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Property taxes are essential to homeownership, but many people need clarification and help to understand. In this comprehensive guide, you will learn everything you need to know about property taxes, including how theyre calculated, what they fund, and how to reduce your tax burden. Whether youre a first-time homeowner or a seasoned real estate investor, this guide will provide you with the knowledge and tools to navigate the world of property taxes confidently. What are Property taxes fund public services such as schools, roads, public safety, and more. The amount of property tax you owe is based on the assessed value of your property and the tax rate set by your local government. How are Property taxes, you need to understand two key components: the assessed value of your property and the tax rate. The estimated value is the value assigned to your property and the tax rate. purposes. It is typically determined by professional appraisers who consider factors such as the propertys size, location, age, and condition. Once the assessed value is determined by the tax rate to calculate your property tax bill. The tax rate is expressed as a percentage of the estimated value. For example, if the tax rate is 2% and your propertys assessed value is \$200,000, your annual property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. 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Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property tax bill would be \$4,000. Understanding the Mill RateThe mill rate is a crucial factor in property ta \$0.001.To calculate your property tax bill using the mill rate and divide it by 1,000. For example, if your propertys assessed value is \$300,000 * 20) / 1,000 = \$6,000In this example, your annual property tax bill would amount to \$6,000. What Determines the Assessed Value of Your Property? The assessed value of your property is determined by the local governments assessor or appraiser. They consider various factors when evaluating the value of your property is determined by the local governments assessed value of your property is determined by the local governments assessor or appraiser. important to note that the assessed value may not necessarily reflect the market value of your property. The market value is the price your property would likely sell for in the current real estate market. However, some jurisdictions use a different approach. To ensure the accuracy of the assessed value, you can review the property assessment details provided by the assessment and provide evidence supporting your claim. Types of Property Taxes that you may have the option to appeal the assessment and provide evidence supporting your claim. Types of Property taxes that you may encounter, depending on your location. The most common types include: Real Property Tax: The standard property tax levied on real estate properties, including residential, commercial, and industrial property ax: Some jurisdictions also levy taxes on private property, such as vehicles, boats, and business equipment. Inheritance Tax: In some states, inherited properties may be subject to inheritance tax based on their value and the relationship between the deceased and the beneficiary. Transfer Tax: When you buy or sell a property, you may be required to pay a transfer tax, also known as a deed tax or conveyance tax. This tax is typically a percentage of the property sale price. Its essential to understand the specific types of property taxes applicable in your area to ensure compliance and budget accordingly. Who Collects Property taxes. Each jurisdiction has its tax collection process and deadlines. Its crucial to familiarize yourself with the local tax collection procedures to avoid penalties or late fees. Typically, property tax bills are mailed to property owners annually or semi-annually. The statements outline the due amount, payment date, and acceptable payment methods. Failure to pay property taxes on time can result in penalties, interest, or even a tax lien on your property. The new tax law in the United States, which limits the deductibility of property taxes can vary. (This site offers some hard numbers comparing median property taxes between states.) I'm wondering why property taxes vary so widely. I used to think it had to do with population density. The cost of maintaining e.g., a public road is more or less the same no matter how many people use it, and so if you have lots of people living and paying taxes on a street, each person should not have to pay much to maintain it. But that theory does not seem right because most densely populated states (e.g., New Jersey) also tend to have the highest property tax rates. I sense that another factor is the way local government was the county. There was only one police department, one school district, etc. for everyone in the county. I assume that part of the reason my taxes were lower under that model is that the municipal agencies were larger than they are where I currently live, where each town or village tends to have its own police department, one police chief, etc. That said, I doubt that the size and architecture of municipal governments can fully explain tax rate variations. If that were the only reason why people in some locations pay taxes that are ten times higher than those elsewhere with homes worth the same amount, then you'd think there would be enormous pressure to solve the inefficiencies by reorganizing the municipal governments. Obviously, the level of