Comments on Banzhaf, Mickey, and Patrick
Age-Based Property Tax Exemptions

John E. Anderson
University of Nebraska and the Lincoln Institute of Land Policy

January 17, 2019
Age-based property tax preferences are common, but may not be justified.

- Age-based preferences are implicitly based on the assumption that the elderly are liquidity-constrained and face difficulty paying local property taxes.
Age-based property tax preferences are common, but may not be justified.

- Age-based preferences are implicitly based on the assumption that the elderly are liquidity-constrained and face difficulty paying local property taxes.

- This assumption ignores several realities, including: the increasing prevalence of wealthy elderly, the existence of reverse mortgages, etc. (See the photo of Warren Buffet’s home in Omaha on the next slide. Not all elderly need a tax preference just because of their age.)
Age-based property tax preferences are common, but may not be justified.

- Age-based preferences are implicitly based on the assumption that the elderly are liquidity-constrained and face difficulty paying local property taxes.
- This assumption ignores several realities, including: the increasing prevalence of wealthy elderly, the existence of reverse mortgages, etc. (See the photo of Warren Buffet’s home in Omaha on the next slide. Not all elderly need a tax preference just because of their age.)
- In a more cynical view, age-based property tax preferences may also reflect successful collective action by a large and growing voting group.
There are two key innovations in this research.

- First, the assembly of an amazing 100-year Georgia Property Tax Database, covering local jurisdictions over the period 1913-2013. BMP use the data over the period 1970-2010 for this analysis.
There are two key innovations in this research.

- First, the assembly of an amazing 100-year Georgia Property Tax Database, covering local jurisdictions over the period 1913-2013. BMP use the data over the period 1970-2010 for this analysis.

- Second, this is the first research group to throw a quad here at the NTA meetings! That is, to use a “quadruple differences” methodology. They use differences between older and younger; owners and renters.
There are two key innovations in this research.

- First, the assembly of an amazing 100-year Georgia Property Tax Database, covering local jurisdictions over the period 1913-2013. BMP use the data over the period 1970-2010 for this analysis.

- Second, this is the first research group to throw a quad here at the NTA meetings! That is, to use a “quadruple differences” methodology. They use differences between older and younger; owners and renters.

  Table 1 illustrates their identification strategy.
Table 1: Summary of Identification Strategy for the Homeowner Effect

<table>
<thead>
<tr>
<th></th>
<th>Renter</th>
<th>Owner</th>
<th>Difference (Owner-Renter)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young</td>
<td>$\gamma_4$</td>
<td>$\gamma_4 + \gamma_5$</td>
<td>$\gamma_5$</td>
</tr>
<tr>
<td>Older</td>
<td>$\gamma_4 + \gamma_6$</td>
<td>$\gamma_4 + \gamma_5 + \gamma_6 + \gamma_7$</td>
<td>$\gamma_5 + \gamma_7$</td>
</tr>
<tr>
<td>Difference</td>
<td>$\gamma_6$</td>
<td>$\gamma_6 + \gamma_7$</td>
<td>$\gamma_7$</td>
</tr>
</tbody>
</table>

The four upper, left cells represent four jurisdiction-year difference-in-differences for the four demographic categories shown (young renters, young owners, older renters, and older owners). The bottom rows for the first two columns and right-most column for the first rows represent triple differences. The lower-right represents the quadruple difference.
Two statistical regularities are evident in the data:

- School districts are much more likely to grant age-based property tax exemptions than are other local government jurisdictions.
Two statistical regularities are evident in the data:

- School districts are much more likely to grant age-based property tax exemptions than are other local government jurisdictions.

- The prevalence of age-based exemptions has increased over time.
Two statistical regularities are evident in the data:

- School districts are much more likely to grant age-based property tax exemptions than are other local government jurisdictions.

- The prevalence of age-based exemptions has increased over time.

- These two observations suggest a collective action rationale (a la Mancur Olson) may lie in the background, explaining the origin, continuance, and growth of age-based preferences.
The results appear to be surprisingly large, but interpretation is difficult with the quad-diff estimates:

- Reductions in the user cost of housing due to age-based property tax exemptions seem unlikely to cause such large impacts on both the extensive and intensive margins.
The results appear to be surprisingly large, but interpretation is difficult with the quad-diff estimates:

- Reductions in the user cost of housing due to age-based property tax exemptions seem unlikely to cause such large impacts on both the extensive and intensive margins.

- Interpretation of the quadruple-diff estimates is non-transparent. It would help the reader to provide assistance in interpreting the magnitude of the effects that are found.
The results appear to be surprisingly large, but interpretation is difficult with the quad-diff estimates:

- Reductions in the user cost of housing due to age-based property tax exemptions seem unlikely to cause such large impacts on both the extensive and intensive margins.

- Interpretation of the quadruple-diff estimates is non-transparent. It would help the reader to provide assistance in interpreting the magnitude of the effects that are found.

- Of course, these computations do not take into consideration the general equilibrium effects of such changes. A much more comprehensive structural model will be needed for that.