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State Programs and Practices for Reducing Residential Property Taxes

by
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The AARP Public Policy Institute, formed in 1985, is part of the Policy and Strategy Group at AARP. One of the missions of the Institute is to foster research and analysis on public policy issues of importance to mid-life and older Americans. This publication represents part of that effort.

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Background

States and localities face the challenge of collecting property and other tax revenues for financing public services and programs, while not creating unduly high tax burdens, especially for lower-income households. Of all local government revenue sources, the one relied on most heavily is the local property tax. On average, for fiscal year 2000, local property taxes constituted almost three-fourths (72%) of all local taxes and almost half (44%) of all local general revenues (not including federal aid).[1]

From 1972 to 1994, the U.S. Advisory Commission on Intergovernmental Relations (ACIR) conducted public opinion surveys on attitudes towards governments and taxes. For 20 of those years, the survey included a question asking respondents to choose which tax was the least fair among four common taxes--the property tax, the federal income tax, the state income tax, and the state sales tax. Respondents ranked the local property tax as the least fair tax in eight of the 20 years.[2]

States and localities have a variety of programs and methods that reduce property taxes to homeowners and (in many states) renters. Chief among property tax relief programs are homestead credits, circuit breakers, homestead exemptions, and property tax deferral programs. Second, many states have established various kinds of caps, limits, or freezes on assessed property values, property tax rates, or total property taxes. Third, many state assessment laws result in residential property owners paying lower property tax bills than other property owners because of differences in how property is valued or in property tax rates.

Purpose

As state legislatures continue to grapple with budgetary shortfalls, state and local tax issues become very important concerns. Over the years, state legislatures have proposed laws that enhance existing property tax relief programs or create new ones. However, before expanding existing property tax relief programs or introducing new ones, policymakers might find it useful to compare their state programs with those in other states.

Moreover, when comparing and examining state programs and practices for reducing property taxes, it becomes clear that property taxes can, in some cases, be very complex. Retirees wanting to relocate, for instance, may face great challenges in comparing property tax burdens among states.

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[1] U.S. Department of Commerce, Bureau of the Census. http://www.census.gov/govs/estimate/00sl00us.html.

[2] U.S. Advisory Commission on Intergovernmental Relations, *Changing Public Attitudes on Governments and Taxes*, Reports S-1 to S-23, (Washington, DC: 1972-1994).

This paper serves as a guide to understanding how state laws, practices, and programs reduce property taxes for residential homeowners (owner-occupied households) and renters. It was written for state policymakers, retirees, assessing officials, and others who want to know the factors that influence how residential property tax liabilities can vary among the states.

Principal Findings

A. Property Tax Relief Programs

Fourteen states and the District of Columbia offer homestead credit programs. Of the 14 states, three (Indiana, Massachusetts, and Mississippi) offer some combination of homestead credits and homestead exemptions.

Thirty-five states and the District of Columbia have circuit breaker programs. All but 10 of the 35 states offer circuit breaker programs to both homeowners and renters; nine of the 10 states offer circuit breaker programs only to homeowners, whereas Oregon offers a circuit breaker program that is targeted to renters only.

Forty states and the District of Columbia provide homestead exemptions. Compared to other property tax relief programs, the property tax deferral program is the least widely available: only 24 states and the District of Columbia offer such programs.

The Arkansas circuit breaker program was abolished and replaced with a new homestead credit program in 2001. Besides the new Arkansas homestead credit program, Massachusetts and New Hampshire have established new circuit breaker programs (2001 and 2002 respectively), and Colorado has implemented a new homestead exemption program (2002).

B. Property Tax Limits, Caps, or Freezes

Forty-two states and the District of Columbia alleviate or shift property tax burdens through freezing or limiting assessed property values, property tax rates, or property taxes. Of 42 states with property tax limits, 31 have tax rate limits, 20 and the District of Columbia have caps on increases in assessed property values, and 23 have limits on property taxes. Nine states have only tax rate limits and assessed property value limits; seven states have only limits on both tax rates and total taxes; three states (Illinois, Michigan, and Minnesota) have limits only on assessed property values and property taxes, and seven states (Arizona, Louisiana, Montana, New Mexico, South Dakota, Texas, and Washington) have limits on tax rates, assessed property values, and total taxes.

Eleven states have freezes on assessed property values or property taxes targeted to homeowners age 61 or older. Of the eleven states, four (Arkansas, New Jersey, South Dakota, and Washington) also offer the same freezes to the disabled. Nine of the eleven states also have income requirements to be eligible for the freezes; only Arkansas and Texas have no income requirements.

Since the year 2000, Arizona, Arkansas, the District of Columbia, and New Mexico passed new caps or limits on assessed property values; Montana (2001) and Washington (2002) passed new limits on annual increases in property taxes.

C. Property Assessments and Property Tax Rates

For the year 2000 (for which data are available), eighteen states use lower legal assessment levels for residential property than for commercial or industrial property for calculating property taxes. This practice results in shifting the tax burden from residential to other property owners. Seven states and the District of Columbia shift the tax burden from residential to other property classes by applying lower property tax rates to residential homeowners, compared to other property owners.

Conclusions

When comparing and examining state and local programs and practices for reducing property taxes, it becomes clear that property taxes can, in some cases, be very complex. Property taxes can change for a number of reasons, including the frequency of property assessment, the imposition of caps or limits on annual increases of assessed property values, the imposition of caps on property tax rates, and statutory or constitutional assessment levels.

Homeowners wanting to compare property tax burdens of homes in different communities should not only consider current actual property tax liabilities, but also think about how property taxes could change over time. Moreover, homeowners need to discover and compare the various types of available property tax relief programs that they may be eligible for to get a more accurate picture of their property tax liability. This paper shows that states have a myriad of programs and practices for reducing property taxes that may not be well known to the general public.

State Programs and Practices for Reducing Residential Property Taxes

Introduction

States and localities face the challenge of collecting property and other tax revenues for financing public services and programs, while not creating unduly high tax burdens, especially for lower-income households.

Of all local government revenue sources, the one relied on most heavily is the local property tax. On average, for fiscal year 2000, local property taxes constituted almost three-fourths (72%) of all local taxes and almost half (44%) of all local general revenues (not including federal aid).[1] Property taxes are stable and are primarily a local tax. Therefore, property taxes provide localities with more control over how they spend their monies, allowing the flexibility to respond to citizen needs as they develop. In contrast, state monies in many cases come with various rules about how the money should be spent, resulting in less flexibility and control by localities over these funds.

As for other tax sources, 35 state governments allow one or more localities to collect local general sales taxes. Local general sales taxes made up 12 percent of all local taxes collected in fiscal year 2000. Local personal income taxes are less common--only seven states allow one or more localities to tax both earned and unearned income.[2] Of all local taxes collected, only five percent came from local personal income taxes in fiscal year 2000.[3]

From 1972 to 1994, the U.S. Advisory Commission on Intergovernmental Relations (ACIR) conducted public opinion surveys on attitudes towards governments and taxes. For 20 of those years, the survey included a question asking respondents to choose which tax was the least fair among four common taxes--the property tax, the federal income tax, the state income tax, and the state sales tax. Respondents ranked the local property tax as the least fair tax in eight out of the 20 years.[4] In addition to being unpopular, property taxes are often considered regressive and can be the single most burdensome tax for many low-income and older homeowners.

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[1] U.S. Department of Commerce, Bureau of the Census. http://www.census.gov/govs/estimate/00sl00us.html.

[2] Arkansas, Georgia, Indiana, Iowa, Maryland, Michigan, and New York.

[3] U.S. Department of Commerce, Bureau of the Census. http://www.census.gov/govs/estimate/00sl00us.html.

[4] U.S. Advisory Commission on Intergovernmental Relations, *Changing Public Attitudes on Governments and Taxes*, Reports S-1 to S-23, (Washington, DC: 1972-1994).

In a study comparing the regressivity of property taxes for the older (age 65 and older) and younger (under age 65) populations, Andrew Reschovsky compared single-year data on property tax burdens with data based on a 12-year period.[5] Previous studies had usually collected data for only a single year, but Reschovsky examined a longer period "because incomes tend to fluctuate substantially from year to year."[6]

Based on a single year of sample data, Reschovsky found the property tax to be regressive for both younger and older households, but more so for the latter. However, based on 12 years of data, he found that property tax burdens for younger homeowners were essentially proportional across income classes, while still regressive for older homeowners. In addition, Reschovsky found that older homeowners face higher property tax burdens than younger homeowners with identical average incomes. This is partially explained by the fact that, on average, older homeowners live in higher-value homes than younger homeowners with similar incomes.[7] This is probably because the homes of older persons have appreciated more due to a longer period of ownership. Moreover, in general, older homeowners have less income when they retire than during their working years.

States and localities have a variety of programs and methods that reduce property taxes to homeowners and (in many states) renters. Chief among property tax relief programs are homestead credits, circuit breakers, homestead exemptions, and property tax deferral programs. Second, many states have established various kinds of caps, limits, or freezes on assessed property values, property tax rates, or total property taxes. Third, many state assessment laws result in residential property owners paying lower property tax bills than other property owners because of differences in how property is valued or in property tax rates.

This paper is a guide for understanding how state laws, practices, and programs reduce property taxes for residential homeowners (owner-occupied households) and renters. State and local policymakers, assessors, and residential property owners can all benefit from this information.

Property Tax Relief Programs

Property tax relief programs vary in their eligibility requirements. Some are open only to homeowners; others are open to homeowners and renters. Some restrict eligibility by income, age, ownership status (homeowner or renter), disability status, or assets. Property tax relief programs help alleviate property tax burdens through tax credits, homestead exemptions, or through tax deferrals. The following section describes statewide programs including those that are local-option programs.

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[5] Reschovsky, Andrew. *Do the Elderly Face High Property Tax Burdens*? (Washington, DC: AARP, May 1994, p. 4).

[6] Ibid., p.2.

[7]Reschovsky, Andrew. *Do the Elderly Face High Property Tax Burdens*? (Washington, DC: AARP, May 1994, pp. ii, iii, and 11).

Homestead Credit and Circuit Breaker Programs

State governments offer two types of property tax credit programs--homestead credits and circuit breaker programs. In this paper, "homestead" refers to owner-occupied residential property. Homestead credit programs offer the same property tax credits to all eligible households (see Appendix Tables B-1 and B-2). For example, New Jersey offers a tax credit of $90 to all homeowners and $100 to all renters under age 65 whose income is $40,000 or less (homeowners) or $100,000 or less (renters).

Fourteen states and the District of Columbia offer homestead credit programs. Of the 14 states, three (Indiana, Massachusetts, and Mississippi) offer some combination of homestead credits and homestead exemptions. Eight offer these credits to homeowners of all ages. Five of the 14 states (Connecticut, Delaware, Tennessee, Utah, and Virginia) and the District of Columbia offer credits only to homeowners age 65 and older (or disabled for Connecticut, Tennessee, Utah, and Virginia). Starting in 2001, Arkansas homeowners of all ages were eligible to receive a $300 homestead credit.

In contrast, states also offer *circuit breaker programs* whereby tax credits or homestead exemptions decrease as income increases.[8] Therefore, the tax credit or homestead exemption changes, depending on income, for eligible households. Most of these circuit breaker programs are limited to low- and moderate-income homeowners and renters (see Appendix Tables A-1 and A-2). Circuit breaker programs usually relieve the property tax burden by setting income thresholds, such as three percent of income, which property taxes cannot exceed (subject to a maximum tax credit). Homeowners or renters whose property taxes are above the threshold receive a rebate of some or all of their property taxes.

Thirty-five states and the District of Columbia have circuit breaker programs. Of the 35 states, five (Nebraska, New York, North Dakota, Ohio, and Washington) offer homestead exemptions available statewide that act as circuit breakers (homestead exemptions decrease as income increases). These five states are also classified as homestead exemptions (see page five of this report).[9] The other 31 states and the District of Columbia offer tax credits.[10] All but 10 of the 35 states[11] offer circuit breaker programs to both homeowners and renters; nine of the 10 states offer circuit breaker programs only to homeowners, whereas Oregon offers a circuit breaker program that is targeted to renters only. The District of Columbia also offers tax credits to homeowners and renters. California, Hawaii, Indiana, Massachusetts, New Jersey, and

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[8] Some references define circuit breakers as property tax credits that decrease as income increases. However, we choose also to include in the defintion of circuit breakers, programs in which homestead exemptions decrease as income increases.