services provided by local governments also affects tax rates. If you don't have a professional fire department or a public library, for example, your taxes can be lower. But here again, this different doesn't seem large enough to explain the enormous variability in tax rates. (It's not as if no one living in low-tax states has public libraries or fire departments.) What other factors are at play in driving property taxes and regions seem to have such difficulty keeping property taxes and sales taxes that are imposed by a local municipality. State income taxes rates are a somewhat separate question.) Property taxes vary from city to city due to a combination of factors, and these variations come with both advantages and disadvantages and disadvantages and disadvantages and these variations come with both advantages and these variations come with both advantages and disadvantages and disadvantages and these variations come with both advantages and these variations come with both advantages and disadvantages are disadvantages and disadvantages and disadvantages are disadvantages and disadvantages and dis in setting tax rates that best suit their unique circumstances. Revenue Generation: Property taxes are a significant source of revenue for local governments, and variations in tax rates enable cities to generate the funds necessary to provide essential services such as education, public safety, infrastructure maintenance, and more. Fairness and Equity: Property taxes are often based on property values, which means that wealthier individuals with more valuable properties typically pay higher taxes. This progressive taxation system can be seen as fair and equitable because it distributes the tax burden based on an individuals ability to pay. Local Decision-Making: Varying property tax rates allows local governments to make decisions aligned with the values and expectations of their communities. Citizens can have a more direct influence on local officials who make decisions about tax rates and spending priorities. Economic growth and potentially increasing property values. This can lead to job creation and improved local economies. Accountability: Property tax variations enable citizens to hold their local governance. Local Solutions: Different cities have different priorities and needs. Property tax variations allow cities to allocate resources according to their budgets, whether they prioritize education, public safety, healthcare, or other services. Disadvantages of Varying Property taxes: Inequity Between Cities: Variations in property taxes can lead to significant differences in the tax burdens faced by residents in different cities. This can result in some residents paying substantially higher property tax rates might attract new residents and businesses, but they can also lead to underfunding of essential services and infrastructure, particularly in rapidly growing areas. This can create disparities in the quality of services between cities. Complex tax rates can make the tax system more complex and difficult for taxpayers to understand. It may also create challenges for individuals who own property tax rates can lead to disparities in the funding and quality of services such as education. This can result in uneven educational opportunities for children in different cities. Unpredictability, making financial planning more difficult. Potential for Abuse: Local officials could misuse their authority to set property tax rates, potentially favoring certain interest groups or making decisions that benefit their own political agendas rather than the needs of the community. The variation in property taxes from city to city has advantages in terms of local autonomy, revenue generation, fairness, and tailored solutions to local needs. However, it also comes with disadvantages related to potential inequities, economic disparities, complexity, and unpredictability. Striking a balance between local decision-making and the need for fairness and uniformity is a challenge that local governments must address when setting property tax policies. You buy a house. You love the kitchen. You can live with the outdated carpet. But then the property tax bill shows up and yikes. Your buddy two towns over is paying half as much for a house thats the same size. What gives? Yeah, property taxes can feel like a mystery wrapped in bureaucracy. But theres a rhyme to the reasonseveral. So lets pull the curtain back on why one homeowner gets a bill that feels like a gentle pat, while another feels like they just got hit with a frying pan. The Basics First: What Property Taxes Are Actually ForAt the core, property taxes are how local governments pay for stuff. Real stuff: Public schools Police and fire departments Roads, snow plows, trash pickup Libraries, parks, and rec centers Every county, city, and school district has bills to pay, and they count on property taxes as one of their biggest sources of income. But how much they needand how they decide to split the bill among residents around so much. Source: freepik.comReason #1: Local Budgets Are Wildly DifferentNot all towns run on the same kind of budget. One city might need \$500 million a year to run things, while a rural county down the highway operates on a fraction of that. Heres what drives that budget up: Large school districts with lots of students High demand for public services (transit, housing programs, safety nets)Big infrastructure needs (think: aging roads, bridges, public buildings)Now, if a local government needs more money to function, guess