



SPECIAL REPORT

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State and Local Property Tax Collections

Total Collections Reach Unprecedented Levels

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In 1999, state and local governments across the United States will collect an estimated \$232 billion in property taxes. Approximately 95 percent of this total, \$221 billion, will be collected by local government units including counties, cities, and school districts.

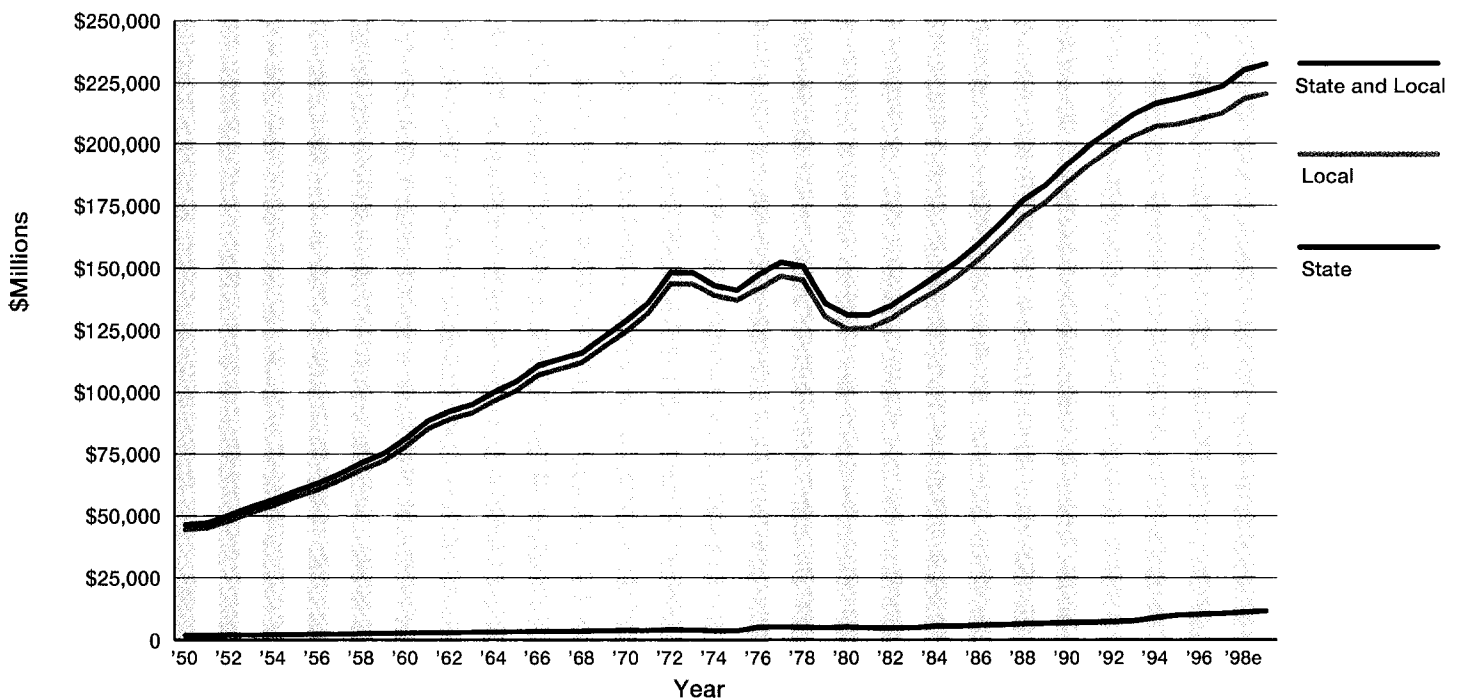
Fifty Years of Property Taxes

As shown in *Figure 1* and *Table 1*, property tax collections (adjusted for inflation) in the

United States, with one notable exception, have been rising steadily since 1950. The one exception occurred in the 1970s when a series of tax revolts, epitomized by California's Proposition 13, caused property tax collections to level out and for a handful of years to decline. However, since 1981 when the drop in property tax collections bottomed out, total property taxes have climbed 69 percent.

