

FISCAL RESEARCH CENTER

Property Tax Limitations

John V. Winters

Fiscal Research Center
Andrew Young School of Policy Studies
Georgia State University
Atlanta, GA

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I. Introduction

Property tax reform has been given much attention recently in Georgia and throughout the U.S. Among the possible reforms are various proposals to limit property taxes and property tax growth. Therefore, a discussion of property tax limitations would seem to be useful. This report discusses property tax limitations in the U.S. and highlights limitations imposed in Georgia. We first provide an overview of property tax limitations and then discuss some important effects of property tax limitations. We then give a brief discussion of how two specific limitation measures, assessment limits and levy limits, are administered across the states.

II. An Overview of Property Tax Limitations

This section provides a brief overview of property tax limitations.¹ Property tax limitations fall into four basic categories:

1. Full disclosure/truth in taxation provisions
2. Limits on assessment increases
3. Property tax rate limits
4. Levy limits

Some states also impose more general limitations on local governments by directly limiting increases in general revenue or general expenditures. However, we do not treat general revenue or general expenditure limitations in this report. We also do not discuss other property tax “relief” measures such as homestead exemptions and circuit breaker programs because they likely do not limit the aggregate level of property tax collections.²

A. Full Disclosure

The first type of property tax limitation, full disclosure, is generally the least restrictive. Full disclosure, sometimes referred to as truth in taxation provisions, typically require local governments to advertise information regarding the proposed tax rate and rollback rate in local newspapers, to hold public hearings to discuss the tax rates, and to vote on any tax rate that exceeds the rollback rate. The rollback rate is the tax rate that yields the same amount of property tax revenue as in the previous year given the increase in assessed value but excluding new construction, improvements, and annexations from the increased assessed value. The local legislative body must then vote in order to approve a tax rate that exceeds the rollback rate. Full disclosure is designed to raise taxpayer awareness and participation in the process of setting the property tax rate process and to provide

¹ This report is indebted to the work of Mullins and Cox (1995) and Mullins (2003).

² For a recent discussion of circuit breakers in other states and how a circuit breaker program could be structured in Georgia, see Winters (2008).

some constraint on the growth of property tax revenues. However, in practice, local legislative bodies can generally override the rollback rate with only a simple majority vote, although a super-majority vote is required in some places. Therefore, full disclosure is generally not very restrictive in terms of the property tax levy that local governments can impose. However, the information provided by the tax rate setting process may result in a somewhat lower property tax rate.

B. Assessment Limitations

Some states attempt to constrain property taxes by imposing limits on increases in assessed values. These limits usually stipulate that annual increases in assessed value of a particular property cannot exceed a certain percentage unless the property is sold, transferred, or significantly altered. (Alternatively, Iowa has imposed a limit on the increase in aggregate property values.) If the property is sold or transferred other than to a spouse, the assessed value reverts back to one based on fair market value. Alterations to property are added to the value at time of the alterations, but are then subject to the limitation on increases in assessed value. Because the assessment is largely based on the market value at the time the property was purchased, the term acquisition value system is used to describe the process as opposed to the more traditional fair market value system. Some assessment limitations apply only to homesteaded property while others apply to all property. In all states, the maximum increase is either some fixed percentage defined by statute or the lesser of some fixed percentage or inflation. Assessment limits are often considered nonbinding in terms of the property tax levy because the limit can be circumvented through property tax rate increases.

Georgia currently has no statewide assessment limit. However, homeowners age 62 and over with family income less than \$30,000 are eligible to receive a floating homestead exemption for state and county taxes (but not school or municipal taxes). This is a homestead exemption equal to the increase in assessed value, other than due to an expansion or renovation, since the property became eligible for the exemption. The exemption is reset to zero when the property is sold or transferred

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other than to a spouse. Essentially, the floating homestead exemption has the effect of freezing the taxable value of the property. In addition, 30 counties in Georgia have adopted floating homestead exemptions for county tax purposes for which all homesteaded property owners are eligible. Floating homestead exemptions have also been adopted for a few cities and school districts in Georgia. Similarly, Muscogee County has adopted a freeze on assessed value of homesteaded property for county, school, and municipal taxes until the property is sold or transferred.