what? Theyre going to raise it from property owners. Thats where your bill starts ticking up. And heres the kicker: Even two neighboring cities can have wildly different priorities. One might be investing heavily in schools and social programs. The other might be more bare-bones. That local decision-making shows up directly in your property tax bill. Reason #2: Property Values Arent EqualYouve probably seen it before: a 3-bed, 2-bath in Kansas goes for \$180,000 while the same square footage in Palo Alto is seven figures, easy. And guess what the tax is based on? Yep. The value of the property.Lets say City A has an average home value of \$150,000, and it needs to raise \$15 million a year. They might set their tax rate (called a millage rate) at something like 1.5%. Now, City B, where average home values are \$600,000, only needs \$12 million. They can afford to set their rate lowersay, 1% or even less. Sample Comparison TableCityAvg Home ValueTax RateAvg Annual Property TaxCity 4\$150,0001.5%\$2,250City 4\$150,0001.5%2,250 impact on what youre charged. Reason #3: How Often Properties Are ReassessedHeres one of the sneakiest variables: reassessments. Some places reassess home values every year. Others? Every five. Some wait even longer, which means a home bought 15 years ago might still be taxed based on what it was worth in 2010. That affects fairness in a big way. If your city reassesses frequently, your tax bill stays more in line with current value. If reassessments are rare, long-time owners can end up paying way less than newcomers. This is a major issue in places like California, where Prop 13 limits how much a homes assessed value can increase per year. That keeps taxes low for people whove owned their homes a long time, but puts the burden more on newer buyers. So when you hear that someone is paying less than you, its not always that their home is worth less. It might just be that it hasnt been reassessed in ages. Source: freepik.comReason #4: Exemptions, Discounts & CapsThere are all kinds of carve-outs in property tax laws, and they can seriously shift the landscape. Some common ones: Homeowners over a certain age. Veterans Exemptions: Reduced taxes for eligible military veterans. Caps on Increases: Limits how much taxes can go up year-to-year. Florida, for instance, has Save Our Homes, which caps annual assessment increases at 3%. Texas has big homestead exemptions. In New York, STAR credits help with school taxes. The result? Two houses on the same street can pay very different taxes, just based on who lives in them and how long theyve owned them. Reason #5: School Districts Matter More Than You ThinkYour school district isnt just about where your kids go. Its one of the biggest drivers of property tax solution on property tax solution where your kids go. Its one of the biggest drivers of property tax bill is a school tax bill with extras. In New Jersey, for example, over 50% of the average property tax goes to public education. This is why people looking to sell house fast san diegooften cite taxes as a motivator. San Diego spans multiple school districts, each with different funding levels. Some are more aggressively funded through local taxes, making some neighborhoods costlier to stay in long-term. And dont forget: better-funded schools usually mean higher real estate prices, too. So higher taxes often tag along with higher home values. Reason #6: Local Politics and Voter ChoicesHeres something a lot of people dont realize: property tax rates often reflect local politics and Voter School levies. City councils pass new funding measures. Counties decide how much to charge for And those choices add up. In one city, residents might vote to increase taxes to improve school facilities or fund fire departments. Another city might lean toward cutting taxes and trimming services. Even bond issues, where the city borrows money for a project and pays it back through taxes, impact your bill. The more voters say yes to spending, the more your taxes will reflect that. So the difference in your bill might just be that people down the road are more (or less) willing to spend through taxation. Source: freepik.comSo What Can You Do About It? If your bill feels way too high, youre not powerless. Here are some real, practical moves you can make:1. Check Your Assessment or extra square footage that it doesnt have, you can challenge it.2. File an AppealMost counties have a formal process for appealing assessments. You usually need to do it within a tight window, so act quickly after getting your notice. Bring in compssimilar homes in your area with lower assessments evidence. Some folks even hire consultants who specialize in this. 3. Apply for Exemptions Dont leave money on the table. Look up what your city or county offers. Homestead exemptions alone can shave hundreds or even thousands off your bill.4. Move Across a Boundary LineIf youre looking to buy (or sell), research the tax rates by neighborhood, not just city. Even a half-mile move can put you in a different taxing district with a very different rate. Wrapping It Up: Its Not You. Its the System. You didn't screw up. You didn't screw up buy the wrong house. Property taxes just arent fair in the way people think they should be. Its a system built on local decisions, uneven values, political choices, and a patchwork of exemptions that favor some more than others. Once you know what youre looking at, it starts to make a lot more senseeven if it doesnt feel any better on your wallet. And if youre thinking about moving