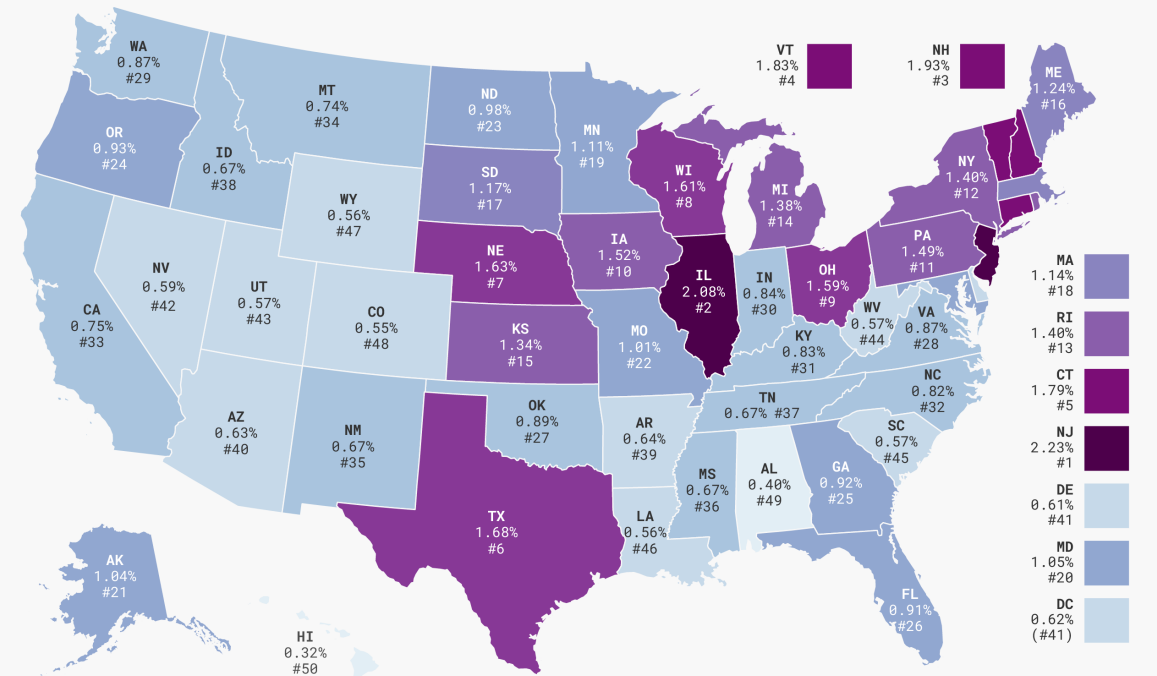


Property Tax Trends

1. Property taxes make up 72% of local tax revenue.
2. Nationally, housing values \uparrow 33.6% through 2022 (considerably higher now)
3. People are paying more (median property tax bill \uparrow 14.3%)
4. In 2022, in real terms, property tax collections \downarrow 5.5% vs. 2019
5. People are paying more, and government is collecting less—inflation, not tax hikes (aggregate)

How High Are Property Taxes in Your State?

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value, 2021



Note: The figures in this table are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.
Sources: U.S. Census Bureau, "2021 American Community Survey"; Tax Foundation calculations.

Property Tax Limit Typology

Overall Constraints

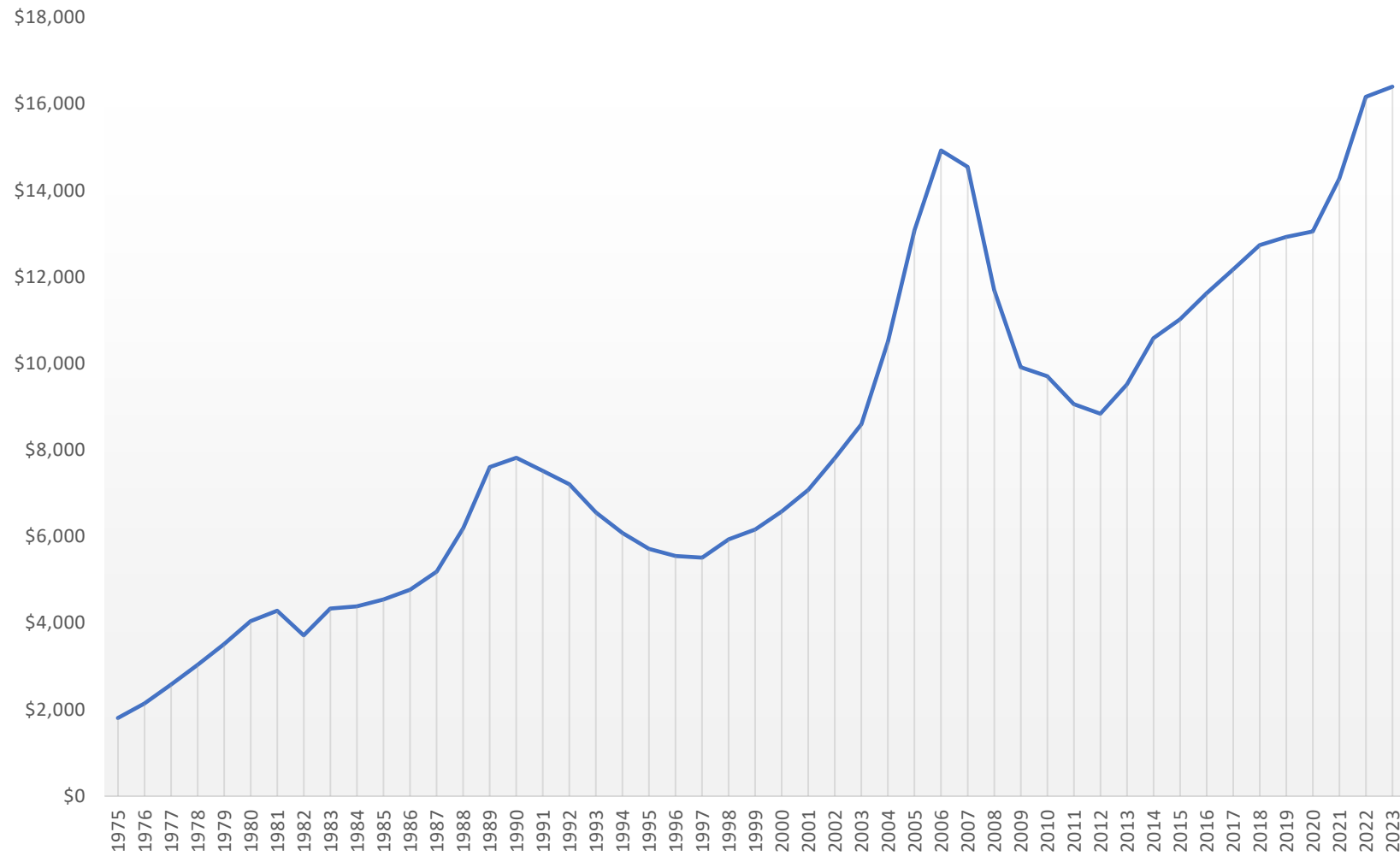
- Rate Limits
- Levy Limits
- **Assessment Limits**

