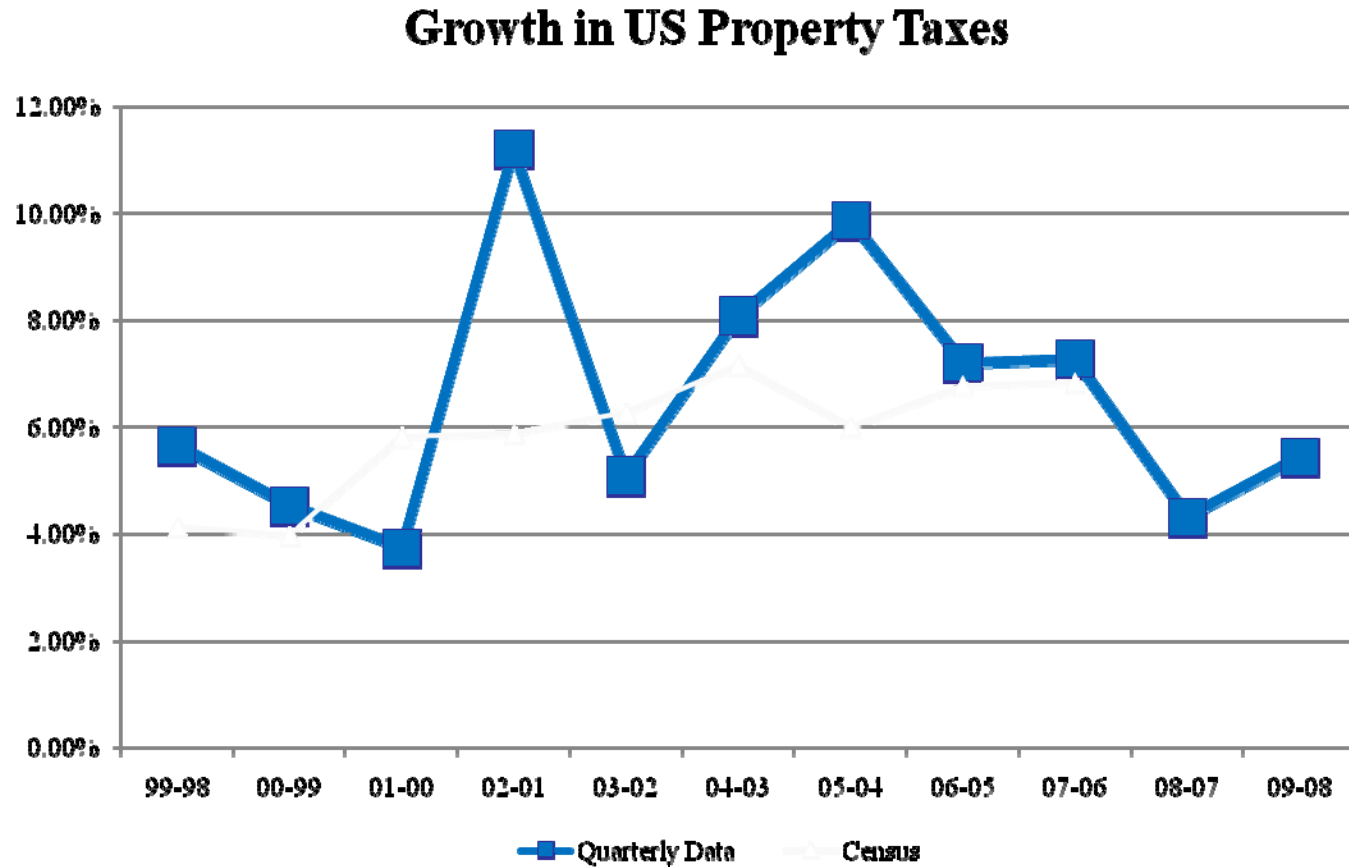


Figure 3. Local Government Real Property Tax Revenues Per Capita, 1998-2009

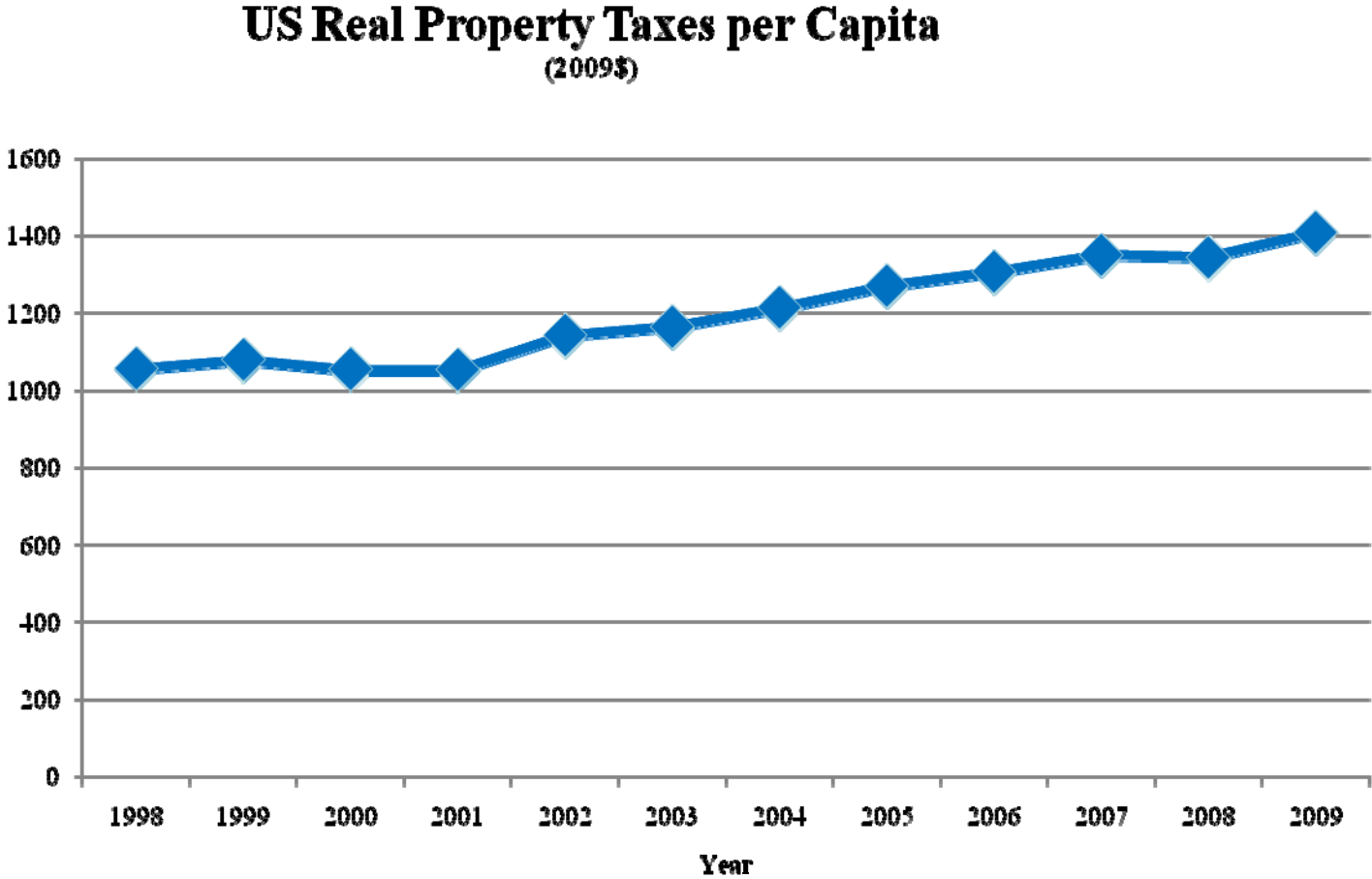
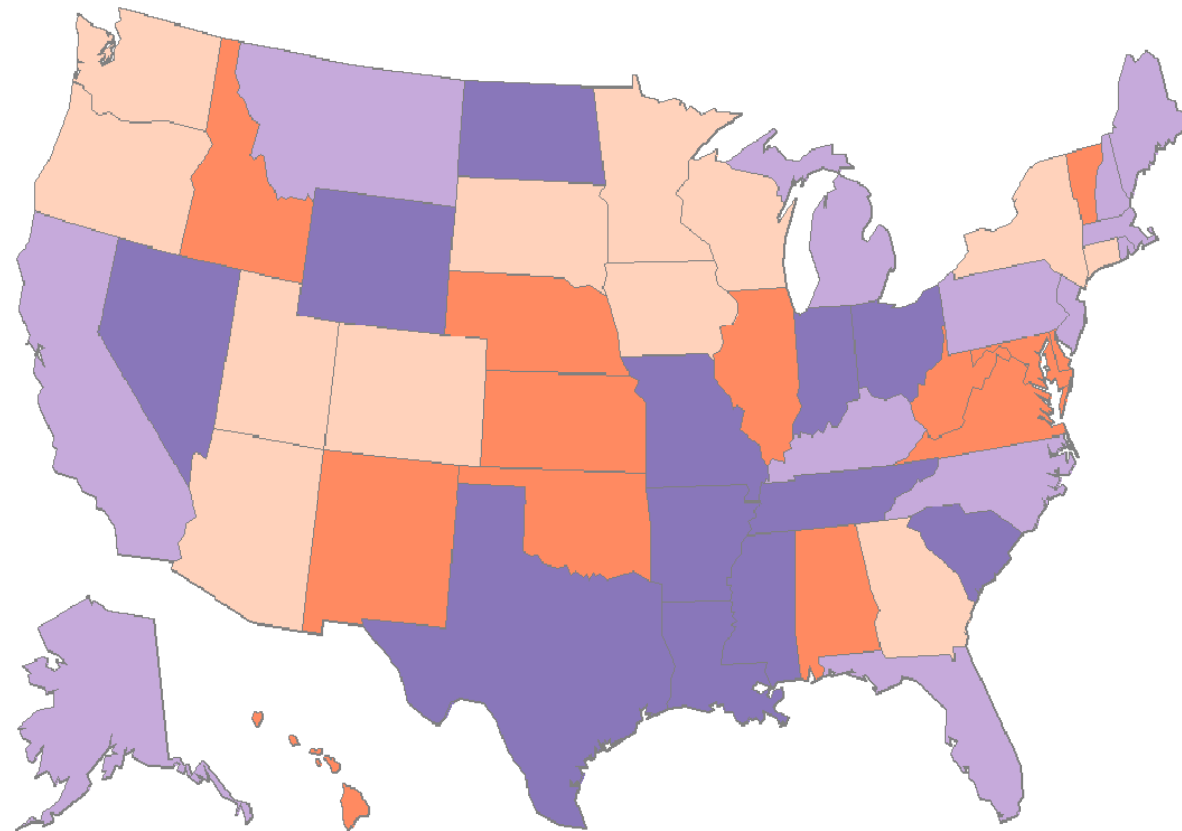


Chart 1. Percentage Change in Local Government Property Tax Collections, 2006-2007, by State (weighted)



% Change in Weighted Property Tax 2006-2007

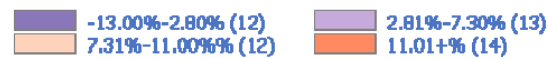


Chart 2. Percentage Change in Local Government Property Tax Collections, 2007-2008, by State (weighted)