[9] These four states are described in Appendix Table A-1 and Appendix Table B-2.

[10] North Dakota offers a homestead exemption to homeowners and a tax credit to renters. New York offers a tax credit that is available statewide and a homestead exemption that is available as a local option.

[11] Hawaii, Idaho, Nebraska, New Hampshire, Ohio, Oklahoma, Oregon, South Dakota, Washington, and Wyoming.

Wisconsin offer state income tax deductions or credits to eligible renters that are not circuit breaker programs, since the credit or deduction amount does not vary with taxpayer income (see Appendix Table C-1).

Most state circuit breaker programs are targeted to homeowners at least 55 years of age (more commonly age 65 and older) or disabled homeowners. Only 11 states[12] and the District of Columbia offer programs to homeowners of all ages (not including special population groups, such as the disabled). Of the 11 states, five (Connecticut, Maine, Michigan, Montana, and New York) offer one or more programs that are more generous to households age 65 and older than to younger households.[13]

Starting in tax year 2001, Massachusetts began offering a circuit breaker program to qualified homeowners and renters. Qualified homeowners must be age 65 and older and have income of $41,000 or less (single filers) or $61,000 or less (married, filing jointly). To qualify, the assessed value (before exemptions but after abatements) of a homeowner's principal residence cannot exceed $412,000. The maximum refundable tax credit against income taxes is $385.

Starting on July 1, 2002, New Hampshire began offering a circuit breaker program to homeowners. Qualified homeowners must have an income of $20,000 or less (single filers) or $40,000 or less (married). The maximum refundable tax credit can equal up to the total amount owed for the state education property tax.

Homestead Exemptions

Homestead exemptions are reductions in the amount of assessed property value subject to taxation for owner-occupied housing. The value of the tax reduction depends not only on the exemption amount but also on the assessment level. As shown in Table 1, homeowners #1 and #2 have the same homestead exemption and fair market values. However, homeowner #1 receives a greater tax reduction than homeowner #2 because of the lower legal assessment level. The assessment level is a percentage that is multiplied by the fair market value to calculate the assessed property value.

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[12] Connecticut, Maine, Maryland, Michigan, Minnesota, Montana, New Hampshire, New York, Vermont, Wisconsin, and Wyoming.

[13] Maryland offers the same benefit to renters of all ages. However, renters under age 60 must have a dependent under age 18 to qualify.

Table 1
Comparison of Homestead Exemptions with
Different Assessment Levels

	Fair Market Value	Assessment Levels	Assessed Value	Homestead Exemption	Taxable Value*	Effective Exemption*
Homeowner #1	$100,000	20%	$20,000	$10,000	$10,000	50%
Homeowner #2	$100,000	80%	$80,000	$10,000	$70,000	12.5%

*Taxable value equals the product of the fair market value multiplied by the assessment level minus the homestead exemption. The effective exemption equals the homestead exemption divided by the assessed value.

Forty states and the District of Columbia provide homestead exemptions (see Appendix Tables B-1 and B-2). This includes five state programs (Nebraska, New York, North Dakota, Ohio, and Washington) that we classify as both homestead exemptions and circuit breaker programs (see Appendix Table A-1 and Appendix Table B-2), since the homestead exemptions phase out as income increases. It also includes three states (Indiana, Massachusetts, and Mississippi) that offer some combination of homestead credit and homestead exemption programs. In addition, Utah and Montana reduce residential property values by a prescribed percentage rather than a dollar amount. However, even though Utah and Montana label these reductions as residential exemptions, we do not consider them as homestead exemptions, since they function more like assessment levels in calculating assessed or taxable property values.

In contrast to circuit breaker programs, which primarily target homeowners age 55 or older, half of state homestead exemption programs and the District of Columbia provide exemptions to homeowners of all ages. Six states (Colorado, Delaware, Kentucky, New Hampshire, North Carolina, and West Virginia) offer them only to households age 65 and older (or disabled for Delaware, Kentucky, North Carolina, and West Virginia). Nine states [14] offer exemptions only to special population groups, such as disabled veterans. Of those states that offer programs to all ages, 10 provide more generous benefits to homeowners age 65 and older than to younger homeowners[15]. Further, unlike most circuit breaker programs, which offer rebates to homeowners as well as renters, no homestead exemption directly benefits renters.

Starting in property tax year 2002, Colorado homeowners age 65 and older who have owned and lived in their homes for at least 10 consecutive years are eligible for a homestead exemption equal to one-half the fair market value (up to $200,000) as determined by the assessment date.

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[14] Michigan, Montana, Nevada, Oregon, Rhode Island, South Dakota, Utah, Vermont, and Wyoming.

[15] Alabama, Alaska, Florida, Georgia, Hawaii, Illinois, Indiana, New York, South Carolina, and Texas.

Property Tax Deferral Programs

Property tax deferral programs allow homeowners (mainly older and disabled homeowners) to postpone payment of all or a portion of their property taxes until the sale of their property or death (see Appendix Table D-1). The deferred property taxes become a lien against the value of the home. With most programs, homeowners must reapply each year to defer the next year's property tax bill. The state will charge the homeowner an interest/finance charge against the amount of property taxes deferred. This charge will accrue as part of the lien remaining against the property and will not actually be billed to the homeowner.

Compared to other property tax relief programs, the deferral program is the least widely available: only 24 states and the District of Columbia offer such programs. Of the 24 states, only two (Florida and Pennsylvania) and the District of Columbia offer such programs to all homeowners; other programs are offered to homeowners age 60 or older, to the disabled, or to SSI (Supplemental Security Income) recipients.

Awareness and Usage of Property Tax Relief Programs

Although most states offer property tax relief programs, many potential beneficiaries may be unaware of these programs. According to a nationwide 1996 AARP telephone survey of its members who might qualify, about two-thirds of the respondents were aware of homestead exemption programs, three in ten were aware of property tax credit programs (homestead credit and circuit breaker programs), and one-fifth were aware of property tax deferral programs. But, of those who were aware of and eligible for a program, only a small proportion said they applied for these programs: homestead exemptions (26%), property tax credits (8%), and property tax deferral programs (1%).[16]

When eligible respondents were asked why they did not apply for property tax relief programs, two in five said they did not need the assistance, and one quarter said they were not aware of the program. However, two-fifths of all eligible respondents who did not apply said they would apply if they were given information or assistance with the application process.

Various government entities administer property tax relief programs, including local assessors' offices. Local assessing officials can address complaints about high property taxes due to high assessments or high tax rates by providing eligible households with information on how to apply for property tax relief programs.

Property Tax Limits, Caps, or Freezes

Forty-two states and the District of Columbia alleviate or shift property tax burdens through freezing or limiting assessed property values, property tax rates, or property taxes (see Appendix Table E-1). For instance, in Texas, school property taxes were frozen for homeowners age 65

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[16] Baer, David. *Awareness and Popularity of Property Tax Relief Programs* (Washington, DC: AARP, February 1998, p. 8).

and older. Only Connecticut, Hawaii, Kansas, Maine, New Hampshire, Tennessee, Vermont, and Virginia do not have statewide limits.

Unlike property tax relief programs that homeowners have to apply for, property caps or limits on assessed property values, property tax rates, and property taxes are usually automatic and require no application. Therefore, many homeowners may be unaware of these limits.

Of 42 states with property tax limits, 31 have tax rate limits, 20 and the District of Columbia have caps on increases in assessed property values, and 23 have limits on property taxes. Nine states have only tax rate limits and assessed property value limits[17]; seven states have only limits on both tax rates and total taxes[18]; three states (Illinois, Michigan, and Minnesota) have limits only on assessed property values and property taxes; and seven states (Arizona, Louisiana, Montana, New Mexico, South Dakota, Texas, and Washington) have limits on tax rates, assessed property values, and total taxes.

Starting in 2001, three states established new limits. First, Arkansas caps assessed property values to no more than five percent per year for homeowners under age 65. Second, New Mexico limits assessed property values to an increase of no more than three percent since the prior year or an increase of up to 6.1 percent compared to two years ago (whichever is higher).[19] Third, Montana local governments (not including school districts) can increase property taxes by no more than one-half of the average inflation rate for the prior three years.

Starting in 2002, the state of Washington caps annual increases in property taxes at no more than one percent or inflation (whichever is less). Starting in 2003, for property assessed in 2002, the District of Columbia limits growth in residential assessed property values to 25 percent per year.

Some property tax limits apply to individual homeowners, some apply to local taxing districts, and some are statewide. Some caps apply only to school property taxes or only to non-school taxes. In many states, voter approval can override these property caps. Moreover, many states allow bonded indebtedness and new construction or additions to existing property to be exempted from these caps.

When property tax caps (or percentage limits) apply to taxing districts, individual tax liabilities are not constrained by the same percentage, resulting in individual tax bills that may increase or decrease by a greater percentage than the taxing district percentage limits. This can be illustrated in the case of Idaho. Taxing districts within Idaho must restrict annual increases in property tax revenue to three percent. Taxing districts first compare total property taxes from the previous year with expected total property taxes for the current year; they are not permitted to

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[17] Arkansas, California, Florida, Georgia, Iowa, Ohio, Oklahoma, Oregon, and South Carolina.

[18] Colorado, Indiana, Massachusetts, Nevada, New Mexico, Pennsylvania, and West Virginia.

[19] New Mexico's limitation does not apply to a county with a property tax value to sales price ratio of less than 85 percent.

certify a budget that includes more than a three percent increase in property taxes. Because assessed property values can change, the property tax rate, which is the property tax budget divided by total assessed values, can change. This will occur any time assessed values change at a different rate than property tax budgets.

Idaho's three percent cap can be further illustrated with the following example. Table 2 shows four hypothetical homeowners whose assessed property values have increased from five to 25 percent from 1999 to 2000 for a city tax district. We are assuming total assessed property values for the city tax district at $1 billion (1999) and $1.15 billion (2000), an increase of 15 percent.

Since the tax district collected $5 million in 1999 in property taxes (at a property tax rate of 50 cents per $100 of assessed value), it is only allowed to collect $5.15 million in 2000 (an increase of three percent). However, because assessed property values increased from $1 billion to $1.15 billion, the tax district tax rate would decrease to about 44.8 cents per $100 of assessed value (a reduction of 10.4 percent) in order to collect $5.15 million.

Table 3 compares property tax liabilities for 1999 and 2000. Table 3 clearly shows that even though aggregated taxes for the city tax district were capped at three percent, all four homeowners experienced property tax increases or decreases that differed from three percent. Even though the three percent cap does not directly apply to individual homeowners, all homeowners still benefit if total property taxes collected do not increase by more than three percent because of reductions in the property tax rate.

Table 2
Assessed Property Values of Homeowners

	1999 Assessed Property Values	**Annual Percentage Increase in Property Values**	**2000 Assessed Property Values**
Homeowner #1	$100,000	5	$105,000
Homeowner #2	$150,000	12	$168,000
Homeowner #3	$200,000	20	$240,000
Homeowner #4	$250,000	25	$312,500

Table 3
Property Tax Liabilities of Homeowners

	1999 Property Tax Liabilities	**2000 Property Tax Liabilities***	**Percent Change in Property Taxes from 1999-2000**
Homeowner #1	$500	$470	-6.0
Homeowner #2	$750	$752	0
Homeowner $3	$1,000	$1,075	+7.5
Homeowner #4	$1,250	$1,399	+12.0

*The property tax rate equals 44.8 cents per $100 of assessed value.

Unlike many property tax relief programs, most property caps or limits have no age or income requirements. However, in 2000, eight states[20] have freezes on assessed property values or property taxes targeted to homeowners age 61 or older. Of the eight states, three (New Jersey, South Dakota, and Washington) also offer the same freezes to the disabled. Seven of the eight states also have income requirements to be eligible for the freezes; only Texas has no income requirements. Moreover, six of the eight states[21] have freezes affecting all property taxes. Georgia freezes assessed property values affecting state and county taxes, and Texas freezes only school property taxes.