Other Mechanisms

- Homestead Exemptions
- Tax Rebates or Swaps
- Circuit Breakers

The Effects of Assessment Limits

Current Property Tax on an LA Home Worth \$1M in 2023, By Acquisition Year



Annual Property Tax
if acquired in...

- 1975: \$1,803
- 1985: \$4,544
- 1995: \$5,715
- 2005: \$13,088
- 2015: \$11,023
- 2023: \$16,400**

Sources: U.S. Federal Housing Finance Agency; State of California Department of Finance; Tax Foundation calculations. Uses All-Transactions House Price Index to set acquisition price by year and applies Prop 13 limitations (the lesser of CA CPI-U or 2%) for each year.

States with Assessment Limits

- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- District of Columbia
- Florida
- Georgia
- Hawaii
- Iowa
- Louisiana
- Maryland
- Michigan
- New Mexico
- New York
- Oklahoma
- Oregon
- South Carolina
- Texas

Assessment Limits and Housing

- Shifts tax burdens onto newer (and younger) homeowners, making the tax cost of housing less affordable for those who may be the most income-restricted
 - Tax capitalization may be limited or uneven
 - May deter new construction much as impact fees do
- Creates lock-in effect that discourages relocation or renovation
 - Affects both downsizing and upsizing
 - If new construction is constrained by other factors (e.g., permitting or land use restrictions), or lots are limited, this creates incentives to build bigger—making it even more detrimental if older stock doesn't recirculate

Multiple Possible Effects

- To the extent that property taxes are capitalized into home values, lower taxes (through *any* limits) may increase home acquisition prices, though long-run costs should still be lower
- However, not all limits will have the same effect, and an *overall* effect cannot tell us what the effect is on *new* properties or new market entrants
- To the extent that reduced tax collections also reduce service provision, this can also reduce home prices—though mileage may vary on whether this is a win for affordability

Multiple Possible Effects

Impact of Property Tax Limits on Home Value, Hoyt 2010

Table 5 ■ Impacts of alternative types of property tax limits.

Dependent Variable	<i>HPI</i>		Δ <i>HPI</i>		<i>Permits</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>HPI</i> _{<i>t</i>-1}	0.8935*** (78.50)	0.8945*** (78.70)				
<i>Permits</i> _{<i>t</i>-1}					0.6543*** (32.40)	0.6558*** (32.60)
<i>Limit, Property Tax</i> _{<i>t</i>-1}		3.6516*** (2.61)		3.7985*** (2.62)		0.7079 (1.64)
<i>Rate Limit</i> _{<i>t</i>-1}	1.6733 (0.92)	1.2978 (0.72)	0.3194 (0.17)	-0.0530 (-0.028)	0.1187 (0.21)	0.0485 (0.087)
<i>Revenue Limit</i> _{<i>t</i>-1}	2.8963* (1.95)		2.5157 (1.63)		0.4404 (0.96)	
<i>Assessment Limit</i> _{<i>t</i>-1}	-0.8993 (-0.54)	-2.1952 (-1.29)	-1.5912 (-0.92)	-2.8980 (-1.64)	-0.3053 (-0.60)	-0.5448 (-1.04)
<i>Year Fixed Effects</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>State Fixed Effects</i>	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,173	1,173	1,173	1,173	1,173	1,173
<i>R</i> ²	0.9343	0.9345	0.5062	0.5081	0.7499	0.7503

Notes: *t* statistics are in parentheses. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. All regressions include income per capita, the poverty rate, population, population growth rate, homeownership rate, earnings per work, the unemployment rate, percent African-American, percent Hispanic, percent under the age of 19 and percent over the age of 65.

Effects on Home Prices:

Levy Limit

+1.7%

Assessment Limit

Negative but not statistically significant