Between 1950 and 1972, real state and

Figure 1
State and Local Property Tax Collections in Constant (1999) Dollars
Fiscal Years 1950-1999



Source: Tax Foundation

local property tax collections increased at an average rate of 5.7 percent per year. After 1972, a growing wave of anti-tax sentiment resulted in a halting, and a temporary reversal, of the increase in property tax collections. By

1977, however, property tax collections had rebounded to their 1972 level.

The anti-tax movement reached a milestone in 1978 when California passed Proposition 13. Proposition 13 amended the state's constitution to impose strict limits on local property tax rates and the growth in property tax revenues. Real property tax collections dropped rapidly after 1978. By 1981, when the drop had bottomed out, state and local property tax collections were 19 percent lower than they had been three years earlier.

A large factor that led to the California revolt and the anti-tax movement in general was the rapid rise in home values fueled by the high inflation in the 1970s. Naturally, higher home values resulted in rising property tax burdens. This rise was politically troubling because inflation generally affects everyone equally thereby pushing up tax burdens without regard to the so-called "ability to pay" tax principle. In response, many states have adopted targeted tax relief in the form of "circuit breakers" and "homestead" exemptions on residential property taxes.

Circuit breakers offer relief to lower income residents through credits on their income tax, credits against their property tax, or cash payments. Homestead exemptions offer relief through the reduction in the assessed taxable base of qualified homeowners' property, such as farm property. The majority of states currently provide tax relief through some combination of circuit breakers and homestead exemptions.

However, since 1981 property tax collections have resumed the rapid increase that existed before the anti-tax movements in the 1970s. By 1985, property tax collections had surpassed the record high set in 1977. This growth has continued unabated throughout the late 1980s and 1990s. In 1999 state and local governments are expected to collect an unprecedented \$233 billion in property taxes. Between 1981 and 1999 state and local property taxes increased at an average annual rate of 3 percent.

Figure 1 and Table 1 also show that local governments are primarily responsible for the property tax burden. In 1999, local governments accounted for 95 percent of total collections while state governments accounted for the remaining 5 percent.

State Property Taxes

Figure 2 shows that property tax collections accounted for only 2 percent of state government tax collections in 1996. States generally rely on other tax sources to finance

Table 1
State and Local Property Tax Collections in Constant (1999) Dollars
Fiscal Years 1950-1999
(\$Millions)

Year	State and Local	State	Local
1950	\$46,390	\$1,938	\$44,452
1951	47,153	1,995	45,158
1952	50,224	2,148	48,076
1953	53,613	2,087	51,525
1954	56,439	2,214	54,231
1955	59,907	2,299	57,608
1956	63,126	2,509	60,617
1957	66,938	2,492	64,445
1958	71,483	2,712	68,771
1959	75,252	2,843	72,409
1960	81,333	3,009	78,324
1961	88,491	3,102	85,385
1962	92,482	3,106	89,376
1963	95,065	3,298	91,767
1964	100,151	3,404	96,747
1965	104,349	3,539	100,810
1966	110,888	3,749	107,139
1967	113,543	3,758	109,790
1968	116,133	3,817	112,316
1969	122,604	3,921	118,683
1970	128,978	4,136	124,846
1971	136,217	4,052	132,165
1972	148,295	4,347	143,947
1973	148,186	4,293	143,890
1974	143,137	3,904	139,233
1975	141,285	3,981	137,304
1976	147,637	5,486	142,154
1977	152,383	5,508	146,875
1978	150,745	5,365	145,380
1979	135,909	5,211	130,696
1980	131,224	5,540	125,684
1981	131,216	5,162	126,054
1982	135,045	5,128	129,919
1983	140,851	5,178	135,675
1984	146,805	5,878	140,927
1985	152,685	5,863	146,821
1986	160,105	6,242	153,865
1987	168,518	6,413	162,111
1988	177,384	6,774	170,648
1989	183,386	6,976	176,569
1990	192,052	7,218	184,834
1991	199,453	7,393	192,060
1992	206,097	7,616	198,370
1993	212,272	7,940	203,494
1994	216,680	9,217	207,463
1995	218,625	10,228	208,397
1996	220,949	10,522	210,429
1997e	223,637	10,831	212,784
1998e	230,244	11,415	218,791
1999e	232,633	11,858	220,725