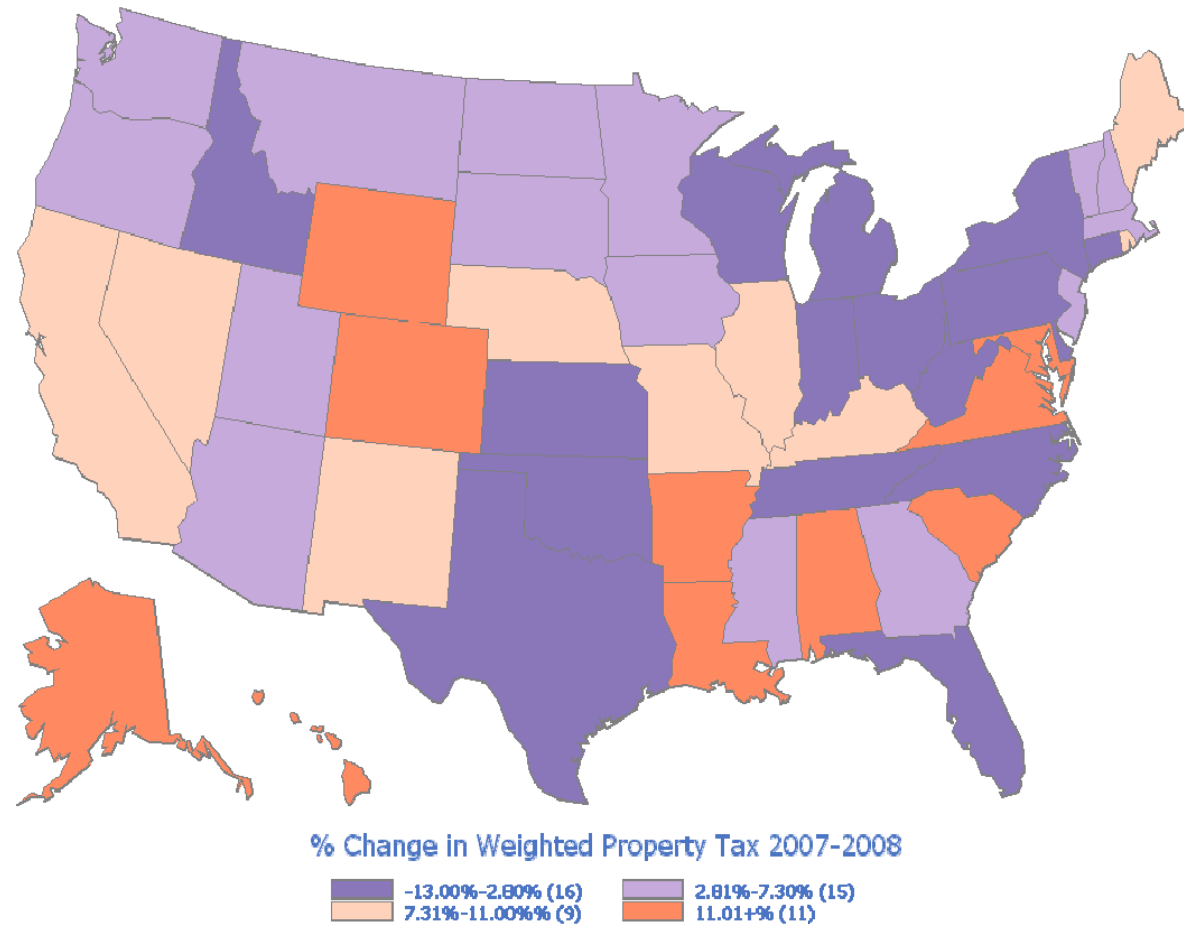
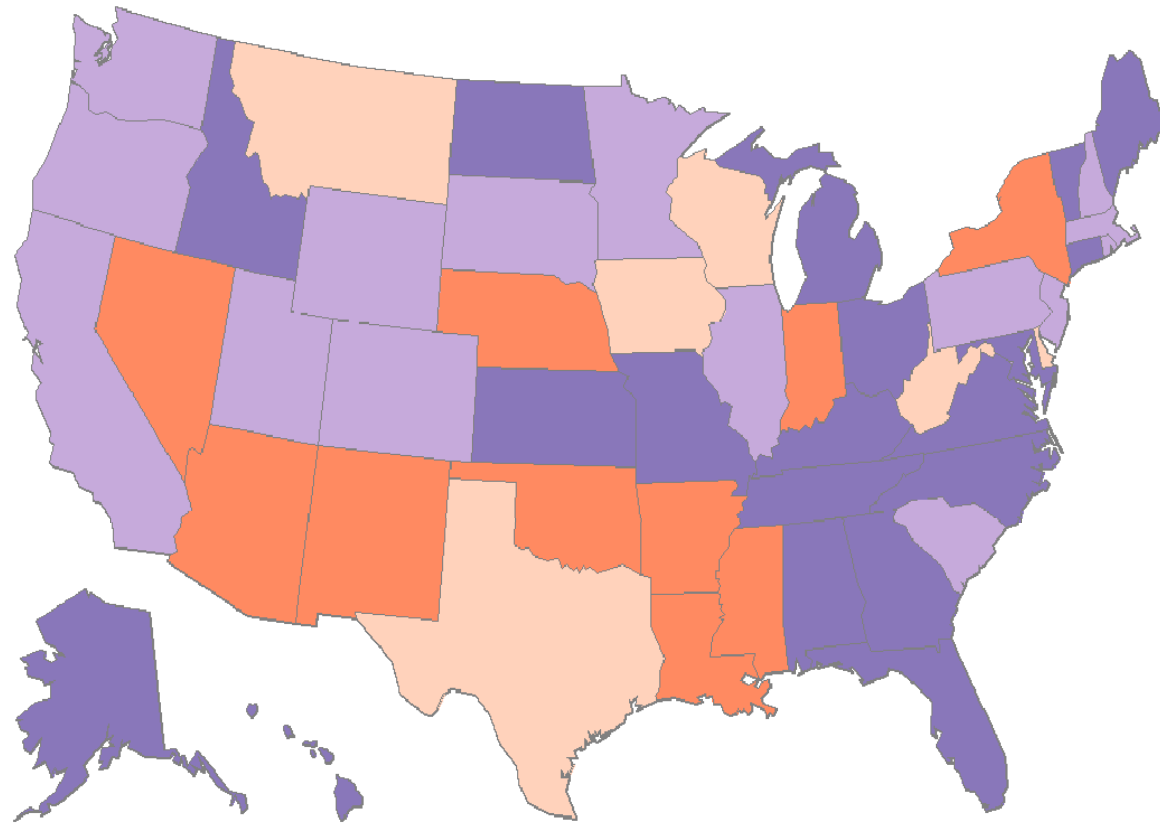