Starting in 2001, three more states (Arizona, Arkansas, and New Mexico) have a freeze on assessed property values for a total of 11 states that either freeze assessed property values or property taxes for homeowners age 61 or older. First, Arizona homeowners age 65 and older whose income is 400 percent of Supplemental Security Income (SSI) or less (single) or 500 percent of SSI (two or more persons, including a married couple[22]) or less and who have lived in their primary residence at least two years, could apply for a freeze on the full cash value of their primary residence. Second, in Arkansas, assessed property values cannot increase for homeowners age 65 and older or disabled. Third, assessed values are frozen for New Mexico homeowners age 65 and older whose household income is $18,000 or less.

In some states, the effect of limiting assessed property values can create inequities between existing and new property owners. For example, in Michigan, individual property values cannot annually increase for tax purposes by more than five percent or the rate of inflation (whichever is less). If property fair market values increase each year by more than five percent, new homeowners pay higher and higher property taxes over time than existing homeowners for similar property.

Similar to Michigan, Oregon also limits annual growth in assessed property values for tax purposes (three percent a year). However, Oregon helps prevent inequities between existing and new property owners: instead of assessing properties at the fair market value when a property is sold, assessed property values equal the assessment ratio (the ratio between the assessed value and the sales price of a property) times the fair market value of the property. For example, for the city of Portland, the residential assessment ratio equals 72.2 percent for the year 2000. A house valued at a fair market value of $100,000 would have a taxable value of $72,200 (72.2 percent times $100,000) instead of a taxable value of $100,000.

Some states, such as Maryland and Virginia, have truth-in-taxation laws requiring local taxing districts to hold a public hearing(s) and provide notice(s) of such a hearing to homeowners, if those districts want to collect higher property taxes because of higher assessed values of existing property. Because voter approval is not necessary for granting the increase,

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[20] Georgia, Illinois, Louisiana, New Jersey, Oklahoma, South Dakota, Texas, and Washington.

[21] Illinois, Louisiana, New Jersey, Oklahoma, South Dakota, and Washington.

[22] At least one of the two persons or more must be at least age 65 to qualify for the freeze.

we do not consider these states to have caps or limits on property taxes. Therefore, they are not included in Appendix Table E-1.

Property Assessments and Property Tax Rates

Generally, localities calculate property taxes by first estimating the fair market value of a property. Localities then multiply the fair market value by a percentage--known as the legal assessment level, or fractional assessment, or assessment ratio--to calculate the assessed or taxable property value (the term "assessment level" will be used throughout the rest of the paper). The assessed or taxable property value is then multiplied by the property tax rate (also sometimes known as the millage rate whereby one mill equals one tenth of a cent) to calculate property tax liability. Many localities determine the tax rate by dividing the dollars to be raised (based on the budget) by the aggregate assessed value. In many states, portions of the property tax are allocated to various taxing districts, i.e., schools, counties, cities, townships, and special districts.

States can reduce assessment levels to lower property taxes; however, in many cases, states may simply raise tax rates to compensate for low assessment levels (unless state law prevents localities from raising tax rates—see Appendix Table E-1).

Eighteen states[23] use lower legal assessment levels for residential property than for commercial or industrial property for calculating property taxes. This practice results in shifting the tax burden from residential to other property owners. Table F-1 shows how statutory assessment levels differ among residential, commercial, and industrial property owners for the most populous cities of each state and the District of Columbia. Table F-1 reports statutory or constitutional assessment levels that are used; assessment levels only take into account actual assessment ratios[24] when states are required to use them for calculating taxable property values. For example, Oregon uses actual assessment ratios in calculating taxable property values for new homeowners.

For most states, assessment ratios are not directly used for calculating property taxes; however, some state laws require assessors to reassess property if assessment ratios are below a prescribed value, such as 80 percent. Assessment ratios can significantly vary from actual sales values, especially if a locality has not reassessed property in many years. For example, Newark, New Jersey has not (until 2002) reassessed property for about 30 years. This has resulted in assessment ratios of 13.4 percent (year 2000) and 11.82 percent (year 2001) as well as a relatively high nominal property tax rate of $24.95 per $100 of assessed value for the year 2000.

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23 Alabama, Arizona, Colorado, Illinois, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, New York, North Dakota, South Carolina, Tennessee, Utah, Vermont, and Wyoming.

24 Assessment ratios compare samples of assessed property values to the sales price of properties (or to independent appraisals of properties) for evaluating how close assessed property values are to the fair market value. For example, if the assessment ratio equals 90 percent, it means, on average, that assessed property values are 90 percent the value of actual fair market values.

The effective tax rate would be 3.3 percent, not 24.95 percent, because of the 13.4 percent actual ratio of assessed value to the market value.

Seven states[25] and the District of Columbia shift the tax burden from residential to other property classes by applying lower property tax rates to residential homeowners, compared to other property owners (see Table F-2). Property tax rates for residential, commercial, and industrial properties range from $0.37 per $100 of assessed value (Honolulu, HI) to $49.38 per $100 of assessed value (Fargo, ND). Because assessment ratios were not readily available, effective property tax rates that relate the fair market value to taxable value were not calculated for this paper.

Conclusions

When comparing and examining state and local programs and practices for reducing property taxes, it becomes clear that property taxes can, in some cases, be very complex. For example, a homeowner living in a home in city A may want to know if he or she would be paying lower property taxes for a home in city B. Let us assume that the fair market values of both homes are equal. Not only should a homeowner compare the actual property taxes for both homes, he or she should also consider what happens to property taxes over time. Property taxes could change for a number of reasons, including the frequency of property assessment, the imposition of caps or limits on annual increases of assessed property values, the imposition of caps on property tax rates, and statutory or constitutional assessment levels. Moreover, a homeowner would need to discover and compare the various types of available property tax relief programs.

This paper is intended to serve as a useful guide to policymakers and others by describing the factors that influence how property tax liabilities can vary among the states.

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25 Massachusetts, Michigan, Missouri, New Mexico, Ohio, South Dakota, and West Virginia.

Appendix A

Table A-1
Circuit Breaker Programs for Homeowners: 2002

State	Eligible Homeowners	Maximum Eligible Income	Maximum Benefit
Arizona	Age 65 and older	$3,750 (single) $5,500 (married couples, filing jointly)	$502
California*	Age 62 and older, blind or disabled	$37,119	$473
Colorado	Age 65 and older, disabled, or surviving spouse age 58 and older	$11,000 (single) $14,700 (married couples, filing jointly)	$600
Connecticut	Age 65 and older, disabled, or surviving spouse age 50 and older All ages	$25,400 (single) $31,100 (married couples, filing jointly) No income cap	$1,000 (single) $1,250 (married couples, filing jointly) $500*
District of Columbia	All ages	$20,000	$750
Hawaii	Age 55 and older	$20,000	$500
Idaho	Age 65 and older, veterans, disabled, blind, or surviving spouses	$20,750	$1,200
Illinois	Age 65 and older or totally disabled	$21,218 (1-person household); $28,480 (2-person household); $35,740 (3-person household)	*
Iowa	Age 65 and older or disabled	$17,588	$1,000
Kansas	Age 55 and older, disabled, or with dependent children	$25,000	$600

*See notes at end of table.

State	Eligible Homeowners	Maximum Eligible Income	Maximum Benefit
Maine*	Age 62 and older, or disabled age 55 and older All ages	$11,600 (single with no dependents) $14,400 (someone with a spouse or dependents) $29,100 (single with no dependents) $45,100 (someone with a spouse or dependents)	$400 $1,000
Maryland*	All ages	None*	*
Massachusetts*	Age 65 or older	$42,000 (single) $63,000 (married, filing jointly)	$790
Michigan	All ages	$82,650	$1,200
Minnesota	All ages	$81,600	$1,530
Missouri	Age 65 and older or disabled or age 60 and older receiving surviving spousal Social Security benefits	$25,000 (single) $27,000 (married couples, filing jointly)	$750
Montana	Age 62 and older All ages*	$45,000 $16,824 (single) $22,432 (married couples, filing jointly)	$1,000 *
Nebraska	Age 65 and older Disabled	$25,700 (single)* $30,300 (married couples, filing jointly)* $28,300 (single)* $32,600 (married couples)*	* *
Nevada	Age 62 and older	$23,538	$500*
New Hampshire	All ages	$20,000 (single) $40,000 (married couples)	Total tax credit from the state education property tax

*See notes at end of table.

State	Eligible Homeowners	Maximum Eligible Income	Maximum Benefit
New Jersey	Age 65 and older or disabled	$100,000	$790
New Mexico	Age 65 and older	$16,000*	$250
New York	All ages Age 65 and older	$18,000* $28,899	$375 (age 65 and older) $75 (under age 65) Up to the first 50% AV, L
North Dakota	Age 65 and older or disabled	$14,000*	$2,000 taxable value
Ohio	Age 65 and older or disabled	$24,100	$5,000 AV
Oklahoma	Age 65 and older or disabled	$12,000	$200
Pennsylvania	Age 65 and older, disabled, or surviving spouses age 50 and older	$15,000	$500
Rhode Island	Age 65 and older or SSDI recipients*	$30,000	$250
South Dakota	Age 65 and older or disabled* Age 65 and older or disabled*	$9,750 (single) $12,750 (multiple-member household) $5,758 (single) $7,765 (multiple-member household)	35% of taxes due (single); 55% of taxes due (multiple-member household) 35% of *municipal* taxes due (single); 55% of *municipal* taxes due (multiple-member household), L*
Utah	Age 65 and older or widowed	$23,879	*
Vermont	All ages All ages	$47,000 $88,000	None *
Washington	Age 61 and older or disabled	$30,000	*
West Virginia	Age 65 and older	$5,000	$125

AV=Assessed Value
L=Local Option
*See notes at end of table.

State	Eligible Homeowners	Maximum Eligible Income	Maximum Benefit
Wisconsin	All ages	$24,500	$1,160
Wyoming	All ages	180% of the federal poverty level*	50% of taxes paid the prior year or $500 (whichever is less)

AV=Assessed Value
L=Local Option
SSDI= Social Security Disability Income
**Notes:*

Connecticut – Connecticut offers a circuit breaker program whereby residents of all ages and incomes are eligible for an income tax credit of up to $500 off their real estate or car tax.
Illinois – The maximum benefit equals property taxes exceeding 3.5 percent of income, but not to exceed $700 less 4.5 percent of such income for a household income of $14,000 or less.
Maine – All homeowners whose income is less than $29,100 (single with no dependents) or $45,100 (someone with a spouse or dependents) and whose property taxes are more than four percent of their household income are eligible for a property tax refund of up to $1,000. Homeowners age 62 and older, or age 55 and older, and disabled and whose income is less than $11,600 (single with no dependents) or $14,400 (someone with a spouse or dependents) can qualify for a property tax refund of up to $400 without meeting the four-percent threshold requirement for eligibility. However, homeowners who do meet the four-percent threshold are eligible for a property tax refund of up to $1,000.
Maryland – The net worth of homeowners cannot exceed $200,000 (excluding the homestead itself). The maximum benefit is up to taxes paid on the first $150,000 of assessed value.
Massachusetts – Starting in tax year 2001, Massachusetts began offering a circuit breaker program to qualified homeowners and renters. To qualify, the assessed value (before exemptions but after abatements) of a homeowner's principal residence cannot exceed $425,000.
Montana – The property tax rate is reduced by 80 percent for the maximum tax benefit. The property tax rate reduction applies only to the first $100,000 of taxable value. To qualify for this benefit, homeowners must occupy their home at least seven months of the year.
Nebraska – In addition to the income ceiling requirement, in order to qualify for the program, the homestead value for homeowners age 65 and older cannot exceed $95,000, or 150 percent of the county's average assessed value (whichever is greater), plus $20,000. The maximum homestead exemption benefit for homeowners age 65 and older equals $40,000 assessed value or 80 percent of the county's average assessed value (whichever is greater). For disabled homeowners, the maximum homestead exemption cannot exceed $110,000 assessed value, or 175 percent of the county's average assessed value (whichever is greater) plus $20,000. The maximum homestead exemption for disabled homeowners equals $50,000 assessed value, or 100 percent of the county's average assessed value (whichever is greater).
Nevada - The maximum benefit equals 90 percent of tax owed up to $500.
New Mexico – The income ceiling is $25,000 or less for Sandoval County residents, compared to $16,000 for all other counties.
New York – The fair market value for all real properties cannot exceed $85,000 for eligibility for the statewide circuit breaker program. Public subsidized housing is not eligible for the statewide circuit breaker program.
North Dakota – Assets may not exceed $50,000 (excluding the first $80,000 of the homestead's market value).
Rhode Island – If sufficient state monies are available, homeowners and renters under age 65 can also apply to receive full or partial credit.
South Dakota – Homeowners must have owned the property for which the refund is claimed for at least three years or have been a state resident for five years for the statewide program. The local option program requires homeowners to have owned and resided for at least five years in the property for which the reduction is claimed.