Source: Tax Foundation

Table 2
State Property Tax Collections Per Capita and Per \$1,000 of Personal Income and Corresponding Ranks Fiscal Year 1996

State	Total (\$Thousands)	Per Capita (a)	Per \$1,000 of Personal Income (a)	Rank	
				Per Capita (a)	Per \$1,000 of Personal Income (a)
All States (b)	\$9,973,524	\$38	\$2	-	-
Alabama	134,252	31	2	13	12
Alaska	56,168	93	4	7	8
Arizona	363,315	83	4	8	7
Arkansas	7,363	3	0	26	26
California	3,375,264	106	4	5	6
Colorado	-	-	-	-	-
Connecticut	38	0	0	39	39
Delaware	-	-	-	-	-
Florida	754,482	53	2	9	9
Georgia	35,651	5	0	22	23
Hawaii	-	-	-	-	-
Idaho	-	-	-	-	-
Illinois	212,144	18	1	17	19
Indiana	2,876	0	0	34	34
Iowa	-	-	-	-	-
Kansas	40,362	16	1	19	18
Kentucky	411,635	106	6	6	5
Louisiana	20,304	5	0	23	22
Maine	43,467	35	2	12	10
Maryland	226,767	45	2	10	11
Massachusetts	102	0	0	38	38
Michigan	1,640,411	169	7	4	4
Minnesota	8,288	2	0	30	32
Mississippi	23,733	9	1	21	20
Missouri	14,626	3	0	28	27
Montana	229,692	263	14	2	1
Nebraska	4,114	3	0	29	29
Nevada	55,094	35	1	11	13
New Hampshire	424	0	0	35	35
New Jersey	2,770	0	0	36	36
New Mexico	36,560	22	1	14	14
New York	-	-	-	-	-
North Carolina	11,448	2	0	31	31
North Dakota	2,079	3	0	24	24
Ohio	17,227	2	0	32	33
Oklahoma	-	-	-	-	-
Oregon	91	0	0	37	37
Pennsylvania	221,469	18	1	15	16
Rhode Island	9,125	9	0	20	21
South Carolina	11,892	3	0	25	25
South Dakota	-	-	-	-	-
Tennessee	-	-	-	-	-
Texas	-	-	-	-	-
Utah	-	-	-	-	-
Vermont	10,562	18	1	16	15
Virginia	18,808	3	0	27	28
Washington	1,800,457	329	14	1	2
West Virginia	2,416	1	0	33	30
Wisconsin	84,437	16	1	18	17
Wyoming	83,611	174	8	3	3
District of Columbia	-	-	-	-	-

(a) Population and personal income figures adjusted into state fiscal years.
(b) Does not include the District of Columbia.

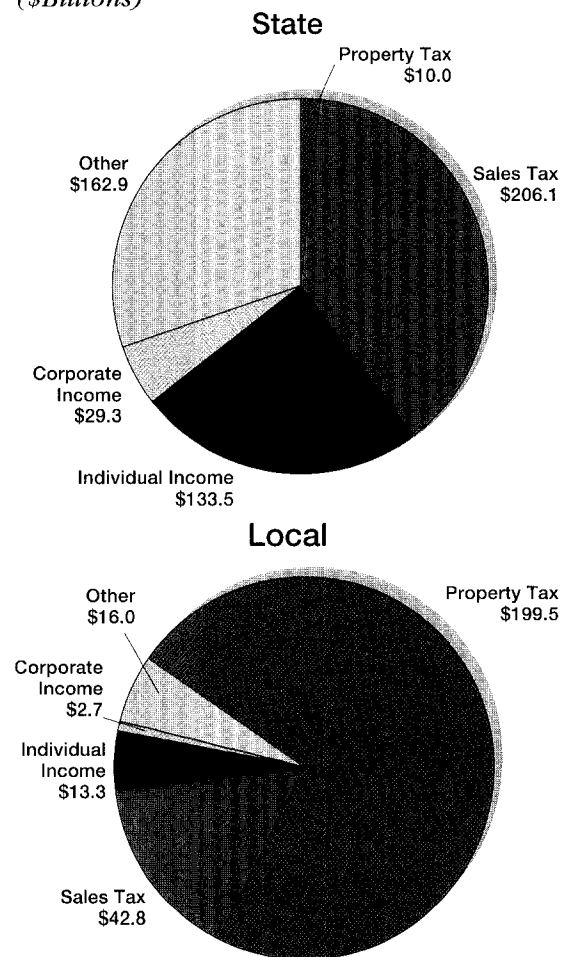
Source: Department of Commerce, Bureau of the Census

their activities such as sales taxes (50 percent) and income taxes (39 percent). Nevertheless, 39 states collected nearly \$10 billion in property taxes in FY 1996.