C. Tax Rate Limits

Property tax rate limits can apply either to the aggregate tax rate of all local governments or only to the tax rate of specific types of local governments (e.g. counties, municipalities, or school districts). A majority of states adopting rate limits allow for the limit to be exceeded if approved by local voters. County school systems in Georgia are subject to a rate limit of 20 mills, although the limit can be overridden with local voter approval. Independent school systems are not subject to the rate limit. In 2007, 29 of the 159 county school systems in Georgia had a property tax rate of 18 mills or more. Of those, four had property tax rates exactly equal to 20 mills and three had rates greater than 20 mills.³ Some counties and municipalities in Georgia are subject to other property tax rate limits, but there are no other statewide property tax rate limits. Rate limits are more restrictive than limits on assessment increases, but are considered nonbinding in terms of property tax levy because the levy can increase through assessment increases. However, if property tax rate limits are combined with limits on assessment increases, they have the potential to constrain property tax revenue growth.

³ The four county school systems with property tax rates equal to 20 mills are Clarke, Henry, Twiggs, and Wayne. The three with rates greater than 20 mills are Rockdale (21.0 mills), DeKalb (22.9 mills), and Muscogee (23.37 mills).

D. Levy Limits

Property tax levy limits are generally the most stringent type of property tax limits. Levy limits specify the maximum allowable annual increase in property tax revenue. These limits apply to the aggregate property tax revenue from all property in a district and not to the revenue generated from individual properties. Growth in the tax base from new construction, improvements, and annexations is usually excluded from the calculation of the allowable increase in the tax levy. Levy limits are also subject to override by local voters in most states that have them. Growth provisions vary significantly across states. Some states have a maximum growth rate that is a fixed percent while other states tie the maximum growth rate to inflation, population growth, or tax base growth.

Some states only restrict levy increases immediately after property is reassessed. These are called revenue rollback limits (where reassessments are not done annually), and they are usually intended to prevent large tax increases following reassessment. However, because such revenue rollback limits only apply following reassessment and can usually be overridden by voter approval, they are usually less binding than more general levy limits. Some states also combine levy limits with other property tax limits.

In the next section, we discuss some general effects of property tax limitations. Section 4 provides a survey of the states that have adopted assessment limits and how they are implemented. Section 5 does the same for levy limits. Georgia already has a full disclosure provision and full disclosure laws do not vary much across the 22 states that have them, so not much would be gained from a detailed survey of full disclosure provisions across the states, and hence we do not provide one.⁴ We also do not provide a survey of the 37 states that have some form

⁴ The 22 states with full disclosure provisions are Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kentucky, Maryland, Michigan, Minnesota, Montana, Nebraska, Nevada, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, and West Virginia.

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of property tax rate limit.⁵ Georgia already has a property tax rate limit for county school districts, so there is not much to be learned for Georgia from conducting a state by state description of property tax rate limits. However, Georgia does not currently have a statewide assessment limit or levy limit, so a description of how other states use these limits would seem to be useful.

⁵ The 13 states without some form of property tax rate limit are Connecticut, Delaware, Hawaii, Maine, Maryland, Mississippi, New Hampshire, New Jersey, Rhode Island, South Carolina, Tennessee, Vermont, and Virginia.

III. Effects of Property Tax Limitations

Property tax limitations vary in their effects because of differences in the extent to which they constrain property taxes. As discussed above, full disclosure is generally not very constraining. Rate limits and assessment limits are not binding by themselves but can be binding when combined. Levy limits have the potential to be very binding, but that depends on how much growth is allowed. There is a sizable literature that has explored the effects of property tax limitations. Overall, this literature suggests that property tax limitations are associated with the following general effects on local fiscal structure:

1. A general decline in property taxes as a percent of local total general revenue
2. A modest decline in local own-source revenue as a percent of local total general revenue⁶
3. An increased importance of state grants to local governments as a percent of local total general revenue, especially for school districts
4. A decline in local general expenditures relative to state general expenditures
5. An increased reliance on fees, charges, and miscellaneous revenue as a percentage of local total general revenue
6. A modest increase in local sales taxes as a percentage of local total general revenue

However, limitations appear to have little to no effect on aggregate state plus local government expenditures. Any reductions in revenue or expenditures at the local level are usually offset by increases at the state level. These results can largely be explained by considering the rationale of voters who supported these limitations. Evidence suggests that voters were motivated by a desire for lower property taxes and more efficiency in government and not any desire for reduced public services (Sears

⁶ Local own-source revenue is simply all revenue raised by local governments except through grants from higher levels of government (i.e. federal and state grants).