because of it? Do your homework upfront. Compare districts. Look into reassessment cycles. And if youre in an area like San Diego where the tax burden is getting out of hand, selling might make sense. Just make sure you talk to someone who knows how to move fast in that market. The new tax law in the United States, which limits the deductibility of property taxes, has highlighted just how much property taxes can vary. (This site offers some hard numbers comparing median property taxes between states.) I'm wondering why property taxes between states.) I'm wondering why property taxes can vary. the same no matter how many people use it, and so if you have lots of people living and paying taxes on a street, each person should not have to pay much to maintain it. But that theory does not seem right because most densely populated states (e.g., New Jersey) also tend to have the highest property tax rates. I sense that another factor is the way live, where each town or village tends to have its own police department, etc. If everything is organized at the county level, you only need to pay one school superintendent, one police chief, etc. That said, I doubt that the size and architecture of municipal governments can fully explain tax rate variations. If that were the only reason why people in some locations pay taxes that are ten times higher than those elsewhere with homes worth the same amount, then you'd think there would be enormous pressure to solve the inefficiencies by reorganizing the municipal governments. Obviously, the level of services provided by local governments also affects tax rates. If you don't have a states and regions seem to have such difficulty keeping property taxes affordable? (Note that I'm asking about local municipality. State income tax rates are a somewhat separate question.) LightFieldStudios / Getty Images/iStockphoto determine your overall housing costs. Though it would be nice if buying a house was just one all-inclusive payment, there are many sneaky additions to your homes price you need to consider in the long run. A property tax is one of the many responsibilities and expenses that come with owning a home. Counties, municipalities and school districts are just a few of the taxing bodies that rely on property taxes to fund their operations. Simply put, it is a charge levied by a local government for real estate or other personal property. The money collected from these taxes serves as the primary source of funding for local services in the U.S. and can vary widely depending on your location. Here are six things you need to know about property taxes. You probably know that you should pay your property taxes, but you might not know what happens if you dont. The penalties vary by city and state, but overall, you can eventually lose your property taxes. You probably know to pay your property taxes, but you might not know what happens if you dont. The penalties vary by city and state, but overall, you can eventually lose your property taxes. with a credit card, usually through a third party that helps facilitate that process. But remember just because you can doesnt mean you should. The payments they process. When youre paying a large bill like a property tax bill, that can really add up, especially if the fee outweighs any credit card rewards you might earn. Buying a home is an expensive process, but owning one can get you tax deductions, tax credits and tax rebates on your next tax bill. You can deduct what you paid in property taxes throughout the year when you file your federal income tax return. This tax break reduces the amount of tax you owe, and it can even help you qualify for a refund. Just dont forget to pay taxes by the tax deadline. Many mortgage companies make paying property taxes more manageable by paying 1/12 of your tax bill with each monthly mortgage payment. Just be sure to follow up every now and then to check that your tax bills are being made on time because you are trusting your lender to pay these bills on your behalf. In some cases, you might be tax-exempt when it comes to your property taxes. Tax exemptions vary by state and by local tax jurisdictions, and to find out if youre eligible, contact your local tax assessor for property tax information. Military veterans often qualify for exemptions. And residents of Smithtown, New York, for example, can get an exemption for building or renovating a home for a grandparent or elderly parent. Homestead exemptions reduce property taxes for all homeowners in a particular jurisdiction by sheltering a certain amount of a homes value from tax. These exemptions are considered progressive approaches because they provide the greatest tax relief to the homeowners who need it most. The way property taxes are calculator, but to get a more accurate answer, contact your local tax assessors office. They can give you the exact amount you might owe and can answer any questions you have. Getting an estimate proactively, before you purchase your home, can help you better understand if you can truly afford all the costs that come with a bill you cant afford, which could potentially lead to penalties and foreclosure. The bottom line is that lenders often roll property tax payments in with a mortgage, so in these cases, your property tax payments in with a mortgage, so in these cases, your property tax payments in with a mortgage, so in these cases, your property tax payments in with a mortgage, so in these cases, your property tax payments in with a mortgage, so in these cases, your property tax payments