Table 2 shows state property tax collections by state and ranks those collections per capita and per \$1,000 of personal income. In per capita terms, six states collect more than \$100 in property taxes. The largest is Washington with per capita property tax collections of \$329. The other states, in descending order, include: Montana (\$263); Wyoming (\$174); Michigan (\$169); California (\$106); and Kentucky (\$106). In terms of personal income, only two states collect more than \$10 per \$1000 of personal income: Montana (\$14) and Washington (\$14).

Table 4 shows the average annual growth rates, adjusted for inflation, of per capita state property tax collections by state over the ten-

Figure 2
State and Local Government Tax Collections by Source Fiscal Year 1996 (\$Billions)



Source: Tax Foundation

Table 3
Local Property Tax Collections Per Capita and Per \$1,000 of Personal Income and Corresponding Ranks
Fiscal Year 1996

State	Total (\$Thousands)	Per Capita (a)	Per \$1,000 of Personal Income (a)	Rank	
				Per Capita (a)	Per \$1,000 of Personal Income (a)
All States (b)	\$198,765,63	\$755	\$32	-	-
Alabama	864,317	202	10	50	50
Alaska	624,044	1,034	43	11	10
Arizona	2,750,846	629	31	29	25
Arkansas	746,197	299	16	47	45
California	19,403,920	612	25	31	35
Colorado	2,840,547	752	30	19	26
Connecticut	4,657,077	1,425	43	3	9
Delaware	299,255	416	16	43	47
Florida	11,058,398	773	33	16	21
Georgia	4,757,468	655	29	27	29
Hawaii	612,588	519	21	37	42
Idaho	652,780	555	29	33	30
Illinois	12,297,383	1,040	40	10	11
Indiana	4,026,494	693	32	26	23
Iowa	2,383,595	838	39	14	12
Kansas	1,946,224	756	34	18	18
Kentucky	999,220	258	14	48	49
Louisiana	1,338,266	309	16	46	46
Maine	1,308,794	1,059	52	8	4
Maryland	3,568,660	708	26	24	33
Massachusetts	6,474,995	1,066	37	7	15
Michigan	5,457,540	563	24	32	36
Minnesota	4,107,479	888	36	13	16
Mississippi	1,183,839	438	26	41	34
Missouri	2,601,473	487	22	39	39
Montana	546,136	626	34	30	19
Nebraska	1,574,457	959	44	12	8
Nevada	823,474	526	21	34	41
New Hampshire	1,765,482	1,531	59	2	1
New Jersey	12,812,610	1,606	53	1	2
New Mexico	437,060	257	14	49	48
New York	23,262,491	1,282	45	4	7
North Carolina	3,446,307	475	22	40	38
North Dakota	410,399	639	33	28	20
Ohio	7,949,576	713	31	23	24
Oklahoma	1,013,876	309	16	45	44
Oregon	2,332,336	736	33	20	22
Pennsylvania	8,467,544	703	29	25	28
Rhode Island	1,141,424	1,154	48	5	5
South Carolina	1,941,499	525	27	35	31
South Dakota	557,762	758	39	17	13
Tennessee	2,265,595	430	20	42	43
Texas	15,247,569	806	37	15	14
Utah	1,008,092	505	27	38	32
Vermont	669,721	1,145	53	6	3
Virginia	4,828,194	728	30	22	27
Washington	2,872,425	524	22	36	40
West Virginia	724,349	398	22	44	37
Wisconsin	5,354,048	1,044	46	9	6
Wyoming	351,810	734	35	21	17
District of Columbia	701,635	1,286	39	-	-

(a) Population and personal income figures adjusted into state fiscal years.
(b) Does not include the District of Columbia.