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and Citrin, 1982; Courant et al., 1985). The result is that aggregate state and local public service levels are largely unaffected, but the financing of public services shifted from property taxes to other revenues sources. More generally, expenditure and revenue responsibility has shifted from local to state governments.

Property tax limitations are also associated with significantly reduced autonomy for local governments. Local governments are usually constrained in their ability to levy taxes other than property taxes, and grants from higher levels of governments are usually beyond the control of local entities. There is valid concern that this reduced autonomy hinders the ability of local governments to satisfy the demands of their constituencies for public services (Mullins and Joyce, 1996). The increased use of charges and miscellaneous revenue is in part a way to finance this demand. However, charges and miscellaneous revenue are not viable options for financing public services that have significant spillovers such as police services, and leave little room for redistribution at the local level.

Mullins (2004) suggests that the effect of limitations varies across jurisdictions and often in undesirable ways. Limitations are associated with increased variation in expenditures across local jurisdictions, including school districts. The result is increased disparities in service levels. Even more troubling, jurisdictions in declining urban cores and those with less prosperous populations are the ones most constrained by local limitations. Local limitations adversely affect the ability of local governments to provide services to those who are the most disadvantaged.

Additionally, assessment limits have some unique effects that are worth mentioning. For states with assessment limits, property is usually reassessed at full market value upon sale of the property, so that the benefit of assessment limits increases with length of time the property is owned. An important result is that the tax paid by two nearly identical properties can be substantially different even if they are next door to each other. More generally, assessment limits can lead to tremendous divergence in effective property tax rates for property owners within a district. Essentially, assessment limitations that apply to all property shift the

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property tax burden from those who have owned the property for a long time to recent buyers.

For example, California's Proposition 13 established an acquisition value property tax system that set assessed values at the 1975-76 market values and only allowed annual increases in assessed value of 2 percent unless the property is sold or significantly modified. The increase in market values has generally been much greater than 2 percent, so that tremendous disparities in property tax burdens have emerged, even within districts. O'Sullivan et al (1995) report that by 1991, taxes on newly purchased property in Los Angeles County were more than five times the taxes paid on property of equal market value owned since 1975.

In Georgia, Muscogee County has established an acquisition value system that took effect in 1983, whereby appraised values on homesteaded property for local property taxes are frozen at the acquisition value or at the 1983 value if purchased before then. The result has been disparities in tax burdens for otherwise similar properties (Sjoquist and Pandey, 1999). The disparities are not as large as those reported by O'Sullivan et al (1995) for California, but are quite significant nonetheless. The floating homestead exemptions adopted more recently in several other counties are likely to have similar results over time.

Assessment limits also lead to potential lock-in effects, since moving from a property held for a long time potentially results in a large increase in property taxes. Evidence from California suggests that this has reduced housing turnover. And stories from Florida imply that the lock-in effect was a major reason Florida reformed its assessment limitation policy.

IV. Property Tax Assessment Limits across the States

Property tax assessment limits are imposed statewide in 12 states.⁷ In addition to these state-wide limitations, limitations on the growth in assessed value have been adopted for a number of sub-state governments. For example, there is an assessment limit in New York City and in Nassau County, New York. In Georgia there is a freeze on assessed values for homesteaded property in Muscogee County. In this section, we briefly discuss statewide assessment limits across the states.⁸