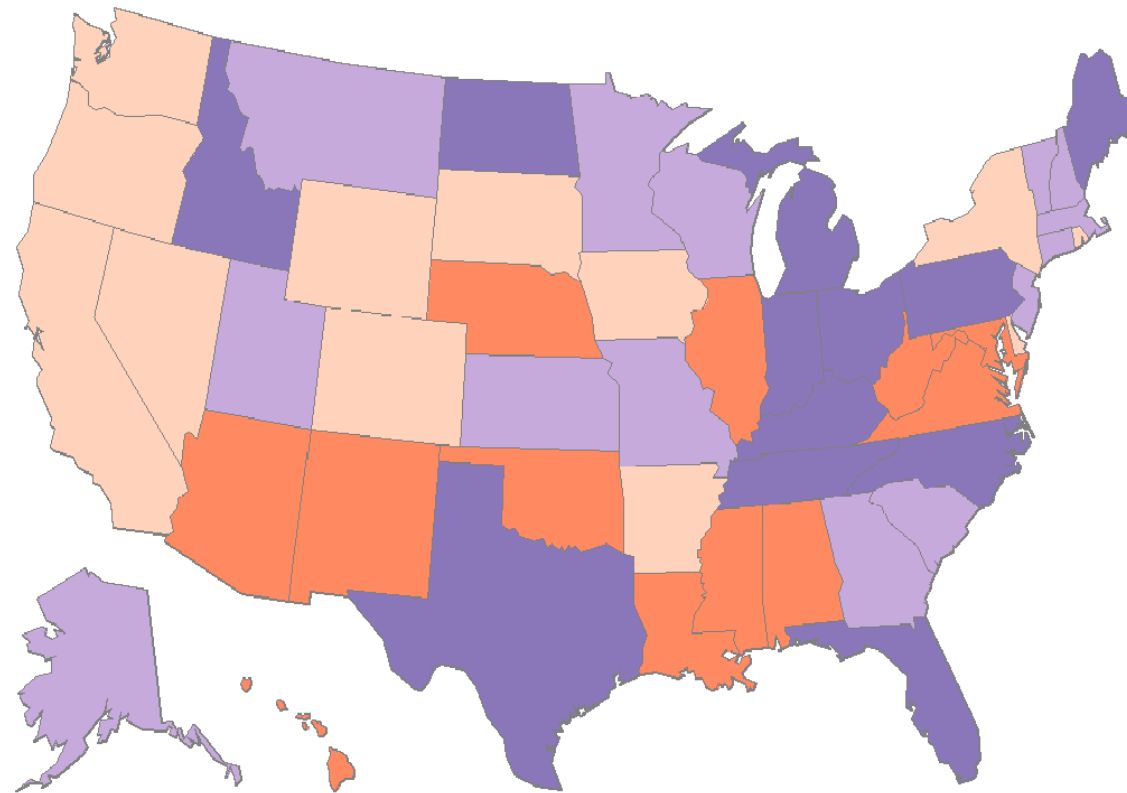
Chart 3. Percentage Change in Local Government Property Tax Collections, 2008-2009, by State (weighted)



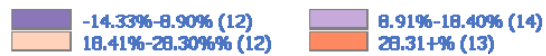
% Change in Weighted Property Tax 2008-2009

<p>■ -13.00%-2.80% (19)</p> <p>■ 7.31%-11.00% (6)</p>	<p>■ 2.81%-7.30% (16)</p> <p>■ 11.01+% (10)</p>
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Chart 4. Percentage Change in Local Government Property Tax Collections, 2006-2009, by State (weighted)



% Change in Weighted Property Tax 2006-2009



So, again:

Some highlights:

- Overall collections of local property taxes rose steadily over the last decade.
- The annual percentage change always exceeded 4 percent.
- Per capita collections also rose steadily.
- There was much state variation.

Some explanatory factors?

- Assessment limitations? (Figure 4)
- Housing price changes? (Figure 5)