Source: Department of Commerce, Bureau of the Census

year period. While starting from a low base, the three states with the fastest growing property tax collections are Mississippi (37.9 percent), Vermont (30.2 percent) and New Mexico (23.8 percent). On the flip side, the three states with the largest declines in their property tax collections were New Hampshire (-30.2 percent), Massachusetts (-26.3 percent) and Indiana (-22.9 percent).

Local Property Taxes

Figure 2 shows that property tax collections are the single largest source of revenue for local governments in the United States. In 1996, property tax collections represented 73 percent of all local tax collections. Coming in at a distant second are sales taxes (16 percent) followed by income taxes (6 percent).

Table 3 shows local property tax collections by state and ranks those collections on a per capita and per \$1,000 of personal income basis. In per capita terms, New Jersey collects the highest amount with per capita property tax collections of \$1,606. Following New Jersey are New Hampshire (\$1,531) and Connecticut (\$1,425). In terms of personal income, New Hampshire tops the list with \$59 collected for every \$1,000 of personal income. Following New Hampshire are New Jersey (\$53) and Vermont (\$53).

Table 4 shows the average annual growth rates, adjusted for inflation, of per capita local property tax collections by state. Over the ten-year period, the three states with the fastest growing property tax collections are Maine (4.5 percent), New Jersey (4.0 percent) and New Hampshire (3.7 percent). On the flip side, the three states with the largest declines in their property tax collections were Montana (-6.3 percent), Michigan (-4.7 percent) and Montana (-3.1 percent).

Property Tax Administration

Property taxes are levied on both "real" property (such as land and buildings) and "personal" property. Personal property is classified as business personal property (such as machinery and inventory), residential personal property (such as automobiles) and intangible property (such as financial assets). Most states tax business personal property while only a minority of states tax residential personal property and intangible property.

Administration of the property tax has always been problematic and subject to controversy. Unlike income and sales taxes, which are levied on economic transactions, it is more difficult to determine the value or base against which to assess property taxes. In fact,

Table 4
State and Local Property Tax Collections Per Capita in Constant 1999 Dollars and Average Annual Growth Fiscal Years 1986 and 1996

State	State			Local		
	1986	1996	Average Annual Growth 1986-1996	1986	1996	Average Annual Growth 1986-1996
All States (a)	\$26	\$40	4.3%	\$643	\$796	2.2%
Alabama	23	33	3.8%	150	213	3.6%
Alaska	302	98	-10.7%	1,239	1,088	-1.3%
Arizona	51	86	5.5%	567	654	1.4%
Arkansas	2	3	2.9%	263	314	1.8%
California	82	112	3.1%	569	643	1.2%
Colorado	4	-	n.a.	753	785	0.4%
Connecticut	0	0	8.6%	1,040	1,504	3.8%
Delaware	-	-	n.a.	324	436	3.0%
Florida	26	55	7.9%	571	809	3.5%
Georgia	4	5	3.5%	474	684	3.7%
Hawaii	-	-	n.a.	457	546	1.8%
Idaho	0	-	n.a.	434	580	3.0%
Illinois	26	19	-3.3%	757	1,095	3.8%
Indiana	7	1	-22.5%	562	729	2.6%
Iowa	-	-	n.a.	791	883	1.1%
Kansas	16	17	0.3%	757	796	0.5%
Kentucky	99	112	1.2%	183	272	4.0%
Louisiana	1	5	15.9%	276	325	1.7%
Maine	10	37	14.3%	680	1,115	5.1%
Maryland	37	47	2.6%	593	744	2.3%
Massachusetts	0	0	-26.0%	852	1,122	2.8%
Michigan	30	178	19.7%	907	592	-4.2%
Minnesota	2	2	1.4%	760	932	2.1%
Mississippi	0	9	38.7%	321	461	3.7%
Missouri	3	3	0.9%	350	512	3.9%
Montana	79	276	13.4%	854	657	-2.6%
Nebraska	4	3	-3.5%	836	1,007	1.9%
Nevada	50	36	-3.1%	436	543	2.2%
New Hampshire	14	0	-30.3%	1,060	1,605	4.2%
New Jersey	6	0	-24.8%	1,082	1,689	4.6%
New Mexico	3	23	24.5%	206	269	2.7%
New York	-	-	n.a.	1,070	1,353	2.4%
North Carolina	16	2	-20.2%	366	497	3.1%
North Dakota	4	3	-2.0%	523	674	2.6%
Ohio	2	2	-3.7%	564	751	2.9%
Oklahoma	-	-	n.a.	340	325	-0.5%
Oregon	0	0	-11.9%	939	770	-2.0%
Pennsylvania	17	19	1.2%	545	742	3.1%
Rhode Island	11	10	-1.6%	885	1,218	3.3%
South Carolina	2	3	4.3%	377	551	3.9%
South Dakota	-	-	n.a.	695	798	1.4%
Tennessee	-	-	n.a.	343	450	2.8%
Texas	0	-	n.a.	752	843	1.1%
Utah	0	-	n.a.	529	527	0.0%
Vermont	1	19	30.9%	809	1,205	4.1%
Virginia	5	3	-4.3%	565	764	3.1%
Washington	266	344	2.6%	373	549	4.0%
West Virginia	2	1	-2.3%	293	420	3.7%
Wisconsin	39	17	-7.7%	827	1,098	2.9%
Wyoming	305	184	-4.9%	1,407	773	-5.8%
District of Columbia	-	-	n.a.	1,090	1,373	2.3%