in with a mortgage, you will be responsible for paying your own property taxes. Property taxes are due annually, but some counties may allow you to pay in installments instead of one lump sum. If installments arent an option, you can deposit your monthly amount due to a high-yield savings account so it can earn interest until you pay your bill at the end of the year. Ultimately, to be fully prepared for your home purchase, learn as much as you can about property taxes by state and in your county. Property taxes can be a significant expense for your household, so its important to know what percentage of your budget will go toward them. Caitlyn Moorhead and Cynthia Measomcontributed to the reporting for this article. Reddit and its partners use cookies and similar technologies to provide you with a better experience. By accepting all cookies, you agree to our use of cookies, reddit may still ma use certain cookies to ensure the proper functionality of our platform. For more information, please see our Cookie Notice and usually involves analyzing budgets and crunching numbers. But the subject is of widespread interest especially if local officials are considering raising or lowering property taxes. Nearly everyone is affected, whether its the homeowners and business owners who pay the tax, the government officials who decide how the money will be used, or the residents who benefit from the government services the tax proceeds fund. Also referred to as millage taxes and ad valorem taxes, property taxes are levied on land, buildings and improvements made to property used for business purposes, including machinery, tools and furniture. Typically, tax rates are evied as the number of dollars owed personal property taxes are levied. \$1,000 of assessed value. Some local governments use mill units to express tax rates. A mill is equal to 1/10th of 1 cent andis charged onevery \$1 of assessed value or 50 mills. The U.S. Census Bureau reports that state and local governments collected an estimated \$119.4 billion in property-tax revenue during the first quarter of 2015. For many local governments, property taxes are a critical source of funding, yet community leaders are under constant pressure from the public and the business community to reduce taxes or limit increases even as property values fluctuate and the economy shifts and the need to in competition with better-off neighbors, and often must resort to raising fees or finding other sources of income. Tax-incremental financing is an increasingly popular tactic to fund infrastructure improvements, but research has shown that it brings with it substantial risk and can create conflicts of interest. As reporters explore issues related to property taxes, a 2015 study from the Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence offers valuable insights. For the past several years, these two organizations have co-produced an annual report titled 50-State Property Tax Comparison Study. The 2015 edition, based on 2014 data, compares effective property-tax rates (ETR) or the total tax divided by total value for four classes of property taxes and in the District of Columbia, as well as in the nations 50 largest cities and a rural area of each states largest city and in the District of Columbia, as well as in the nations 50 largest cities and a rural area of each states largest cities and a rural area of each state. The authors note that effective property taxes and the market value of individual properties by taking into account the effects of statutory tax provisions and local assessment practices. Among the reports key findings: In urban and rural areas, the average effective property tax rate in the United States is fairly consistent for homes valued at \$150,000 and \$300,000: It varies from 1.345% on less expensive homes in rural areas to 1.554% on more expensive homes in urban areas. But there is significant variation among regions of the country the highest urban rates were found in New Englandand the Midwest whilethe West and South tended to have lower rates. In rural areas, the highest rates were in New Englandand the Midwest whilethe West and South tended to have lower rates. taxes vary substantially across the United States. The chart below shows how certain urban cities ranked in terms of property taxes charged on homes valued at \$150,000 and \$300,000. Bridgeport, Conn., had the heftiest residential property-tax burden while Boston and Honolulu had the smallestamong the cities included in the analysis. Reporters should note that cities ranking atthe bottom tended to offer large homestead exemptions. For example, Honolulu offered an exemption of \$80,000 of a homes assessed value, according to the report. Cities with the highest effective commercial property tax rates were Detroit, New York, Chicago, Providence and Des Moines. The property taxes on a million in Cheyenne, which had the lowesttax burden in the analysis, was \$8,309. Tax rates on business property in New York City and Boston wereat least four times higher than those for homes. The report offers extensive details about property in New York City and Boston wereat least four times higher than those for homes. The report offers extensive details about property in New York City and Boston wereat least four times higher than those for homes. The report offers extensive details about property in New York City and Boston wereat least four times higher than those for homes. The report offers extensive details about property in New York City and Boston wereat least four