Figure 4. Growth in Property Taxes and Assessment Limitations

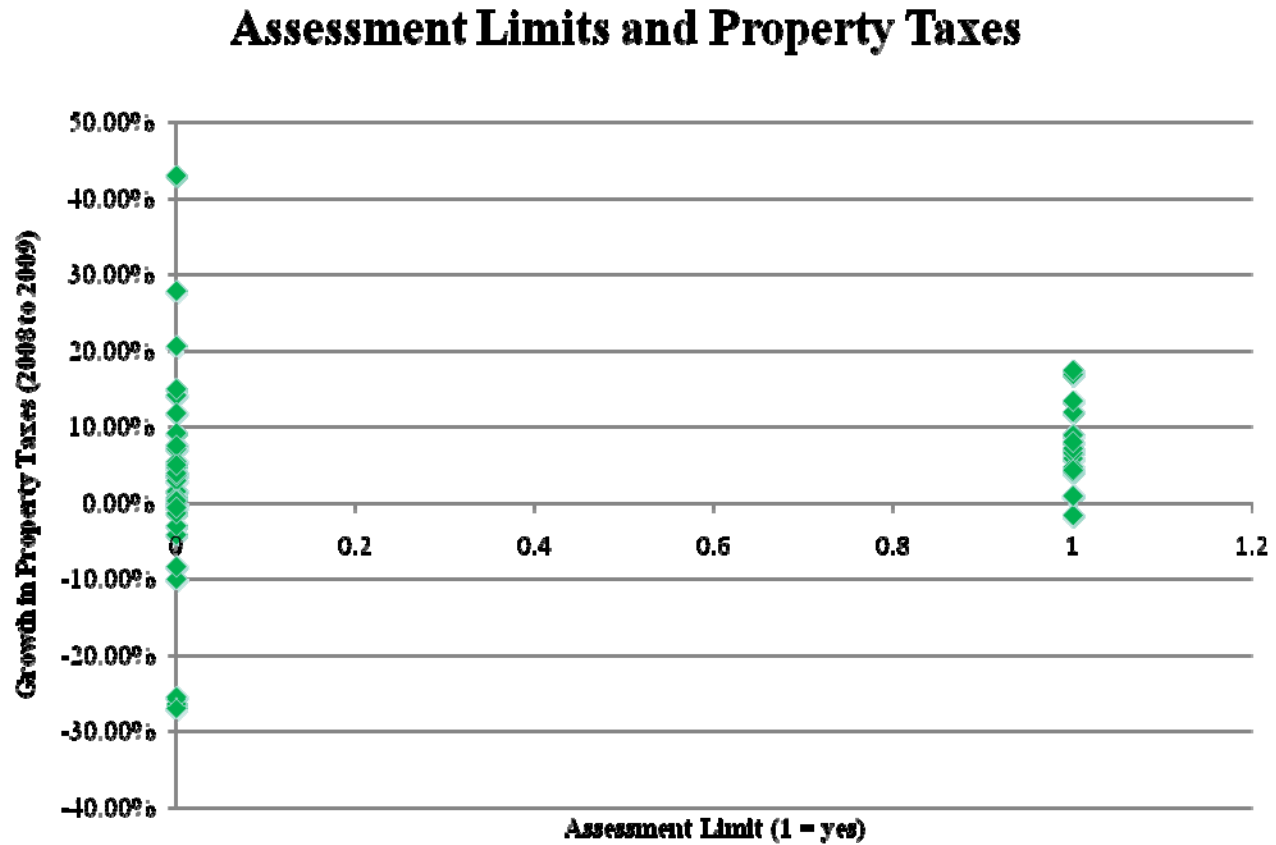
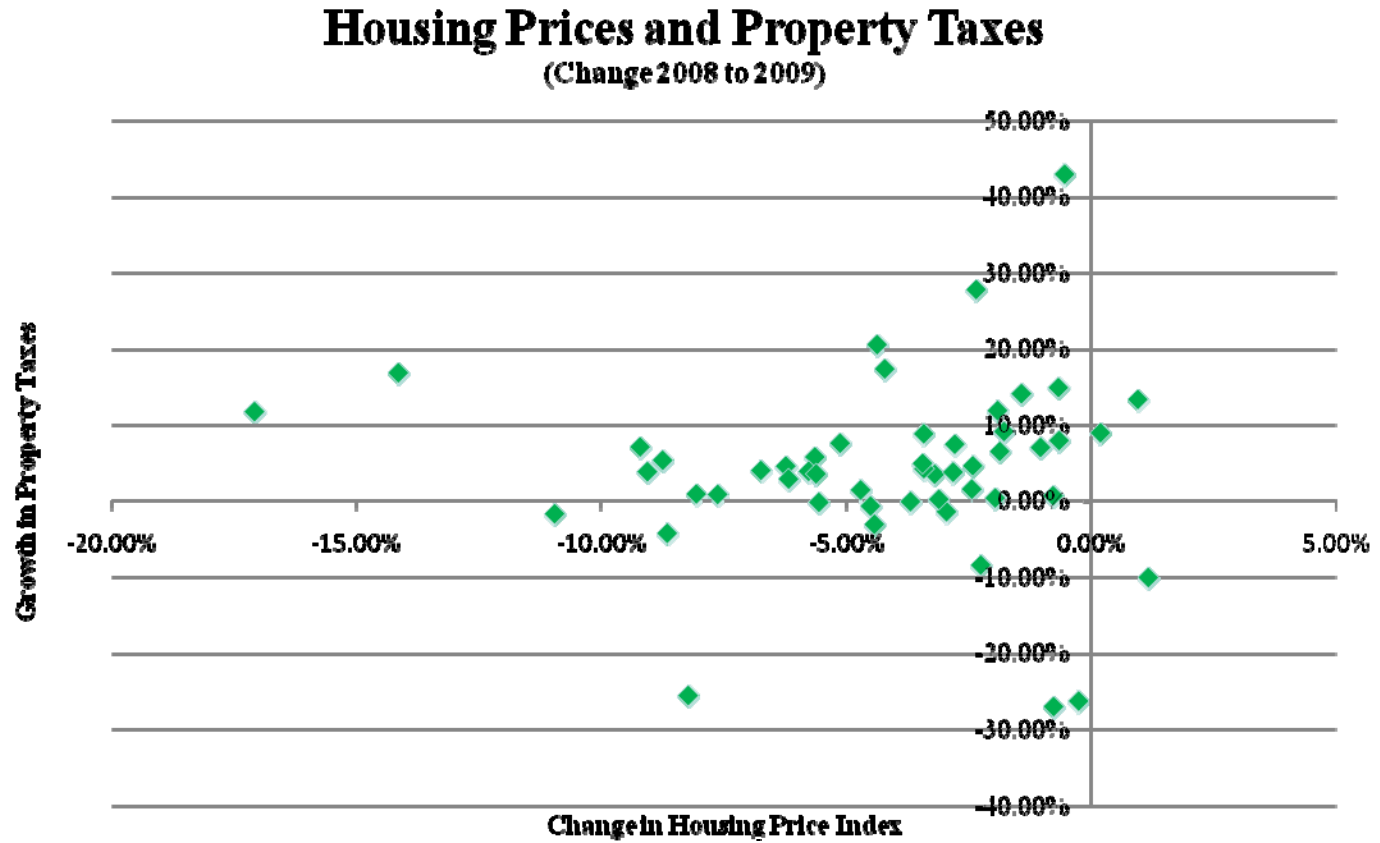


Figure 5. Housing Price Increases and Growth in Property Taxes



A Case Study: Property Tax Collections in the State of Georgia

Some highlights:

- The growth rate of the real aggregate property tax base has always been positive – *at least until 2009* (Figure 6).
- The growth in the tax liability has always been less than the growth in the tax base (Figure 7). And in 2008-2009 both fell.
- The growth in the nominal property tax base by school district since 2006 has been quite variable (Figures 8 and 9).
- School districts have not responded by increasing millage rates, any more than usually (Table 2) – *at least to date*.
- There is a strong negative relationship between changes in the property tax base and changes in the tax rate (Figures 10, 11, 12).