Utah – The maximum benefit equals a $637 tax credit plus an additional credit equal to the tax on 20 percent of the fair market value.
Vermont – The maximum benefit applied toward school property taxes for homeowners whose income is $88,000 or less is either a $15,000 homestead exemption, or the amount of school property taxes that exceed a factor (from 2.0% to 4.5%) multiplied by their household income (whichever is greater).
Washington – The maximum benefit equals up to 60 percent of total assessed value or $50,000 assessed value (whichever is greater).
Wyoming – In addition to the 180 percent of the federal poverty level, the income ceiling changes based on the cost of living for a particular county.

Source: Telephone survey of state legislative offices, state departments of revenue, state comptrollers offices, and state treasury offices.

Table A-2
Circuit Breaker Programs for Renters: 2002

State	Eligible Renters	Maximum Eligible Income	Maximum Benefit
Arizona	Age 65 and older	$3,750 (single) $5,500 (married couples, filing jointly)	$502
California	Age 62 and older, blind or disabled	$37,119	$348
Colorado	Age 65 and older, disabled, or surviving spouse age 58 and older	$11,000 (single) $14,700 (married couples, filing jointly)	$600
Connecticut	Age 65 and older, disabled, or surviving spouse age 50 and older All ages	$25,400 (single) $31,100 (married couples, filing jointly) No income cap	$700 (single)* $900 (married couples)* $500*
District of Columbia	All ages	$20,000	$750
Illinois	Age 65 and older or disabled	$21,218 (1-person household); $28,480 (2-person household); $35,740 (3-person household)	*
Iowa	Age 65 and older or disabled	$17,588	$1,000
Kansas	Age 55 and older, disabled, or with dependent children	$25,000	$600
Maine*	Age 62 and older, or disabled age 55 and older All ages	$11,600 (single with no dependents) $14,400 (someone with a spouse or dependents) $29,100 (single with no dependents) $45,100 (someone with a spouse or dependents)	$400 $1,000

*See notes at end of table.

State	Eligible Renters	Maximum Eligible Income	Maximum Benefit
Maryland	Age 60 and older, disabled, or with dependents	None	$600
Massachusetts*	Age 65 or older	$42,000 (single) $63,000 (married, filing jointly)	$790
Michigan	All ages	$82,650	$1,200
Minnesota	All ages	$44,020	$1,250
Missouri	Age 65 and older or disabled or age 60 and older receiving surviving spousal Social Security benefits	$25,000 (single) $27,000 (married couples, filing jointly)	$750
Montana	Age 62 and older	$45,000	$1,000
Nevada	Age 62 and older	$23,538	$500*
New Jersey	Age 65 and older or disabled	$100,000	$790
New Mexico	Age 65 and older	$16,000*	$250
New York	All ages	$18,000*	$375 (age 65 and older) $75 (under age 65)
North Dakota	Age 65 and older or disabled	$14,000	$240
Oregon*	Age 58 and older	$10,000	$2,100
Pennsylvania	Age 65 and older, disabled, or surviving spouses age 50 and older	$15,000	$500
Rhode Island	Age 65 and older or SSDI recipients*	$30,000	$250
Utah	Age 65 and older or widowed	$23,879	$637
Vermont	All ages	$47,000	None
West Virginia	Age 65 and older	$5,000	$125
Wisconsin	All ages	$24,500	$1,160

SSDI= Social Security Disability Income

**Notes:*

Connecticut – Renters can receive up to $700 (single) or $900 (married couples), depending on their annual income and annual rent and utilities.
Illinois – The maximum benefit equals property taxes (equal to 25 percent of rent) exceeding 3.5 percent of income, but not to exceed $700 less 4.5 percent of such income for a household income of $14,000 or less.
Maine – All renters whose income is less than $29,100 (single with no dependents) or $45,100 (someone with a spouse or dependents) and whose rent is more than 22 percent of household income are eligible for a property tax refund of up to $1,000. Renters age 62 and older, or age 55 and older and disabled, and whose income is less than $11,600 (single with no dependents) or $14,400 (someone with a spouse or dependents) can qualify for a property tax refund of up to $400 without meeting the four-percent threshold requirement for eligibility. Renters who do meet the four-percent threshold are eligible for a property tax refund of up to $1,000.
Massachusetts – Starting in tax year 2001, Massachusetts began offering a circuit breaker program to qualified homeowners and renters. To qualify, the assessed value (before exemptions but after abatements) of a homeowner's principal residence cannot exceed $425,000.
Nevada – The maximum benefit is 90 percent of the tax owed up to $500.
New Mexico – The income ceiling is $25,000 or less for Sandoval County residents, compared to $16,000 for all other counties.
New York – The fair market value of all real properties cannot exceed $85,000.
Oregon – Rent assistance equals the difference between the yearly rent paid (up to $2,100) and 20% of the yearly household income. Renters ages 58 to 64 with household assets exceeding $25,000 cannot qualify for assistance.
Rhode Island – If sufficient state monies are available, homeowners and renters under age 65 can also apply to receive full or partial credit.

Source: Telephone survey of state legislative offices, state departments of revenue, state comptrollers offices, and state treasury offices.

Appendix B

Table B-1
Homestead Exemption and Credit Programs Without Income Eligibility Requirements: 2002

State	Eligible Homeowners	Maximum Homestead Exemption or Credit
Alabama	All ages Over age 65	$4,000 AV (state taxes) and $2,000 AV (county taxes)* Full exemption (state taxes)
Alaska	Age 65 and older, disabled veterans or surviving spouses over age 60 All ages	$150,000 AV $10,000 AV, L
Arizona	All ages	*
Arkansas	All ages	$300
California	All ages Disabled veterans	$7,000 AV $100,000 AV*
Colorado	Age 65 and older*	50% of the fair market value (up to $200,000)
Connecticut	Age 65 and older or disabled	L*
Delaware	Age 65 and older	50% tax credit or $500 (whichever is less) on school property taxes, L
District of Columbia	All ages	$30,000 AV
Florida	All ages Widows, blind, and disabled Totally disabled veterans	$25,000 AV $500 AV Full exemption
Georgia	All ages Disabled veterans residing in an independent or county school district	$2,000 AV from state, county, and school property taxes, except for school taxes levied by municipalities and bonded indebtedness $8,000 AV from state, county, school, municipal, and special district taxes $43,000 AV from state, county, municipal, and school property taxes

AV=Assessed Value; L=Local Option; *See notes at end of table.

State	Eligible Homeowners	Maximum Homestead Exemption or Credit
Hawaii	Under age 55 Age 55 and older Disabled, blind, hearing impaired Fully disabled veterans	$40,000 AV * $25,000 AV to full exemption Full exemption if owner-occupied
Idaho	All ages	$50,000 AV or 50% of AV, whichever is less, for residential improvements
Illinois	All ages All ages Age 65 and older Disabled veterans	$3,500 or $4,500 (Cook County) AV Up to a $45,000 exemption for the fair cash value that was added to the homestead property by any new improvement* $5,500 or $7,000 (Cook County) AV Up to $58,000 AV on a specially adapted home purchased with federal funds
Indiana	All ages	*
Iowa	All ages	$4,850 AV
Kansas	All ages	$2,300 AV or $20,000 fair market value for school property taxes
Kentucky	Age 65 and older or disabled	$26,800 AV
Louisiana	All ages	$7,500 AV*
Maine	All ages Blind WWI veterans age 62 and older and WWI widows of veterans age 62 and older Other veterans age 62 and older and other widows of veterans age 62 and older Disabled (paraplegic) and dependents	$7,000 AV $4,000 AV $7,000 AV $5,000 AV $47,500 AV

AV= Assessed Value; *See notes at end of table.

State	Eligible Homeowners	Maximum Homestead Exemption or Credit
Massachusetts	Age 70 and older or surviving spouse Blind Disabled (paraplegic)	$2,000 AV or $175 (whichever is greater)* $5,000 AV or $437.50 (whichever is greater); local option up to $500 Full exemption
Michigan	Certain disabled veterans	Full exemption
Minnesota	All ages	*
Mississippi	Under age 65 Age 65 and older or disabled	$300 tax credit* $7,500 AV*
Nevada	Disabled veterans Widows, orphans, and veterans Blind	Up to $15,000 AV $1,000 AV Up to $3,000 AV
New Jersey	Age 65 and older	Income tax deduction equal to property taxes paid up to $10,000 or a $50 tax credit (whichever is a higher tax break)
New Mexico	All ages	$2,000 AV
New York	All ages Qualifying veterans	$30,000 AV for school property taxes* Exemption (local option) on 15% of AV to a maximum of $12,000 if they served during wartime*
North Carolina	Disabled veterans	$38,000 AV
Ohio	All ages	12.5% of property taxes
Oklahoma	All ages	$1,000 AV
Oregon	Disabled veterans or surviving spouses Service-connected disabled veterans or surviving spouses	$9,013 AV $12,020 AV

AV= Assessed Value
L=Local Option
*See notes at end of table.

State	Eligible Homeowners	Maximum Homestead Exemption or Credit
Pennsylvania	All ages Fully disabled veterans with service-related disability	L* Full exemption
Rhode Island*	Veterans Blind	$1,000 AV $18,000 AV
South Carolina	All ages Age 65 and older, disabled, or blind Paraplegics and disabled veterans	$100,000 fair market value* $50,000 fair market value Full exemption for the homestead and the value of the land up to one acre
South Dakota	Paraplegic veterans with specially adapted housing	Full exemption
Texas	All ages Under age 65 Age 65 and older or disabled	$3,000 AV (county tax)* Up to 20% of AV for any local taxing unit, such as a school district, L $15,000 AV (school taxes) $25,000 AV (school taxes)* Additional exemption of at least $3,000 AV, L*
Utah*	Disabled veterans Blind	Up to $82,500 taxable value Up to $11,500 taxable value
Vermont	Disabled veterans	$10,000 AV
West Virginia	Age 65 and older or disabled	$20,000 AV
Wisconsin	All ages	$300 tax credit toward personal income taxes
Wyoming	Veterans	$2,000 AV (not to exceed a tax benefit of $800); disabled veterans may receive an additional $2,000 AV times their certified percent of disability.

AV = Assessed Value
L = Local Option

**Notes:*

Alabama – Optional $2,000 exemption for other local taxing units.