times higher than those for homes. The report offers extensive details about property in New York City and Boston wereat least four times higher than those for homes. The report offers extensive details about property in New York City and Boston wereat least four times higher than those for homes. more reliant on property taxes than others, and residents and business owners pay taxes and fees that vary tremendously from place to place. Some locations have relatively high property tax options significantlydifferent property taxes, even if the same property tax rate is applied. As journalists consider other angles to cover, here are othersamples of useful studies on property taxes: What Property tax rate is applied. As journalists consider other angles to cover, here are othersamples of useful studies on property taxes: What Property tax Limitations Do to Local Finances: A Meta-AnalysisMartin, Isaac W. UCLA Institute for Research on Labor and Employment working paper, 2015. Abstract: Since California voters approved a state constitutional amendment to limit property tax levy. Prior studies of the fiscal impact of property tax levitation on local government come to mixed conclusions. This study summarizes the literature with meta-regression analyses of the effect of property tax limitation on per capita property tax revenues, and total local governments are unable to circumvent limitations on property tax increases. Property tax limitations reduce property tax revenues. They may lead to compensatory increases in other taxes, but on average such increases in other taxes, but on average such increases do not fully make up for the foregone property tax revenue, and the net impact of a property tax limitation is therefore substantial fiscal constraint in the local public sector. By reducing the taxation of wealth and the spending on locally provided public services, property tax limitation may have a variety of perverse consequences for social life. Homeowners, Renters and the Political Economy of Property TaxationBrunner, Eric J.; Ross, Stephen L.; Simonsen, Becky K. Regional Science and Urban Economics, July 2015, Vol. 53. doi: 10.1016/j.regsciurbeco.2015.04.001.Abstract: Studies find that renters are more supportive of public spending that is financed by the property tax than homeowners, a finding commonly refer property taxation over other forms of taxation. We test that hypothesis using detailed micro-level survey data that contains voter responses to pay higher property taxes to fund public services and their willingness to pay higher sales taxes to fund public services. Using a difference-in-difference setimation strategy, we find first that renters are approximately 10 to 18 percentage points more likely than homeowners to favor a property tax increase over a sales tax increase of a renter effect. However, these results are not driven by the survey responses of renters and homeowners reveals that renters are indifferent between a property tax increase and either a sales tax or state income tax increase, while homeowners strongly oppose a property tax is not eroded by including controls for income and other demographics as might be expected if these differences were driven by economic incentives. Finally, an examination of the variation in tax burden created by Proposition 13 in California shows no evidence that homeowner aversion to the property tax increases with the homeowners relative tax burden. These findings of homeowner aversion to property taxes are consistent with recent work suggesting that salience matters when voters evaluate taxes, but also suggest that increased salience does not necessarily lead to more careful consideration of individual tax burdens. The Effect of Administrative Pay and Local Property Taxes on Student Achievement Scores: Evidence from New Jersey Public SchoolsMensah, Yaw M.; Schoderbek, Michael P.; Sahay, Savita P. Economics of Education Review, June 2013, Vol. 34. doi: 10.1016/j.econedurev.2013.01.005. Abstract: We theorized that student test score performance will be positively related to the percentage of school district revenues raised from local taxes and with salary levels of school district administrators. Using both fixed and random effects panel analyses, we examine data for 217 Kindergarten-to-Grade 12 school funds raised locally have a positive influence on student test scores. However, the results for our hypothesis involving administrative costs were mixed. Administrative salaries and administrative spending were found to be positively related to test score performance in the one-way time fixed effects model, but not in the two-way models. Finally, classroom spending and the studentfaculty ratio were found to be positive and significant in some of the tests, although not robust to alternative specifications. Keywords: Property tax, ad valorum, millage rate, state funding, education funding, tax system, police, tax increase The new tax law in the United States, which limits the deductibility of property taxes, has highlighted just how much property taxes can vary. (This site offers some hard numbers comparing median property taxes between states.) I'm wondering why property taxes vary so widely. I used to think it had to do with population density. The cost of maintaining e.g., a public road is more or less the same no matter how many people use it, and so if you have lots of people living and paying taxes on a street, each person should not police department, one school district, etc. for everyone in the county. I assume that model