(a) Does not include the District of Columbia.

Source: Department of Commerce, Bureau of the Census

this difficulty often leads to large inequalities in the property tax burden and makes necessary the complicated administrative process of levy, assessment, review, equalization, and appeals.

Once a property tax has been levied by a state or local government, an assessment (estimate) of the property's value must be made. Every year, property taxes are levied on well over 100 million parcels of real property.¹ Because there are so many parcels of property, property value assessments are typically made infrequently. For this reason, assessments typically differ substantially from market prices and from one locality to another.

For example, *Table 5* presents residential property tax rates and assessment levels for the largest city in each state and includes Washington, D.C. The table reveals a hodgepodge of tax rates and assessment levels. In Fargo, North Dakota, residents face nominal tax rates of 46.96 percent, yet the rate only applies to 4.1 percent of assessed value yielding an effective rate of 1.93 percent. On the other hand, in Portland, Oregon, residents face a meager property tax rate of 1.65 percent but the rate applies to 100 percent of assessed value yielding an effective rate of 1.65 percent.

These disparities in property tax rates and assessment levels inevitably lead to unhappy taxpayers who may see their assessments jump suddenly upon revaluation or may see similar property owners pay substantially less tax. As a consequence, significant effort is expended, particularly by businesses, in appealing assessments.

The disparities in assessment also create the need for state government equalization. This is necessary when states dole out aid to local governments based on assessed values or when states collect taxes based on assessed values.

Who Bears the Burden of the Property Tax?

The data presented in this paper only represent an analysis of property tax collections, not property tax burdens. The process economists use to determine who bears the burden of a tax is called tax incidence analysis. Very often, the taxpayer who actually pays the tax liability is not the same as the person who bears the tax burden because the taxpayer will seek to shift the tax. For example, a business may seek to pass a property tax burden onto its customers in the form of higher prices. As a consequence, determining the tax incidence

¹"Assessed Valuations for Local General Property Taxation," 1992 Census of Governments, U.S. Census Bureau.