A. Arizona

Arizona adopted an assessment increase limit in 1980. The system works as follows. Each parcel of property has two separate values, a fair market value (FMV) and a Limited Property Value (LPV). The statutory annual growth limit for the LPV is the greater of 10 percent and 25 percent of the difference between last year's LPV and this year's FMV. (In no case can the LPV exceed fair market value.) To illustrate, consider a house with a LPV of \$50,000 in 2006 and a FMV of \$60,000 in 2007. A 10 percent increase in LPV would be \$5,000, while 25 percent of the difference between \$50,000 and \$60,000 would be \$2,500. Thus, the LPV for 2007 would be \$55,000, which equals \$50,000 plus the greater of \$5,000 and \$2,500. If in 2008, the FMV is \$85,000, then the LPV for 2008 would be \$62,500, i.e., \$55,000 plus the greater of 10 percent (i.e., \$5,500), and 25 percent of the difference between \$85,000 and \$55,000 (i.e., \$7,500). Although Arizona has a limitation on assessment increases, it does not have an acquisition value assessment system. Instead of basing taxes on market value in the event of new construction, improvements, or change in use or ownership, the LPV for such property is recalculated based on the ratio of LPV to FMV for like properties in the surrounding geographic area. This ratio is then applied to the property's FMV to find the LPV.

⁷ The state of Washington approved Initiative 722 in 2000 that would have limited annual assessment increases to the lesser of 2 percent or inflation. However, I-722 was declared unconstitutional by the state Supreme Court before being implemented.

⁸ This discussion relies in part on Sjoquist and Pandey (1999) and Baer (2003).

B. Arkansas

Since 2001, increases in assessed value for homesteaded property in Arkansas cannot increase by more than 5 percent per year. Furthermore, assessed values are frozen on homesteaded property owned by persons who are disabled or age 65 or over. Assessments increases on non-homesteaded property are limited to 10 percent per year. These limits do not apply to substantial additions and improvements to real property.

C. California

California adopted a property tax assessment limitation as part of Proposition 13, which was passed by referendum in June 1978. California's limitation is the most widely cited, largely because of the breadth of the provisions contained in Proposition 13 and because it applies to all types of property, not just homesteaded property. It is one of the few limitations to be studied in much detail. Proposition 13 contained four key provisions:

- The property tax rate on any parcel cannot exceed 1 percent. (This means that millage rates applied by all local governments on a particular parcel cannot sum to more than 10 mills.);
- The assessed value of all property was “rolled back” to its 1975-76 value;
- The assessed value of any property can increase by no more than 2 percent per year;
- If the ownership of the property changes, the property is re-assessed to its market value, i.e., its purchase price. (Various exceptions have been adopted over time, e.g., a transfer within a family does not result in a re-assessment.).

The third provision essentially froze the assessed value of property since the increase in fair market value has usually far exceeded 2 percent per year in California. The third and fourth provisions have lead to the use of the term “acquisition value assessment.” In essence, the assessed value of a property (except

for the allowable 2 percent annual increase) equals the value of the property at the time the owner purchased it.

D. Florida

Florida's assessment limitation, known as the "Save Our Homes Amendment," was passed in 1992 and took effect in 1995. The constitutional amendment restricts increases in assessed values for homesteaded properties to the lower of 3 percent or the rate of inflation based on changes in the Consumer Price Index (CPI). Increases in value from new construction and additions are excluded from the assessment limit. However, under the original amendment when homesteaders moved, they often experienced large increases in property taxes. The system thus discouraged mobility. As a result, Floridians began calling for "Portability of Save Our Homes" and passed another constitutional amendment on January 29, 2008 to be retroactively effective as of January 1, 2008.

The amendment basically allows Floridians with a previous homestead to transfer up to \$500,000 of the difference between the assessed value and market value to a new homestead within two years when the new homestead has a market value greater than or equal to that of the previous homestead (moving up). When the new homestead has a lower market value than the previous homestead (moving down), the assessed value for the new homestead is computed as the same percentage of market value as was the case in the previous property, provided that the difference between the market value and assessed value of the new homestead does not exceed \$500,000. Once the assessed value of the new homestead is established, it cannot increase by more than 3 percent per year or the rate of inflation.

A couple of examples may help illustrate. Suppose a Floridian moves up by selling a home with a market value of \$200,000 and an assessed value of \$100,000 and establishing a new homestead with a market value of \$400,000. The assessed value of the new homestead equals the market value less the difference between the market value and assessed value for the previous homestead, so the assessed value equals \$300,000 [$\$400,000 - (\$200,000 - \$100,000)$]. Alternatively, suppose he or

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she moves down from a homestead with a market value of \$200,000 and an assessed value of \$100,000 to a homestead with a market value of \$150,000. The new assessed value will be \$75,000 [$\$150,000 \times 0.5$].