is that the municipal agencies were larger than they are where I currently live, where each town or village tends to have its own police department, fire department, etc. If everything is organized at the county level, you only need to pay one school superintendent, one police chief, etc. That said, I doubt that the size and architecture of municipal governments can fully explain tax rate variations. If that were the only reason why people in some locations pay taxes that are ten times higher than those elsewhere with homes worth the same amount, then you'd think there would be enormous pressure to solve the inefficiencies by reorganizing the municipal governments. Obviously, the level of services provided by local governments also affects tax rates. If you don't have a professional fire department or a public library, for example, your taxes can be lower. But here again, this different doesn't seem large enough to explain the enormous variability in tax rates? Why do some states and regions seem to have such difficulty keeping property tax rates? Why do some states and regions seem to have such difficulty keeping property taxes affordable? (Note that I'm asking about local property taxes, which could also be interpreted to include income taxes and sales taxes that are imposed by a local municipality. State income tax rate in the country but that doesn't mean low local taxes. (Photo byAndr Natta via Flickr) Property tax rates vary widely from city to city. But why? For the past five years, the Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence have co-produced a report ranking effective property tax rates for residential, commercial and industrial properties in over 100 U.S. cities in all 50 states. This years report looks to the underlying causes of those differences for the first time, identifying four key factors that help explain the variance. The two most crucial are a citys property values and the extent to which cities rely on the property taxes and tend to have lower rates. A city with lower property values would need a higher tax rate to raise as much revenue as a city with higher property ownership over others impact property tax rates to a lesser extent. In general, all else equal, cities with greater public expenditures will need higher property tax rates. When tax codes favor homeownership by offering lower tax rates than on commercial or non-owner will pay more. Understanding these four factors is crucial to explaining why a high property tax rate alone doesnt necessarily translate to high taxes. The report compares Bridgeport, Connecticut, and Birmingham, Alabama. Among the large cities in the report to high taxes. The report compares Bridgeport has the highest property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median valued home that is, the highest tax bill as a percent of a property tax reliance and the highest effective tax rate on a median value and tax reliance market value. Birmingham on the other hand has the fifth-lowest effective tax rate but also the fourth-lowest reliance on the property taxes, they pay comparatively little in other way around in Birmingham. As a result, total local taxes in Birmingham are much higher than in Bridgeport, despite lower property taxes approximately \$2,429 in Birmingham compared to \$1,914 in Bridgeport, per capita. The difference in property taxes among cities with the highest and lowest median home values in the study \$848,8000 in S.F. compared to \$41,900 in Detroit. The average property tax bill on a median valued home in the large cities studied is \$3,093. To raise that amount from a median valued home in Detroit would require an effective tax rate more than 20 times higher than it would be in San Francisco: a rate of 7.25 percent versus a rate of .36 percent. In reality though, Detroits effective tax rate is less than four times higher than S.F.s 3.14 percent compared to 8.3 percent meaning that San Francisco collects more than five times more in property values tend to result in lower tax rates and more revenue for public services. Level of local government spending is another, though less impactful, factor determining effective property tax rates. A number of factors drive rates of local spending, including the number of school-age children in need of education and the crime rate, which could dictate greater police spending. Cities with a higher cost of living will need to pay higher wages to local government employees. All else equal, cities with higher spending will also need to have higher property tax rates. Under classified property tax systems, many cities and states offer lower effective tax rates to certain types of property, usually benefiting homeowners over business or apartment owners. In New York City, for example, commercial buildings and apartments are taxed at a much higher percentage of market value than owner-occupied residences. Hence New Yorks tax rate on median valued homes is the seventh-lowest of all studied, but its apartment tax rate is the highest in the study and commercial property tax system that is relatively regressive. Renters dont pay property tax directly, but they do pay indirectly as landlords pass the cost off in the form of higher rents. Because renters have on average lower incomes than homeowners, this can result in a much higher burden on renters. Other factors are more ambiguous. Sometimes greater state spending will limit California in the 1970s. These limits come in many forms, but typically restrict the growth of a property salse as property