Figure 6. Growth in Georgia's Property Tax Base

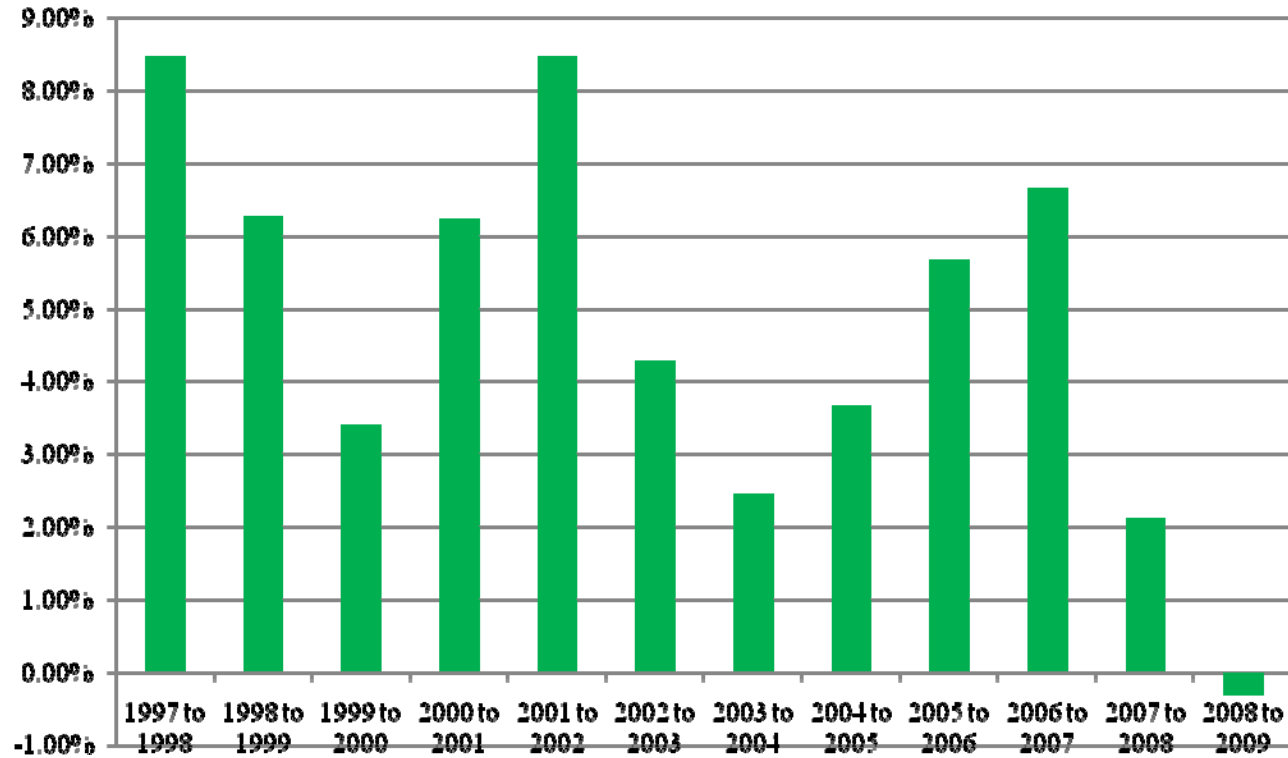


Figure 7. Growth in Georgia's Property Tax Base and Property Tax Liability

Growth in Georgia's Property Tax Base and Liability

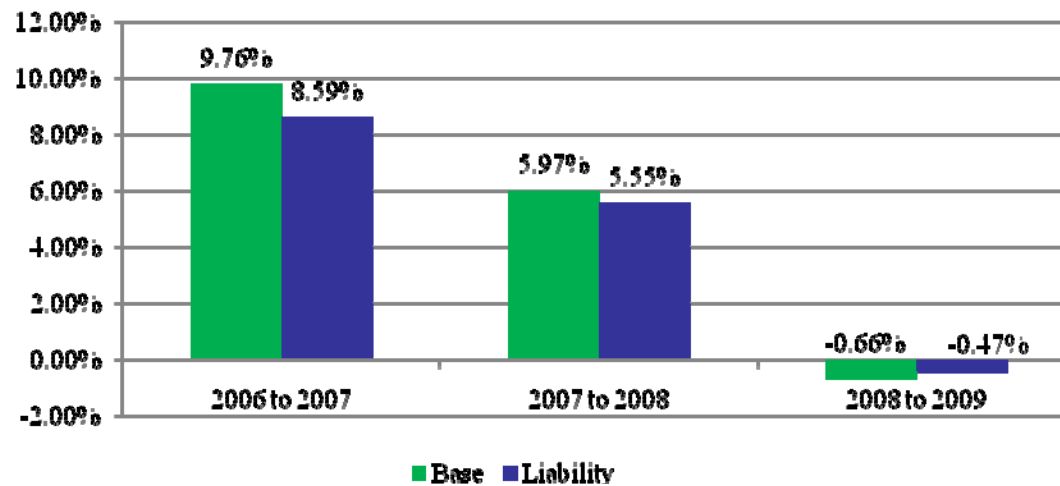


Figure 8. Percent Changes in Georgia's School Property Tax Base, 2006-2007 versus 2007-2008