Arizona – Thirty-five percent of school taxes for operating and maintenance costs with a $500 cap on tax reduction.
Arkansas – Starting in 2001, homeowners of all ages are eligible to receive a $300 homestead credit.
California – Disabled veterans may not receive the $7,000 exemption for the general population if they are receiving the disabled veteran exemption.
Colorado – Homeowners age 65 and older who have owned and lived in their homes for at least 10 consecutive years are eligible for a homestead exemption equal to one-half the fair market value (up to $200,000) as determined by the assessment date.
Connecticut – In general, Connecticut localities provide homestead credits rather than homestead exemptions.
Hawaii – Exemptions for those age 55 and older increase with age, ranging from $60,000 assessed value (ages 55 to 59) to $80,000 assessed value (ages 60 to 64) to $100,000 assessed value (ages 65 to 69) to $120,000 assessed value (age 70 and older). All homeowners have to pay a minimum real property tax of $100.
Illinois – The $45,000 exemption is good for four years from the date the improvement was completed and occupied.
Indiana – Twenty percent of tax plus a homestead deduction of $35,000 assessed value or one-half of the total assessed value (whichever is less). Homeowners can also deduct up to $2,500 of their property taxes from their taxable state personal income.
Louisiana – Does not apply to municipal taxes except in Orleans Parish.
Massachusetts – Local option to have higher benefits. For example, Boston offers homeowners a homestead exemption equal to 30 percent of the average assessed value in Boston. The Boston exemption applies to property that is owned and occupied by homeowners as their primary residence.
Minnesota – The homestead credit equals 0.4% of property taxes on the first $76,000 of fair market value with a maximum benefit of $304 at a market value of $76,000. The credit is reduced by 0.09% of the market value in excess of $76,000 until the credit equals zero at property valued at $413,800 and greater.
Mississippi – Homeowners age 65 and older or disabled do not pay the entire tax on the first $7,500 assessed value. This would be equivalent to $75,000 of the fair market value, since a ten-percent assessment ratio is used. Homeowners under age 65 receive up to a $300 tax credit if their assessed value is $7,351 or over or a fair market value of $73,510 or over.
Montana – In 2000, Montana reduced residential assessed property values first by 27.5% and then by 96.5% (effectively reduced by 97.4%) to compute the taxable value of property. Since the 27.5% and the 96.5% are not dollar amounts, this report does not consider them to be homestead exemptions. However, in Montana the 27.5% ratio is known as a "homestead exemption".
New York – The $30,000 exemption increased in counties where median home prices exceed the state average but is not reduced if median home prices are below the state average. The exemption for veterans applies to all local property taxes except for school property taxes.
Pennsylvania – This state has a local option program in which up to 50% of the median assessed value of residential properties for school and municipal property taxes can be exempted.
Rhode Island – Some localities may provide other forms of homestead exemptions.
South Carolina – The $100,000 exemption applies only to school operating taxes.
Texas – Local taxing units have the option of granting an exemption of *at least* $3,000 for homeowners age 65 and older or disabled. If a county collects a tax for farm-to-market roads or for flood control, the county *must* grant a $3,000 exemption for this tax to all homeowners of all ages. If a county also grants an optional exemption for homeowners age 65 and older or disabled, homeowners receive only the local-option exemption. Localities also have the option of granting up to a 20% exemption on property taxes for homeowners of all ages.
Utah – Utah also reduces residential assessed property values by 45% to compute the taxable value of property for primary residences (i.e., taxable property value equals the assessed property value times 45%). Since the 45% is not a dollar amount, this report does not consider it to be a homestead exemption; instead it is considered to be a type of assessment level. Utah considers the 45% to be a "residential exemption."

Source: Telephone survey of state legislative offices, state departments of revenue, state comptrollers offices, and state treasury offices.

Table B-2
Homestead Exemption and Credit Programs:
With Income/Asset Eligibility Requirements: 2002

State	Eligible Homeowners	Income Caps	Maximum Homestead Exemption or Credit
Alabama	Over age 65 Over age 65	$12,000 AGI $7,500 AGI	$5,000 AV (local taxes) Full exemption (state and local taxes)
California	Disabled veterans	$42,814	$150,000 AV*
Delaware	Age 65 and older or disabled	L*	L*
District of Columbia	Age 65 and older	$100,000	Up to 50% of taxes
Florida	Age 65 and older	$20,000	$25,000 AV, L
Georgia	Age 62 and older Age 65 and older	$10,000 $10,000	$10,000 AV* $4,000 AV*
Indiana	Age 65 and older Blind or disabled	$25,000 $17,000	$6,000 AV* $6,000 AV
Iowa	Disabled veterans	$35,000	Full exemption
Massachusetts	Age 70 and older, surviving spouses, and certain veterans	$13,000 (single)* $15,000 (married couple)*	$4,000 AV or $500 credit, (whichever is greater)*
Montana	Fully disabled veterans or surviving spouses	$30,000 (single) $36,000 (married, filing jointly) $25,000 (surviving spouse)	Full exemption
Nebraska	Age 65 and older Disabled	$25,700 (single)* $30,300 (married couples, filing jointly)* $28,300 (single)* $32,600 (married couples)*	* *
New Hampshire	Age 65 and older	$13,400 (single) $20,400 (married couples)	*

L = Local Option
AV= Assessed Value
*See notes at end of table.

State	Eligible Homeowners	Income Caps	Maximum Homestead Exemption or Credit
New Jersey	Age 65 and older, totally disabled, or their surviving spouses age 55 and older Under age 65 Under age 65 All ages	$10,000* $40,000 (homeowners) $100,000 (renters) *More than* $10,000 (single) or *more than* $20,000 (married, filing joint) $200,000	$250 $90 (homeowners) $100 (renters) Income tax deduction equal to property taxes paid (up to $10,000) or a $50 tax credit (whichever is a higher tax break) *
New York	Age 65 and older Age 65 and older	$62,100 $28,899	$50,000 AV for school property taxes Up to the first 50% AV, L
North Carolina	Age 65 and older or disabled	$18,000	$20,000 AV or 50% AV (whichever is greater)
North Dakota	Age 65 and older or disabled	$14,000*	$2,000 taxable value
Ohio	Age 65 and older or disabled	$24,100	$5,000 AV
Oklahoma	All ages	$20,000	$2,000 AV
Tennessee	Age 65 and older or disabled	$12,210	*
Utah	Age 65 and older or disabled	$23,879	Abatement of 50% of tax up to $637, L
Virginia	Age 65 and older or disabled	*	All property taxes, L
Washington	Age 61 and older or disabled	$30,000	*

AV=Assessed Value; L = Local Option; AGI = Adjusted Gross Income

**Notes:*

California – Disabled veterans may not receive the $7,000 exemption for the general population if they are receiving the disabled veteran exemption.

Delaware – Some Delaware localities offer homestead exemptions for non-school property taxes.
Georgia – For homeowners age 62 or older, $10,000 of assessed value is applied to school property taxes if earned and any retirement income (such as pension income) exceeding $41,764 is $10,000 or less; for homeowners age 65 or older, $4,000 assessed value for state and county property taxes if earned income and any retirement income (such as pension income) exceeding $41,764 is $10,000 or less.
Indiana – The maximum homestead exemption for homeowners age 65 and older is $6,000 in assessed value or one-half the assessed value (whichever is less). In addition, homeowners age 65 and older cannot own a primary residence worth more than $69,000 in assessed value to be eligible for the exemption.
Massachusetts – Localities have the option of reducing the age requirement from 70 to 65, increasing the income requirements from $13,000 to $20,000 (single) and from $15,000 to $30,000 (married couple), and raising the maximum homestead credit from $500 to $1,000.
Nebraska – In addition to the income ceiling requirement, in order to qualify for the program, the homestead value for homeowners age 65 and older cannot exceed $95,000, or 150 percent of the county's average assessed value (whichever is greater), plus $20,000. The maximum homestead exemption benefit for homeowners age 65 and older equals $40,000 assessed value or 80 percent of the county's average assessed value (whichever is greater). For disabled homeowners, the maximum homestead exemption cannot exceed $110,000 assessed value, or 175 percent of the county's average assessed value (whichever is greater) plus $20,000. The maximum homestead exemption for disabled homeowners equals $50,000 assessed value, or 100 percent of the county's average assessed value (whichever is greater).
New Hampshire – Homeowners must have been a resident for at least five years. Assets (excluding a person's residence) cannot exceed $35,000. Homestead exemptions have to equal at least $5,000 in assessed property value. The income and assets limits as well as the homestead exemptions can be increased with voter approval.
New Jersey – The $10,000 income ceiling excludes Social Security benefits or a government pension up to the maximum amount of Social Security benefit allowed (whichever is greater). The maximum homestead credit for the homestead credit with an income cap of $200,000 equals 40 percent of the school property taxes on the first $45,000 of equalized assessed value. Taxpayers cannot benefit from both this credit and the circuit breaker program.
North Dakota – Assets may not exceed $50,000 (excluding the first $80,000 of the homestead's market value).
Tennessee – Tax credit is based on the first $18,000 market value or on a maximum assessed value of $4,500; actual credit depends on tax rates and other related factors.
Virginia – Local option to exempt all property taxes for taxpayers with incomes at or below $30,000 and whose net worth is below $100,000 (excluding dwelling); some cities and adjacent counties exempt taxes for persons with incomes below $52,000 and whose net worth is below $195,000 (excluding dwelling).
Washington – The maximum benefit equals up to 60 percent of total assessed value or $50,000 assessed value (whichever is greater).

Source: Telephone survey of state legislative offices, state departments of revenue, state comptrollers offices, and state treasury offices.

Appendix C

Table C-1
Renter Income Tax Credit or Deduction Programs: 2002

State	Income Requirements	Other Eligibility Requirements	Income Tax Credit or Deduction
California	Less than $28,429 (single) Less than $56,858 (married, filing jointly)	Paid rent for at least half of the year 2002 and did not receive the homeowner's property tax exemption.	$60 (single) credit $120 (married, filing jointly) credit
Hawaii	Less than $30,000	Rent is greater than $1,000 for the year.	$50 (single, under age 65) credit $100 (married, filing jointly, under age 65) credit $100 (single, age 65 and older) credit $200 (married, filing jointly, age 65 and older) credit
Indiana	None	Residence is subject to property taxes.	Up to $2,000 can be deducted from taxable income*
Massachusetts	None	None	Income tax deduction equal to 50% of the yearly rent up to $2,500 for single persons or married couples filing jointly
New Jersey	*More than* $10,000 (single) or *more than* $20,000 (married, filing jointly) for taxpayers under age 65* None for taxpayers age 65 and older	The dwelling unit must have its own separate kitchen and bath facilities.	Income tax deduction equal to 18% of rent paid up to $10,000 or a $50 tax credit (whichever is a higher tax break)
Wisconsin	None	None	Up to a $300 tax credit, depending on the rent paid

**Notes:*

Indiana – Starting in 2003, renters will be able to deduct up to $2,500 from their state taxable income.
New Jersey – Residents do not have to file an income tax return if their gross income is $10,000 or less (single filers) or $20,000 or less (married, filing jointly).

Appendix D

Table D-1
Property Tax Deferral Programs: 2002

State	Eligible Homeowners	Income Caps	Deferral Amount
Arizona	Various eligibility requirements*	$10,000	All property taxes
California	Age 62 and older, blind, or disabled	$24,000	All property taxes
Colorado*	Age 65 and older	None	All property taxes
District of Columbia	All ages	None	Taxes above 110% of prior tax liability
Florida	All ages All ages Age 65 and older Age 70 and older	None $10,000 None $12,000	Taxes exceeding 5% of income All property taxes Taxes exceeding 3% of income All property taxes
Georgia	Age 62 and older	$15,000	Taxes on the first $50,000 AV
Illinois*	Age 65 and older	$40,000	All taxes up to 80% of the equity value
Iowa	SSI recipients Age 65 and older	None None	All property taxes L*
Maine*	Age 65 and older	$32,000	All property taxes
Maryland*	Age 65 and older or disabled	*	All local property taxes, L
Massachusetts	Age 65 and older*	$20,000*	Up to 50% of the applicant's interest in the property

AV=Assessed Value
L=Local Option
*See notes at end of table.