salse, meaning that a homeowner in Long Beach, California, whose property is worth \$440,900 will pay 40 percent more in taxes if they recently purchased their home than if theyve owned it for 14 years. The report, which includes the full effective tax rate rankings for residential, commercial and industrial properties, is an update to a 2014 report. The data is drawn from the largest city in each state and D.C. plus Aurora, Illinois, and Buffalo, New appeared in Philadelphia Magazine, High Country News online, and the Anchorage Press. She is currently a student of radio production at the Salt Institute of Documentary Studies. See her work atjakinney.com. Follow Jen. (JavaScript must be enabled to view this email address) Homeowners in Jacksonville, Florida, saw the largest property tax disparities in the nation last year due to assessment limits, according to a new study from the Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence. According to a new study from the Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence. According to a new study from the Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence. higher than the owner of an equally valued home in the city that was purchased in 2010. Jacksonville is not alone: it is one of 30 cities in the report affected by parcel-specific assessment limits. Produced annually, the compare property taxes among cities by calculating the effective tax rate: the tax bill as a percentage of a propertys market value. Data are available for 74 large US cities and a rural municipality in each state, with information on four different property types (homestead, commercial, industrial, and apartment properties), and statistics on both net tax bills and effective tax rates. The study found that the average effective tax rate on a median-valued homestead was 1.32 percent in 2022 for the largest city in each state, with Bridgeport, Connecticut, Aurora, Illinois, Newark, and Detroit all having effective tax rates at least two times higher than the average. Conversely, seven cities have tax rates that are half of the study average or less: Honolulu Boston, Denver, Salt Lake City, Boise, Charleston, South Carolina, and Cheyenne, Wyoming. The report also finds significant variations across cities in commercial property taxes, which include taxes on office buildings and similar properties. In 2022, the effective tax rate on a commercial property worth \$1 million averaged 1.836 percent across the largest cities in each state. The highest rates were in Detroit and Chicago, where effective tax rates remain more than twice that average in Cheyenne, Boise, Charlotte, Seattle, and Honolulu. The data highlighted in the report have important implications for cities because the property tax is a key part of the package of taxes and public services that affects cities competitiveness and quality of life. This analysis of how and why property taxes vary significantly across the United States allows for meaningful comparisons and more informed decision making by policymakers. The report is available for download on the Lincoln Institute website: Lead image: Miami, Florida. Credit: xbrchxvia iStock/Getty Images Plus. Property taxes can be a major expense for households, and several factors may affect the size of the bill, research shows. These levies, which typically fund public services, such as K-12 education, police and firefighters, can be tough to compare across jurisdictions. But there are four key reasons for differences: property tax reliance, property tax rel public transportation network," said Katherine Loughead, a senior policy analyst with the Center for State Tax Policy at the Tax Foundation. "In other communities, residents are less interested in the expense of public amenities but instead want to pay lower taxes." Property tax is "really instrumental" as a local revenue source, but Loughead stressed that every community has different priorities and budgeting goals. "With property taxes, it's pretty simple stuff," said Richard Auxier, senior policy associate at the Urban-Brookings Tax Policy Center. "But there are just so many variables." For example, there may be state restrictions on property tax growth or relief programs for certain residents, such as elderly, disabled or veteran homeowners. This is why your next-door neighbor's property tax bill can be so different from yours, Auxier explained. "When you turn the knobs to different points, you get different outcomes." Generally, cities tend to have more expensive property tax rates if there's high property tax reliance, low property values or more robust local government spending, the report concludes. The report analyzed the effective tax rate, or taxes as a percentage of a property's market value, for more than 100 cities to better understand these variances. The calculation also included factors such as exemptions and credits. These are the five highest effective property tax rates on a median-value home in 2022:Detroit: 3.21%Newark, New Jersey: 3.20%Aurora, Illinois: 3.04%Bridgeport, Connecticut: 3.04%Portland, Oregon: 2.59%The average effective tax rate for median-value homes was 1.32% in 2022, based on the report's analysis of the largest city in each state. Of course, cities with high effective tax rates can still have relatively low property tax bills, based on home values. For example, Los Angeles and Wichita, Kansas, have a similar effective tax rate of around 1.16%. But Los Angeles homeowners have significantly higher property tax bills due to much higher median home values.