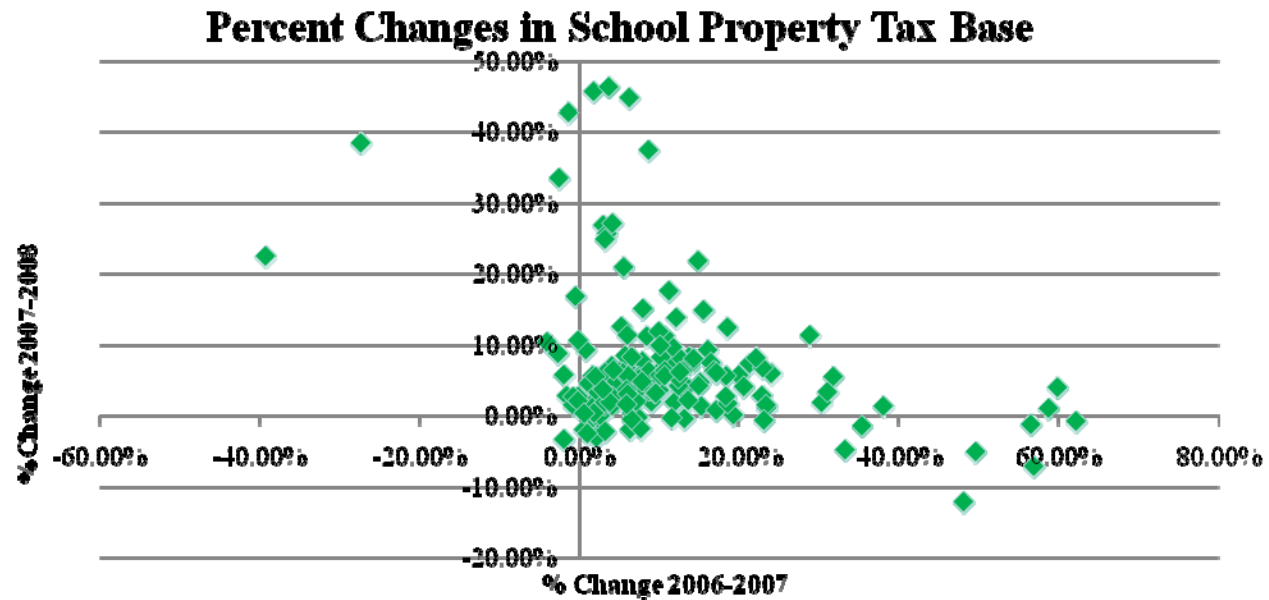


Figure 9. Percent Changes in Georgia's School Property Tax Base, 2007-2008 versus 2008-2009

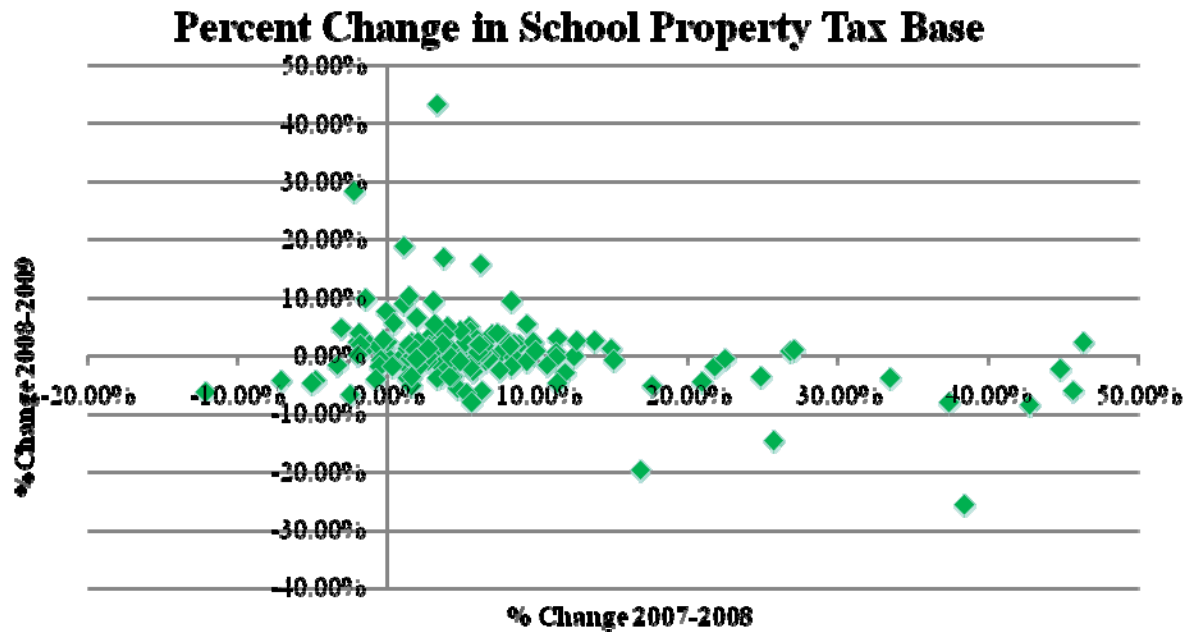


Table 2. Georgia School Districts, Millage Rate Changes

	Increase	Decrease	No Change
2006 to 2007	33	79	68
2007 to 2008	41	60	79
2008 to 2009	39	23	110