State	Eligible Homeowners	Income Caps	Deferral Amount
Michigan*	Age 65 and older or disabled	$16,823	Special assessments over $300
Minnesota	Age 65 and older Age 65 and older or disabled	$60,000* None	* Special assessments, L
New Hampshire*	Age 65 and older or disabled	None	Up to 85% of the tax, L
North Dakota*	Age 65 and older or disabled	$14,000*	Up to $6,000 of special assessments
Oregon*	Age 62 and older Age 62 and older	$32,500* $32,500	All property taxes Special assessments
Pennsylvania	All ages	$15,000	L*
South Dakota*	Age 70 and older	$16,000 (single); $20,000 (multiple-member household)	All property taxes
Tennessee*	Age 65 and older	$12,000	Taxes can be deferred up to $60,000 of the property's market value, L
Texas	Age 65 and older	None	All property taxes
Utah	Age 65 and older or disabled	$23,879	Any or all property taxes, L
Virginia	Age 65 and older or disabled	$30,000*	L*
Washington	Age 60 and older	$34,000	Taxes on 80% of the equity value
Wisconsin	Age 65 and older or disabled	$20,000	Up to $2,500 of taxes
Wyoming	Age 62 and older or disabled or persons who purchased their home prior to December 31, 1987	150% of the poverty level	50% of taxes, L

L = Local option program; AGI = Adjusted Gross Income;
AV = Assessed Value; SSI = Supplemental Security Income

**Notes:*

Arizona – Homeowners must be age 70 and older, have a household income of $10,000 or less, have lived in their residence at least six years, have lived in Arizona for at least 10 years, have a real property cash value of $150,000 or less, and must meet other tests to qualify for the program.
Colorado – Additional local option program to work to pay off tax liability.
Illinois – Recipients must have lived in and owned their homes for at least three years.
Iowa – Local option tax relief is available for homeowners age 65 and older.
Maine – Only homeowners who applied to the deferral program in 1990 and 1991 qualify.
Maryland – This state's local option program is available to homeowners age 65 and older or disabled who have lived in their home at least five years and have met local income guidelines.
Massachusetts – To qualify, applicants must have lived in Massachusetts for at least ten years and owned real property in Massachusetts for at least five years. A community can increase the gross income threshold from $20,000 to $40,000.
Michigan – Recipients must have lived in their homes for at least five years.
Minnesota – Homeowners must have lived in their homes for at least 15 years and have at least 25% equity in their homes to be eligible. Moreover, they can defer property taxes in excess of 3% of their income in the year preceding their deferral application.
New Hampshire – Homeowners must have owned their homes for at least five years.
North Dakota – Assets may not exceed $50,000 excluding the first $80,000 of the homestead's market value.
Oregon – After entering the deferral program for all property taxes, beneficiaries must have federal AGI of $32,500 or less to continue qualifying for the program.
Pennsylvania – Homeowners can defer property taxes in excess of the prior year's property tax liability.
South Dakota – Homeowners must have owned their home for at least three years and have lived in the state for at least five years.
Tennessee – The income cap can be increased to $25,000 if approved by a 2/3 majority vote of the governing body. For homesteads under $50,000 in market value, homeowners can defer all taxes above 1979 liability levels.
Virginia – This state has a local option program to defer all property taxes for taxpayers with incomes at or below $30,000 and whose net worth is below $100,000 (excluding dwelling). Some cities and adjacent counties provide tax deferrals for persons with incomes below $52,000 and whose net worth is below $195,000 (excluding dwelling). All homeowners by local option may also defer taxes that exceed 105% (or more) of prior year's taxes.

Source: Telephone survey of state legislative offices, state departments of revenue, state comptrollers offices, and state treasury offices.

Appendix E

Table E-1
Property Tax Limits, Caps, and Freezes: 2002

State	Description
Alabama	Residential property tax rates cannot exceed 1/10 of one percent of fair market value (nominal rate) or one percent of fair market value (the effective rate using a 10 percent assessment level).
Alaska	Local real property tax rates cannot exceed the following rates: Home Rule and First Class Cities..................$3 per $100 of assessed value Second Class Cities.......................................$2 per $100 of assessed value Boroughs..$3 per $100 of assessed value
Arizona	Property tax rates for individual homeowners cannot exceed 10 percent of the assessed property value. This limitation does not apply to bonded indebtedness. Assessed property values for operating expenses cannot annually increase by more than 10 percent or 25 percent of the difference between the full cash value of the property (used for debt service) in the current year and the limited value of the property in the preceding year (whichever is greater). Generally, the limited assessed property value will not increase annually by more than 10 percent, unless property values increase significantly. Local property tax rates must be adjusted so that total property tax revenues in assessment districts do not increase by more than 2 percent. This limitation can be removed with voter approval, and it does not pertain to new construction or to bonded indebtedness. In addition, this limitation only applies to counties, cities, towns, and community college districts. Starting in 2001, homeowners age 65 and older, whose income is 400 percent of Supplemental Security Income (SSI) or less (single) or 500 percent of SSI (two or more persons including a married couple) and who have lived in their primary residence at least two years, could apply for a freeze on the full cash value of their primary residence.

State	Description
Arkansas	**Property Tax Rate Limits*** Cities ....$5 per $1,000 of taxable value Counties ....$5 per $1,000 of taxable value Libraries...$5 per $1,000 of taxable value Police pensions ....$1 per $1,000 of taxable value Fire pensions...$1 per $1,000 of taxable value County road tax..$3 per $1,000 of taxable value Starting in 2001, assessed property values may not increase by more than five percent per year for homeowners under age 65. Unless there are substantial improvements to the property, assessed property values may not increase for homeowners age 65 and older or disabled. However, assessed property values can decrease for all homeowners if the property value decreases. *School property tax rates have no limits but must be approved by the voters.
California	Growth in assessed property values for individual property owners cannot increase by more than two percent or the inflation rate (whichever is less). Property tax rates cannot exceed one percent of market value (this does not include bonded indebtedness).
Colorado	Local taxing districts cannot increase property tax rates from the previous year without voter approval. Except for local growth, local taxing districts cannot annually increase property taxes by more than the inflation rate. This limit may be exceeded with voter approval. Local growth for school districts is the percentage change in school enrollment; for all other local governments, it is the growth in property value. Counties, cities, and towns not chartered as home rule cannot raise property taxes more than 5.5 percent above the previous year's revenue. This limitation may be exceeded by capital expenditures and bonded indebtedness. Moreover, it does not apply to property additions and improvements. All taxing entities must obtain voter approval to exceed the 5.5 percent limit.
Delaware	When property is reassessed, total county property tax revenues for taxing districts cannot increase by more than 15 percent from the previous year. This limitation does not include new construction and new additions to existing property. Moreover, when property is reassessed, total school property taxes cannot increase by more than 10 percent from the previous year. Voters can approve an increase higher than the 10 percent limit in subsequent years.

State	Description
District of Columbia	Starting in tax year 2003 for property assessed in 2002, residents do not have to pay property taxes on any assessments that exceed 25 percent of the prior year's assessment. This effectively limits property tax assessments to a 25 percent annual increase.
Florida	<u>Limits on Growth in Assessed Property Values</u> For homestead property that has not changed ownership in the previous year, annual growth in assessed property values shall not exceed 3 percent or the inflation rate (CPI) (whichever is lower). This is known as the "Save Our Home Provision" and applies to individual property owners. <u>Property Tax Rate Limits*</u> County..$1 per $100 of assessed value Cities ....$1 per $100 of assessed value School districts...$1 per $100 of assessed value *These limits do not apply to bonded indebtedness.
Georgia	Homeowners age 62 and older whose income is $30,000 or less are eligible to receive a freeze on their assessed property value for state and county property taxes (except for bonded indebtedness). If homeowners are granted this freeze, they do not qualify for any other homestead exemptions. The freeze does not apply to improvements or additional land that is added to the homestead. County school systems cannot levy a property tax rate greater than $20 per $1,000 of assessed value without state legislative approval. This limit does not pertain to bonded indebtedness.
Idaho	Local taxing district property tax revenue is limited to a 3 percent annual increase. This limitation does not apply to new construction or annexations or to voter-approved increases.
Illinois	Homeowners age 65 and older whose household income is $40,000 or less may receive a freeze on their equalized assessed property value based on the value the year prior to the year they first apply and qualify for (base year value) or for a later year in which they apply and qualify if the property value is less than the base year value. Some taxing districts cannot annually increase total property taxes by more than the inflation rate or 5 percent (whichever is less). In general, this limitation does not apply to improvements, additions, or to bonded indebtedness. In addition, voters can override this limitation.

State	Description
Indiana	Local taxing units can collect up to 5 to 10 percent more in property taxes than the prior year's property taxes (depending on the growth in assessed property values) collected for the operating budgets. This limitation does not pertain to capital projects or to bonded indebtedness. Starting in 2003, limits on property taxes collected by local taxing units will change. Instead of the previous 5- to 10-percent limit, local taxing units now cannot raise property taxes by more than the six-year average growth in Indiana non-farm personal income. Local taxing units may appeal this limit if total assessed value growth exceeds the statewide assessed value growth by at least three percent. Moreover, local taxing units might be able to raise property taxes above this limit for a variety of reasons, including rising public pension payments and the costs of operating a new court. Indiana also has statutory limits on property tax rates for local capital projects.
Iowa	Statewide, taxable property values cannot exceed a 4 percent annual increase. This does not include improvements, new construction, or additions. This limit is achieved by multiplying assessed values by a rollback factor (51.4 percent for residential property in 2002) to determine taxable values. Taxing districts have various property tax rate limits, such as $3.50 per $1,000 for a county's general fund. These limits do not apply to bonded indebtedness.
Kentucky	Local property tax rates cannot increase by more than 4 percent each year unless voters approve a higher increase.
Louisiana	Individual property assessments will remain frozen and unchanged for homeowners age 65 or older whose household income is $54,144 or less per year in 2002. All taxing districts are limited by maximum property tax rates that are set by the state legislature. During property reassessment (every four years), local taxing districts must adjust their property tax rates so that the total revenue collected for the districts remains the same as the previous year. This adjustment of property tax rates does not apply to additions or improvements. Moreover, property tax rates could still be raised further with voter approval.

State	Description
Maryland	Assessed property values, as determined by the state government, cannot annually increase by more than 10 percent. Local governments have the option of further limiting the annual increase in assessed values. Property values are also limited by phasing in increases in fair market value over a 3-year period. For example, an assessor estimates a property at a fair market value of \$95,000 (2000), \$100,000 (2003) and \$110,000 (2006). Based on these data, the \$5,000 increase in assessed value from 2000 to 2003 is phased in equally by \$5,000/3 or \$1,667 over the next 3 years. Therefore, the assessed value equals \$95,000 plus \$1,667 (or \$96,667) for 2003; \$96,667 plus \$1,667 (or \$98,334) for 2004; and \$98,334 plus \$1,667 (or \$100,000) for 2005.
Massachusetts	Generally, local taxing districts cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property (levy ceiling). In addition, local taxing districts cannot annually increase total real and personal property taxes by more than 2.5 percent from the previous year's total allowable property taxes (levy limit). In summary, a local taxing district cannot raise more than the levy ceiling or the levy limit (whichever is less). The levy limit does not pertain to new property growth and to higher allowable property taxes approved by voters. Moreover, a community can assess taxes in excess of its levy limit or its levy ceiling through debt exclusions and capital outlay expenditure exclusions.
Michigan	Individual property values cannot annually increase by more than 5 percent or inflation (whichever is less). Local property tax rates must be reduced so that total property taxes in a taxing district do not increase more than the inflation rate. This limitation can be removed with voter approval, and this limitation does not pertain to property additions or improvements (local growth) or to bonded indebtedness.

State	Description
Minnesota	For assessment year 2002, assessed property values cannot increase by more than 10 percent of the value in the last annual assessment or 15 percent of the difference between the current and preceding annual assessment (whichever is greater). Unless the state legislature amends current law, this limitation will be gradually phased out and then eliminated for properties assessed in 2007 and paid in 2008. If property taxes to homeowners increase by more than 12 percent a year, they can receive a property tax refund equal to 60 percent of property taxes exceeding the 12 percent increase. However, this tax refund is subject to certain conditions. First, homeowners must apply for the refund. Second, to qualify, homeowners must have owned and lived in the same property for at least two consecutive years. Third, property taxes have to increase at least $100 more than the previous year. Fourth, the 12 percent limit does not pertain to home improvements or new construction. Fifth, homeowners cannot receive more than a $1,000 refund in property taxes because of this tax limitation. Sixth, any tax refund issued the previous year is subtracted from the previous year's taxes in calculating the current year's refund.
Mississippi	Property taxes for a local taxing district cannot increase annually by more than 10 percent from any one of the three previous fiscal years. This limit does not apply to new property, and voters can approve taxes beyond this limit.
Missouri	Property taxes for local taxing districts (or political subdivisions) cannot increase annually by more than 5 percent or the inflation rate (whichever is less). Taxing districts limit property tax growth by lowering the property tax rate. This revenue limitation percentage applies only if total assessed property valuations increase by at least that same percentage. This limitation does not apply to property additions and improvements or to bonded indebtedness. If the current property tax rate is less than the rate necessary to achieve a 5 percent or inflation growth in tax revenue, then the current tax rate is used, resulting in a lower growth rate in tax revenues. Under current law, taxing districts calculate a single property tax rate based on combining the assessed values of all property classes to achieve a growth in tax revenue of 5 percent or the rate of inflation (whichever is less). However, starting in 2005, taxing districts will calculate a separate tax rate for each property class (residential, commercial, and agricultural properties) based on the assessed values of each property class to achieve a growth in tax revenue of 5 percent or the rate of inflation (whichever is less).