Table 5
Residential Property Tax Rates in the Largest City in Each State 1997

Rank	City	St	Nominal Rate Per \$100	Assessment Level	Effective Rate Per \$100
1	Newark	NJ	\$23.85	16.4%	\$3.91
2	Bridgeport	CT	6.55	56.9%	3.73
3	Manchester	NH	3.12	109.0%	3.40
4	Providence	RI	3.20	100.0%	3.20
5	Milwaukee	WI	3.08	96.4%	2.97
6	Houston	TX	2.70	100.0%	2.70
7	Philadelphia	PA	8.26	32.0%	2.64
8	Detroit	MI	5.88	43.9%	2.58
9	Portland	ME	2.46	100.0%	2.46
10	Baltimore	MD	6.06	40.0%	2.42
11	Des Moines	IA	4.30	54.9%	2.36
12	Omaha	NE	2.40	93.0%	2.23
13	Atlanta	GA	5.11	40.0%	2.05
14	Burlington	VT	2.02	100.0%	2.02
15	Fargo	ND	46.96	4.1%	1.93
16	Chicago	IL	9.44	20.4%	1.92
17	Columbus	OH	5.20	35.0%	1.82
18	Anchorage	AK	1.87	96.0%	1.79
19	Boise	ID	1.81	98.4%	1.78
20	Sioux Falls	SD	2.06	85.0%	1.75
21	Phoenix	AZ	16.90	10.0%	1.69
22	Portland	OR	1.65	100.0%	1.65
23	New Orleans	LA	16.50	10.0%	1.65
24	Indianapolis	IN	10.21	15.0%	1.53
25	Memphis	TN	6.34	22.4%	1.42
26	Columbia	SC	35.47	4.0%	1.42
27	Albuquerque	NM	4.13	33.3%	1.38
28	Boston	MA	1.35	100.0%	1.35
29	Jackson	MS	12.75	10.0%	1.28
30	Minneapolis	MN	1.43	87.5%	1.25
31	Billings	MT	1.68	74.0%	1.24
32	Wichita	KS	10.73	11.5%	1.23
33	Salt Lake City	UT	1.25	97.0%	1.21
34	Kansas City	MO	6.30	19.0%	1.20
35	Little Rock	AR	6.39	18.6%	1.19
36	Seattle	WA	1.29	91.2%	1.18
37	Oklahoma City	OK	10.30	11.0%	1.13
38	Louisville	KY	1.25	90.0%	1.12
39	Virginia Beach	VA	1.22	91.9%	1.12
40	Jacksonville	FL	1.11	100.0%	1.11
41	Wilmington	DE	2.19	50.4%	1.10
42	Charlotte	NC	1.26	86.3%	1.08
43	Las Vegas	NV	2.94	35.0%	1.03
44	Washington	DC	0.96	99.5%	0.96
45	Charleston	WV	1.53	60.0%	0.92
46	Los Angeles	CA	1.05	75.0%	0.79
47	Birmingham	AL	7.86	10.0%	0.79
48	Cheyenne	WY	8.10	9.5%	0.77
49	New York City	NY	10.79	7.0%	0.75
50	Denver	CO	7.54	9.7%	0.73
51	Honolulu	HI	0.39	100.0%	0.39
	Unweighted Average		6.65	56.1%	\$1.67
	Median				\$1.42

Source: Government of D.C., Office of Tax and Revenue, Tax and Economic Policy Administration

of property taxes as being regressive (tax burden falls more on lower income taxpayers) or progressive (tax burden falls more on higher income taxpayers) is a much more complicated task than it might appear.

Moving up the income scale, residential property taxes are at first progressive because low-income individuals are less likely to be homeowners and therefore subject directly to the tax. Moving further up the income scale, however, property taxes become more regressive because home values typically represent a smaller percentage of income. A recent study by the District of Columbia government, for example, found property taxes on a family of four in 1997 were slightly regressive. A family earning \$25,000 paid 3.3 percent of their income in property taxes while a family earning \$150,000 paid 3.1 percent of their income in property taxes. However, for some cities included in the study, the existence of circuit breakers and homestead exemptions alleviate the regressivity of the property tax by providing tax relief to lower income individuals.²

Business property taxes, however, are more complicated and their tax incidence is not readily apparent. A business can either pass its property taxes on to customers in the form of higher prices (regressive), to employees in the form of lower wages (regressive), or to capital owners in the form of lower interest and dividends payments (progressive).

If one assumes that the people who ultimately pay business property taxes are the same people who ultimately pay corporate income taxes, then they are shouldered primarily by business owners. That would make business property taxes at least somewhat progressive since low-income individuals are rarely small business owners or shareholders of corporations.

Methodology

This report is based on state-by-state property tax collection data published by the Bureau of the Census. Due to limitations in data availability, state and local property taxes for FY 1997 to FY 1999 were estimated using data from the National Income and Product Accounts published by the Bureau of Economic Analysis. ●

²“Tax Rates and Tax Burdens in the District of Columbia—A Nationwide Comparison 1997,” Government of The District of Columbia, Office of Tax and Revenue, Tax and Economic Policy Administration.



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