Figure 10. Growth in Base and Change in Tax Rate, 2006 to 2007, Georgia

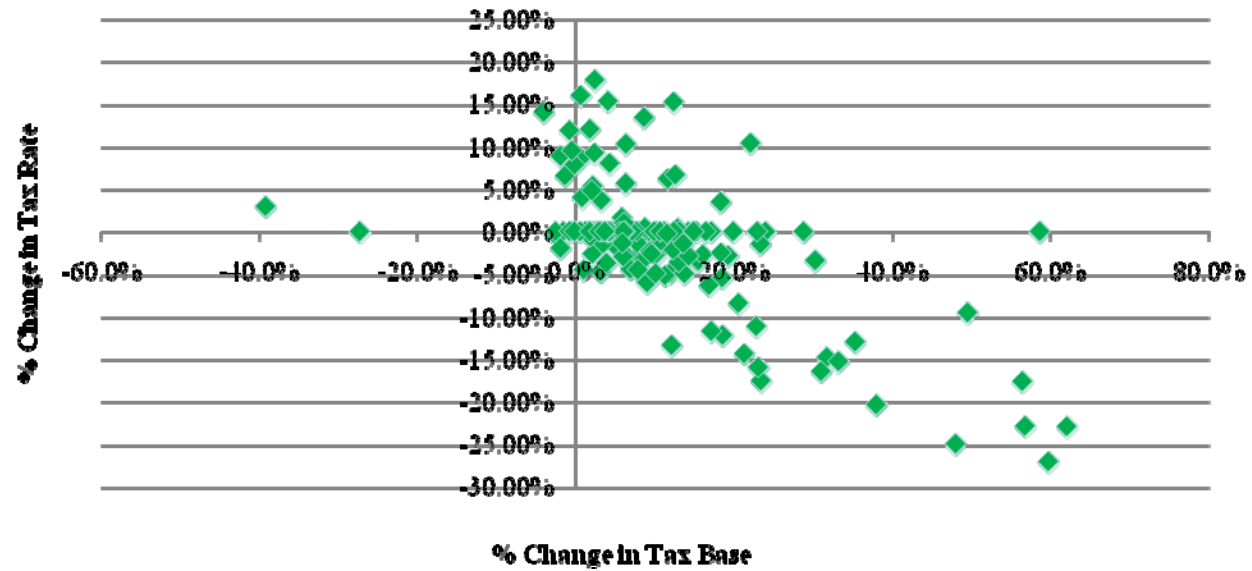


Figure 11. Growth in Base and Change in Tax Rate, 2007 to 2008, Georgia

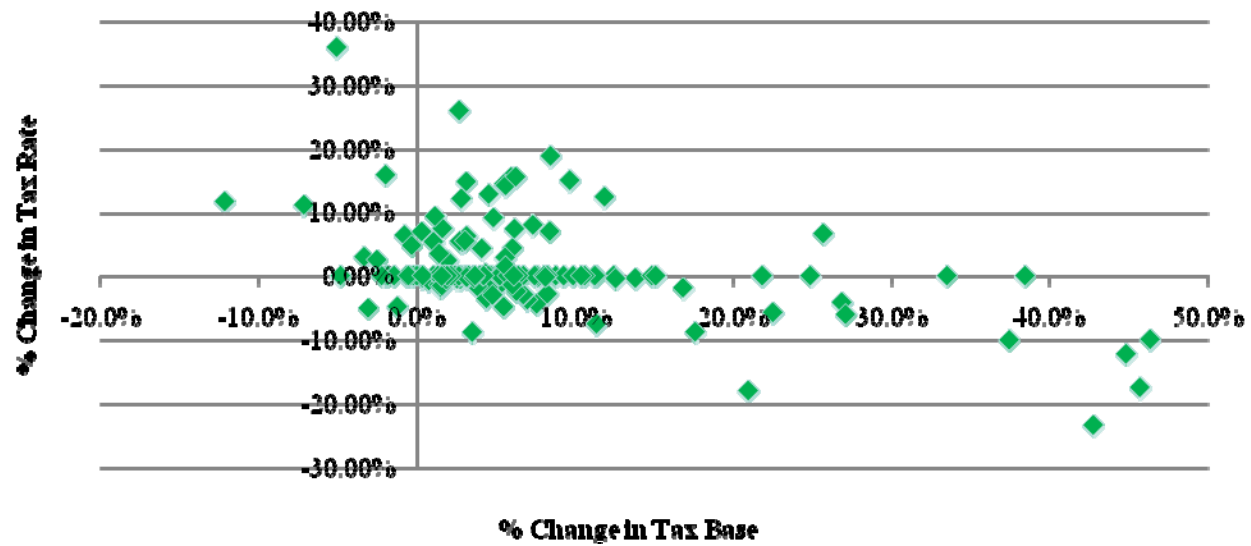
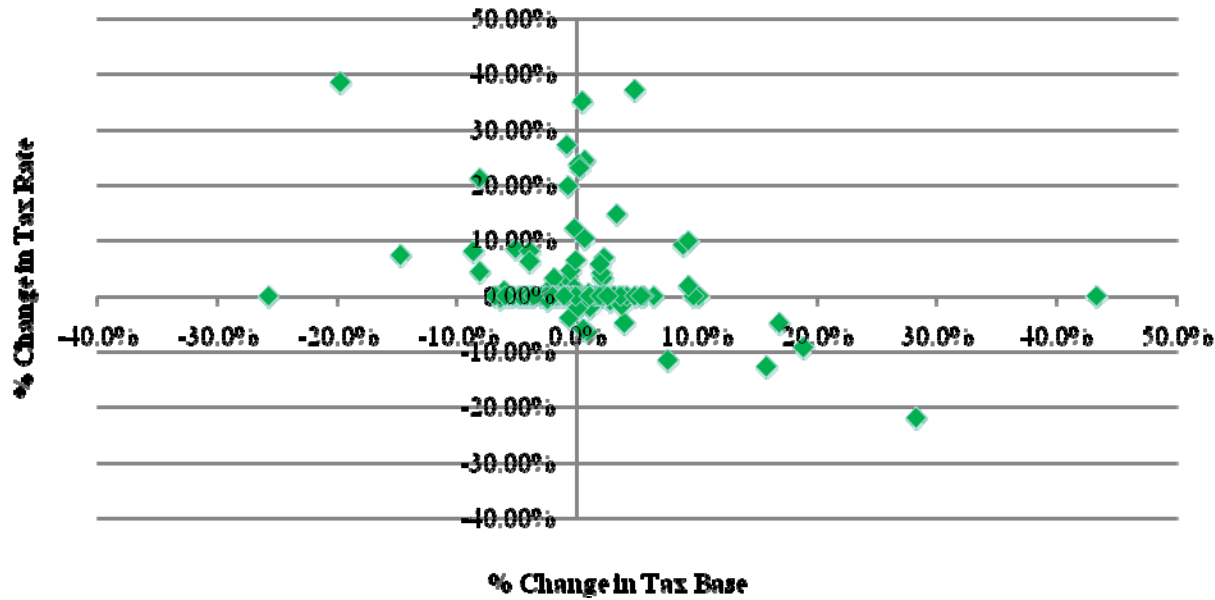


Figure 12. Growth in Base and Change in Tax Rate, 2008 to 2009, Georgia



Conclusions:

Whither the Property Tax?

- There is great diversity in the experiences of local governments.
- Even so, the perception that most local governments have suffered the fate as state and federal governments is not generally supported – *at least to date*.
- In Georgia, property values have declined but local school districts have in most cases been able to maintain a steady level of collections – *at least to date*.
- Whither the property tax? Local government reliance on the property tax has helped local governments avoid some of the more severe difficulties experienced by many other governments in the current economic situation.