State	Description
Montana	Property values are now reappraised every 6 years based on fair market value. To mitigate increases in property values because of reassessments, property value increases are phased in over a 6-year period. This means that properties appraised in 2002 for full market value will, in fact, be assessed, for tax purposes, at the fair market value assessed in 1996 instead of the fair market value assessed in 2002. Between 1997 and 2001, annual increases in assessments were prescribed by the state legislature. Additional tax levies are allowable only with voter approval or for certain emergencies. **Property Tax Rate Limits** $9.50 per $100 of assessed value for the state government property tax $0.60 per $100 of assessed value for universities As of 2001, total property tax revenues collected by county or city taxing districts can increase by no more than one-half of the average inflation rate for the prior three years. Increases beyond that are allowable only with voter approval or for certain emergencies. This limitation does not apply to new construction.
Nebraska	**Property Tax Rate Limits** Rural Local Areas: $1.74 per $100 of assessed value* Municipalities: $2.19 to $2.24 per $100 of assessed value* *Voters can decide to approve property tax rates exceeding these limits. These tax rate limits do not pertain to bonded indebtedness, capital lease contracts approved prior to July 1, 1998, or to levies used to pay for liability judgments.
Nevada	Generally, combined property tax rates cannot exceed $3.64 per $100 of assessed value. This limitation does not apply to school bonded indebtedness or to the state property tax for capital projects approved by the voters. Small localities (county population of 40,000 or less) can exceed this limitation with voter approval if the combined rate in the county was $3.50 or greater on June 25, 1998. Localities (except school districts) cannot raise property taxes by more than 6 percent per year. This limitation does not include improvements and additions, bonded indebtedness, or capital improvement projects (that are not funded from the operating budget).

State	Description
New Jersey	**Property Tax Freeze** To qualify for the property tax freeze for 2002, homeowners age 65 or older or disabled must meet the following eligibility requirements: 1) have an income of less than $38,475 (single) or $47,177 (married, filing jointly) in 2001; 2) have an income of less than $39,475 (single) or $48,404 (married, filing jointly) in 2002; 3) have lived in their homes for at least three years; 4) have been a New Jersey resident at least 10 years; and 5) have paid property taxes in 2001 and 2002. The reimbursement for the year 2002 equals the amount of property taxes paid in 2001 that exceeds the amount paid in the base year (the first year that a homeowner met all of the requirements). The base year could be as early as 1997.
New Mexico	New Mexico has a number of statutory maximum tax rates for various tax districts as shown below: Schools (general purposes) $0.50 per $1,000 of net taxable value Municipalities (general purposes) $7.65 per $1,000 of net taxable value Counties (general purposes) $11.85 per $1,000 of net taxable value The above maximum rates do not pertain to bonded indebtedness and may be raised with voter approval. Property tax revenues from local taxing districts cannot increase annually by more than 5 percent or inflation (whichever is less). This limitation applies to existing properties but not to additional properties, improvements, or debt. Starting in 2001, when property is reassessed, existing property values cannot increase by more than 3 percent of the prior year value or more than 6.1 percent of the property value from two years ago (whichever is higher). This limitation does not apply to physical improvements, a change in ownership, or a change in use or zoning. The limitation will not apply to a county having a ratio of property tax value to sales price of less than 85 percent for tax year 2000. In addition, property assessed values will be frozen for homeowners age 65 and older whose household income is $18,000 or less.
New York	Property Tax Rate Limits Counties: 1.5 percent to 2.0 percent of average full market value for 5 years* Cities and Villages: 2.0 percent of average full market value for 5 years (except New York City); 2.5 percent of average full market value for 5 years (New York City)* *These limits do not include bonded indebtedness or funding for special long-term purposes; nor do these limits apply to towns, school districts, or special districts.

State	Description
North Carolina	Counties or cities are subject to a property tax rate cap of $1.50 per $100 of appraised property value. However, with voter approval, counties and cities may levy a higher property tax rate.
North Dakota	Local taxing districts cannot collect more than the amount of property taxes collected for the highest collected in the previous 3 years. This limitation does not apply to property improvements and additions, capital improvements, or bonded indebtedness. In addition, voters can approve higher property tax collections.
Ohio	Total local property tax rates for all taxing units cannot exceed 1 percent of the property's true market value without voter approval. Most local jurisdictions levy tax rates beyond this constitutional limit. Local taxing districts cannot collect higher property tax revenues because of higher aggregate property tax reassessments for the entire individual tax district. This does not apply to property additions and improvements or bonded indebtedness and only applies to revenues collected from property tax rates exceeding 1 percent.
Oklahoma	The fair cash value of assessed property for individuals cannot increase by more than 5 percent per year. The fair cash value of assessed property remains unchanged for homeowners once they reach age 65 if their household income is $25,000 or less. Property tax rate limits for each local taxing unit can vary from 0.0025 percent of the assessed property value (health department levy) to 1.50 percent of the assessed property value (school district levy).
Oregon	• Growth in assessed values of individual properties cannot exceed 3 percent per year. This limit does not apply to new construction or major improvement projects (with market values greater than $10,000 in one year or $25,000 over 5 years). • Total school property tax rates cannot exceed 0.5 percent of the fair market value of individual properties. • Total non-school operating tax rates cannot exceed 1 percent of the fair market value of individual properties. • Taxing districts cannot impose property tax rates beyond certain prescribed limits (otherwise known as permanent limits on assessed property values) without voter approval. • Voter-approved bonds may exceed any of the limits described earlier. Of the above limits, for an individual property, whatever limit (or combination of limits) yields the lowest tax rules.

State	Description
Pennsylvania	Total aggregate property taxes following the year of assessment cannot annually increase by more than five percent or ten percent, depending on the political subdivision. This limit does not apply to new construction or additions. Any percentage increase in "aggregate" school (for those school districts that have opted into local tax reform) property taxes because of higher property assessments cannot be greater than the percentage change in statewide average weekly wages in the preceding year. This limitation does not apply to new additions and improvements, emergencies, and bonded indebtedness and can be overridden through a voter referendum. **Property Tax Rate Limits*** Boroughs: $3 per $100 of taxable value Second Class Townships: $1.4 per $100 of taxable value Cities: $2.5 per $100 of taxable value First Class Townships: $3.0 per $100 of taxable value Counties: $2.50 to $3.0 per $100 of taxable value *Exceptions to these limits include bonded indebtedness and special levies. In addition, these limits do not apply to Philadelphia, Pittsburgh, Scranton, and the Philadelphia School District.
Rhode Island	Local taxing districts cannot annually increase local property tax revenues by more than 5.5 percent. Exceptions to this limit include various special emergency situations, increases in bonded indebtedness, and losses in non-property tax revenues.
South Carolina	With voter approval, counties can prevent fair appraised property values from increasing by more than 15 percent between assessments for all properties both residential and commercial. Local taxing districts cannot increase their property tax rates by more than the inflation rate (CPI rate) from the previous year. This limitation does not apply to bonded indebtedness or to new construction/property or additions. This limit can be overridden for various reasons or circumstances including: 1) a decision by a majority vote of the local governing body that has provided public notice, 2) in cases of emergencies declared by the Governor, and 3) in order to raise revenues to comply with judicial mandates.

State	Description
South Dakota	School property tax rates are set by the state legislature. School property tax rates for school operating budgets cannot exceed $5.36 per $1,000 value (for the year 2000) or $6.50 per $1,000 value (for the year 2001). Non-school property taxes cannot annually exceed 3 percent or inflation (whichever is less) for the local taxing district. The 3 percent limit does not pertain to new construction and can be overridden through voter approval. Homeowners age 65 and older or disabled whose income is less than $15,041 (single-household) or $18,802 (multiple-member household) are eligible to receive a freeze on their assessed property value.
Texas	School property taxes for homeowners do not increase once they are age 65. This does not include additions or improvements to the property. School property tax rates levied for maintenance and operations cannot exceed $1.50 per $100 of value. This can be overridden with voter approval. Residential homestead assessed values cannot increase by more than 10 percent times the number of years since the last reappraisal. Reappraisals have to be at least once every three years.
Utah	Utah has a number of statutory maximum tax rates for various tax districts. Examples of these rates are shown below: Schools (basic levy) — Set by the USTC* and the State Office of Education Cities (general purposes) — $7 per $1,000 of taxable value Counties (general purposes) — $3.20 per $1,000 of taxable value** County libraries — $1 per $1,000 of taxable value Fire protection districts — $0.80 per $1,000 of taxable value State assessing and collecting — $0.300 per $1,000 of taxable value The above rates do not apply to bonded indebtedness. *Utah State Tax Commission **If total taxable value is more than $100 million; otherwise, this limit does not apply.

State	Description
Washington	The aggregate or combined property tax rate for all non-school districts cannot exceed $10 per $1,000 of market value without voter approval. Local school districts cannot impose property taxes without voter approval. Homeowners age 61 or older or disabled with incomes of less than $30,000 qualify for having their assessed property values frozen. Starting in 2002, property taxes collected for all non-school taxing districts cannot increase annually by more than 1 percent or inflation (whichever is less). However, for districts with a population of less than 10,000, property taxes collected cannot increase annually by more than 1 percent. These limitations do not pertain to new construction or bonded indebtedness and can be removed with voter approval.
West Virginia	Residential property tax rates cannot exceed $1.00 per $100 of assessed value (current levy limit). Residents can vote to increase property tax rates up to 100 percent (schools) or 50 percent (counties and municipalities) over the current levy limit (known as the excess levy). Residents can also vote to approve higher property tax rates to finance bonded indebtedness. The current levy limit does not include bonded indebtedness. Property tax revenues for each county generally cannot increase annually by more than 3 percent, depending on the county, because of higher assessed property values (levy rollback). This does not apply to bonded indebtedness, new construction, additions to existing property or excess levies. Moreover, counties and municipalities can hold a public hearing to raise property tax collections generally up to a 12 percent annual increase as long as it conforms to the current levy limit. The state legislature can increase property taxes for school purposes beyond the levy rollback through a public hearing as long as it conforms to the current levy limit.

State	Description
Wisconsin	District boards in the Wisconsin Technical College System (WTCS) cannot levy a property tax rate exceeding $1.50 per $1,000 of its equalized property valuation for all purposes except debt service. Property tax rates for county governments cannot exceed the rates established for 1992 unless they are approved by a voter referendum. This limitation does not apply to debt service.
Wyoming	Wyoming has a number of property tax rate limits applied to various local taxing units. For example, schools cannot levy a rate greater than $2.50 per $100 of taxable value. However, in general, voters can override these limits, and these limits do not apply to bonded indebtedness.

Appendix F

Table F-1
Statutory or Constitutional Assessment Levels by Property Class (Year 2000)

State	City	Residential	Commercial	Industrial
Alabama	Birmingham	10%	20%	20%
Alaska	Anchorage	100%	100%	100%
Arizona*	Phoenix	10%	25%	25%
Arkansas	Little Rock	20%	20%	20%
California	Los Angeles	100%	100%	100%
Colorado*	Denver	9.74%	29%	29%
Connecticut	Bridgeport	70%	70%	70%
Delaware	Wilmington	100%	100%	100%
District of Columbia	Washington	100%	100%	100%
Florida*	Jacksonville	85% to 100%	85% to 100%	85% to 100%
Georgia	Atlanta	40%	40%	40%
Hawaii	Honolulu	100%	100%	100%
Idaho	Boise	100%	100%	100%
Illinois*	Chicago	35.6%	84.5%	80%
Indiana*	Indianapolis	33.3%	33.3%	33.3%
Iowa*	Des Moines	56.3%	100%	100%
Kansas	Wichita	11.5%	25%	25%
Kentucky	Lexington	100%	100%	100%
Louisiana	New Orleans	10%	15%	15%
Maine	Portland	100%	100%	100%
Maryland*	Baltimore	40%	40%	40%
Massachusetts	Boston	100%	100%	100%
Michigan	Detroit	50%	50%	50%
Minnesota*	Minneapolis	See footnote	See footnote	See footnote
Mississippi	Jackson	10%	15%	15%
Missouri	Kansas City	19%	32%	32%
Montana*	Billings	2.79%	3.30%	3.3%
Nebraska	Omaha	100%	100%	100%
Nevada	Las Vegas	35%	35%	35%
New Hampshire	Manchester	100%	100%	100%
New Jersey	Newark	100%	100%	100%
New Mexico	Albuquerque	33.30%	33.30%	33.30%
New York	New York	8.0%	44.99%	44.99%
North Carolina	Charlotte	100%	100%	100%
North Dakota	Fargo	4.50%	5%	5%

State	City	Residential	Commercial	Industrial
Ohio	Columbus	35%	35%	35%
Oklahoma	Oklahoma City	11%	11%	11%
Oregon*	Portland	72.2%	50%	90.3%
Pennsylvania	Philadelphia	32%	32%	32%
Rhode Island	Providence	100%	100%	100%
South Carolina	Columbia	4%	6%	10.5%
South Dakota*	Sioux Falls	91.8%	91.8%	91.8%
Tennessee	Memphis	25.00%	40%	40%
Texas	Houston	100%	100%	100%
Utah	Salt Lake City	55.00%	100%	100%
Vermont	Burlington	100.00%	120%	120%
Virginia	Virginia Beach	100%	100%	100%
Washington	Seattle	100%	100%	100%
West Virginia	Charleston	60%	60%	60%
Wisconsin	Milwaukee	100%	100%	100%
Wyoming	Cheyenne	9.5%	9.5%	11.5%

**Notes:*

*Table F-1 does not take into account homestead exemptions.

Arizona – Arizona establishes two types of assessed property values: the limited property value and the full cash value. The limited property value pertains to property taxes collected for operating expenses; full cash value pertains to monies collected for debt service on bonded indebtedness. For calculating the full cash value of a property, assessors appraise properties as close as possible to 82 percent of fair market value.

The limited assessed property value equals the greater of the following for *existing property*: 1) 1.1 times the previous year's limited assessed property value for a 10 percent increase from last year or 2) 25 percent of the difference between the full cash value of the property in the current valuation year and the limited value of the property in the preceding valuation year. Generally, the limited assessed property value will have a 10 percent increase from last year unless current property values have very high increases. For new property, the limited assessed property value equals 90 percent of the full cash value.

Colorado – Statewide, Colorado requires that the percentage of total assessed property value in the state attributable to residential property remain the same as in the previous year (Gallagher amendment). The actual percentage of total assessed property value attributable to residential property has been approximately 45 percent. To achieve this requirement, the assessment level of residential property changes (9.74 percent in the year 2000) while commercial and industrial property are assessed at 29 percent of the fair market value. The residential assessment level can never increase more than the previous year.

Florida – Florida allows assessors to deduct from the assessed value up to 15 percent related to the cost of sales of a property. Therefore, the assessment ratio can range anywhere from 85 percent to 100 percent of the fair market value.

Illinois – Illinois has two components for the assessment level: the normal assessment level and the state equalizer factor. The normal assessment levels are 16 percent (residential), 38 percent (commercial), and 36 percent (industrial). These levels do not change. Assessors first multiply a property's fair market value by these levels to get the preliminary assessed value. Assessors then multiply the preliminary assessed value by the state equalizer (2.2235 percent in 2000 for taxes paid in 2001) to obtain the taxable assessed value. The state equalizer is used to ensure that properties assessed in Cook County (Chicago is located in Cook County) are effectively assessed at 33.3 percent of the fair market value.

Indiana ─ Fair market value has not been the basis for calculating property values in Indiana. Instead property values are based on calculating the replacement cost minus the depreciation of a property. Property values are then multiplied by 33 percent to obtain the taxable value. In the year 2001 (assessed in 2001 but payable in 2002), the assessment level changed to 100 percent of the replacement cost minus depreciation. In 2002 (assessed in 2002 but payable in 2003), the assessed values will equal 100 percent of the full market value.

Iowa ─ To prevent taxable property values from exceeding an annual growth rate of four percent for the whole state, the fair market value of properties is reduced by a "rollback" factor which acts as an assessment level. For residential properties, fair market values are multiplied by an assessment level of 56.3 percent to obtain taxable property values. Since commercial and industrial property grew less than four percent for the year 2000, the assessment level is 100 percent for commercial and industrial properties to obtain taxable property values.

Maryland ─ Starting in tax year 2001, Maryland changed its assessment level from 40 percent to 100 percent of fair market value.

Minnesota ─ For residential properties, two different assessment levels are used in calculating property values. Assessed property values are first calculated based on the limited market value. For assessment year 2000, the limited market value equals the previous year's fair market value assessment plus 8.5 percent of that value, or 15 percent of the difference between the current market value assessment and the preceding fair market value assessment (whichever is greater). This limitation does not apply to home improvements. This limitation will be phased out over a six-year time period, until it is totally eliminated for properties assessed in 2007 and paid in 2008.

After the limited market value is determined, that value is then used as the basis for a tax capacity value, a school market value, and (if applicable) a city market value. The school and city market values are assessed at 100%, and the tax capacity value equals one percent of the first $76,000 of limited market value plus 1.65 percent of the difference between the limited fair market value and $76,000 for the year 2000. Starting in 2002, the tax capacity value equals one percent of the first $500,000 of the limited market value plus 1.25% of the difference between the limited fair market value and $500,000. Property tax rates are then applied to the tax capacity, school market, and city market values as part of the process of determining total tax liability. The tax capacity value for some disabled homeowners is calculated using a lower assessment level than one percent for the first $16,000 or $32,000 of limited fair market value (depending on the disability and the number of homeowners that are disabled).

For commercial property, the assessment level is 2.4% of the first $150,000 of fair market value and then 3.4 percent of the fair market value above $150,000 for calculating the tax capacity in the year 2000. The 2.4% rate changed to 1.5%, and the 3.4% rate changed to 2.0% in the year 2002.

Montana ─ Montana's assessment levels are not applied to the fair market value of a homeowner's property for the current year; instead, assessment levels are based on property values of the previous reassessment (every six years). For example, for 2002, the assessment value is based on the fair market value assessed in 1996; for 1998 – 2001, assessment values were based on increases in assessed property values (established by the state legislature) that were added to the previous reassessment in 1992.

Oregon – Oregon's assessment levels pertain to assessment ratios that are used for new property owners. Oregon law requires that assessment ratios be used to calculate taxable property values for new property owners. Owners of existing property are not subject to assessment levels for determining their taxable property values; instead, their assessed property values increase no more than three percent per year. This three percent limit does not apply to new construction or major improvement projects (with market values greater than $10,000 in one year or $25,000 over 5 years).

South Dakota ─ South Dakota law requires properties to be assessed at 85 percent of their fair market value. To achieve this, assessors multiply the assessment ratio (a ratio that compares a sample of assessed property values with a sample of actual property sales) by a proportion so the result equals 85 percent. The proportion of 91.8 percent in Table F-1 was multiplied by the assessment ratio to obtain an assessment level of 85 percent.

Table F-2
Property Tax Rates (per $100 of assessed value)
Of the Most Populous Cities by
Property Class (Year 2000)

State	**City**	**Residential**	**Commercial**	**Industrial**
Alabama	Birmingham	$6.95	$6.95	$6.95
Alaska	Anchorage	$1.77	$1.77	$1.77
Arizona*	Phoenix	$9.52	$9.52	$9.52
Arkansas	Little Rock	$6.80	$6.80	$6.80
California	Los Angeles	$1.07	$1.07	$1.07
Colorado	Denver	$6.73	$6.73	$6.73
Connecticut	Bridgeport	$6.50	$6.50	$6.50
Delaware	Wilmington	$1.08	$1.08	$1.08
District of Columbia	Washington	$0.96	$2.15	$2.15
Florida	Jacksonville	$2.03	$2.03	$2.03
Georgia	Atlanta	$4.30	$4.30	$4.30
Hawaii	Honolulu	$0.37	$0.37	$0.37
Idaho	Boise	$1.82	$1.82	$1.82
Illinois	Chicago	$7.79	$7.79	$7.79
Indiana	Indianapolis	$12.67	$12.67	$12.67
Iowa	Des Moines	$4.44	$4.44	$4.44
Kansas	Wichita	$10.76	$10.76	$10.76
Kentucky	Lexington	$0.97	$0.97	$0.97
Louisiana	New Orleans	$17.00	$17.00	$17.00
Maine	Portland	$2.40	$2.40	$2.40
Maryland	Baltimore	$5.82	$5.82	$5.82
Massachusetts	Boston	$1.32	$3.42	$3.42
Michigan*	Detroit	$5.94	$7.74	$7.74
Minnesota*	Minneapolis	See footnote	See footnote	See footnote
Mississippi	Jackson	$16.29	$16.29	$16.29
Missouri	Kansas City	$7.83	$9.27	$9.27
Montana	Billings	$48.10	$48.10	$48.10
Nebraska	Omaha	$2.00	$2.00	$2.00
Nevada	Las Vegas	$3.25	$3.25	$3.25
New Hampshire	Manchester	$3.07	$3.07	$3.07
New Jersey*	Newark	$24.88	$24.88	$24.88
New Mexico	Albuquerque	$3.54	$4.09	$4.09
New York	New York	$11.18	$9.77	$9.77
North Carolina	Charlotte	$1.29	$1.29	$1.29
North Dakota	Fargo	$49.38	$49.38	$49.38

State	City	Residential	Commercial	Industrial
Ohio	Columbus	$4.86	$5.86	$5.86
Oklahoma	Oklahoma City	$10.16	$10.16	$10.16
Oregon	Portland	$2.02	$2.02	$2.02
Pennsylvania	Philadelphia	$8.26	$8.26	$8.26
Rhode Island	Providence	$3.41	$3.41	$3.41
South Carolina	Columbia	$36.35	$36.35	$36.35
South Dakota	Sioux Falls	$1.71	$2.57	$2.57
Tennessee	Memphis	$6.91	$6.91	$6.91
Texas	Houston	$2.25	$2.25	$2.25
Utah	Salt Lake City	$1.44	$1.44	$1.44
Vermont	Burlington	$2.32	$2.32	$2.32
Virginia	Virginia Beach	$1.22	$1.22	$1.22
Washington	Seattle	$1.19	$1.19	$1.19
West Virginia	Charleston	$1.52	$3.03	$3.03
Wisconsin	Milwaukee	$2.80	$2.80	$2.80
Wyoming	Cheyenne	$7.45	$7.45	$7.45

**Notes:*

Arizona – Arizona establishes two types of assessed property values: the limited property value and the full cash value. The limited property value pertains to property taxes collected for operating expenses, and the full cash value pertains to monies collected for debt service on bonded indebtedness.
The property tax rate for the limited property value is $9.52 per $100 of value, and the property tax rate for the full cash value is $3.92 per $100 of value. The $9.52 rate does not take into account the state aid to education tax credit for owner-occupied residential property. The tax credit equals about 35 percent of the school property tax rate (not to exceed a $500 credit).

Michigan – Statewide, homeowners (who own and live in their primary residence) are exempt from paying a school property tax rate of $1.80 per $100 of assessed value, while other property owners are required to pay the tax.

Minnesota – For residential property in Minneapolis (the most populous city), three different types of tax rates are applied: one rate for the tax capacity (144.406%), one rate for the limited market value (residential property) or fair market value (commercial and industrial properties) for schools (0.13463%), and one rate for the limited market value (residential property) or fair market value (commercial property) for solid waste disposal (0.01847%).

New Jersey – Newark, New Jersey has not reassessed property in about 30 years. This helps explain the relatively high property tax rate of $24.88 per $100 of value. Assessment ratios for Newark are 13.4 percent (year 2000) and 11.82 percent (year 2001). Properties are being reassessed in 2002 for taxes payable in 2003.

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