E. Iowa

Iowa has an approach to limiting assessment growth that differs from other states. The Iowa statute limits the growth of total assessed value in the state to 4 percent per year. The limit originally was set at 6 percent in 1978, but was lowered to 4 percent in 1980. New construction and improvements are excluded; utility property is limited to 8 percent annual growth.

To limit the growth in assessment, the state imposes a mandatory assessment ratio called a “rollback percentage” that ensures that the total assessed value in Iowa is at most 4 percent greater than the previous year. Taxable value for a parcel is equal to the parcel’s market value times the applicable rollback percentage. Separate rollback percentages are calculated for each class of property: agricultural, residential, commercial, industrial, utility, and railroads. The rollback percentage for residential property and agricultural property is further limited to the smaller of the increase in value of residential and agricultural property if either increases by less than 4 percent. Since the increase in agricultural property value (which is not assessed at market value) has generally been much less than 4 percent, the effective limitation on residential property has been less than 4 percent.

This system means that all parcels within a given property category are assessed at the same percentage of market value. Consider the following example, suppose two parcels are initially worth \$100,000, but one increases in value by 50 percent while the other experiences no increase. In other states, if the assessment cap was 4 percent, the two parcels would be assessed at \$104,000 and \$100,000, respectively, which would be 69.3 percent and 100 percent of market value. In Iowa, the two parcels would be assessed at a total of \$208,000, and each parcel would be assessed at 83.2 percent of market value, where 83.2 percent equals

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$(208,000/250,000)*100$. Thus, the two parcels would be assessed at \$124,800 and \$83,200, respectively.

F. Maryland

Maryland originally adopted an assessment increase limitation in 1959, but the statute was amended in 1991. The assessment limitation applies only to homesteaded property and varies by type of government. Assessment increases for state government property taxes are limited to 10 percent per year. County and municipal governments are allowed to cap the increase in assessed value at a rate less than 10 percent if they so desire, i.e., they can choose a limitation between 0 and 10 percent. There is no limitation imposed on assessment increases for school districts.

G. Michigan

Proposal A, passed in 1994, constitutionally limits the annual increase in taxable value for a property to the lesser of 5 percent or inflation (as measured by the Consumer Price Index). The limit excludes additions to property. When sold or transferred, property is reassessed at 50 percent of true cash value.

H. New Mexico

In 2001 New Mexico strengthened a previous assessment limit enacted in 1979. Increases in assessed value for a residential property are limited to 3 percent per year. However, counties where the ratio of assessed values to sales prices is less than 85 percent can increase assessments up to 5 percent per year. In addition, assessed values are frozen for homesteaders age 65 and over whose annual household income is \$18,000 or less. These limitations do not apply to substantial improvements to property, and property is reassessed after a change in ownership.

I. Oklahoma

Oklahoma passed an assessment limit that became effective in 1997. Residential assessment increases are limited to 5 percent per year. Oklahoma also

implemented a freeze on assessed values for homesteaded property owned by persons age 65 and over with household income of \$25,000 or less. The limits exclude improvements, and property is reassessed after being sold or transferred.

J. Oregon

Under Oregon's Measure 50, which clarified and replaced Measure 47, assessed values for all property in 1997-1998 were rolled back to the 1995-1996 level less 10 percent. Since then the assessed value for an individual property cannot increase by more than 3 percent per year. This limit does not apply to new construction, major improvements, or subdivision of property but does apply to all types of property (residential, commercial, industrial, etc.). Oregon is also unique in that property is not reassessed upon sale or transfer unless significantly altered.

K. South Carolina

South Carolina passed an assessment limit that became effective in 2007. Increases in assessed values for individual properties are limited to 15 percent over 5 years (i.e. an average of 3 percent per year). The limit excludes additions and improvements, and property is reassessed at its fair market value upon transfer of ownership.

L. Texas

Texas voters in November 1997 approved a limitation on assessment increases. The increase in assessed value of homesteaded property is limited to 10 percent per year plus increases in value due to improvements. The assessed value reverts back to market value if the property is sold. However, the limitation is portable for homeowners over 65 years of age; if an elderly homeowner moves, the assessed value of the new person's home will be the same percentage of the market value as was the original home. The legislation provides no mechanism for correcting for prior appraisal errors, thus locking in such errors.

V. Property Tax Levy Limits across the States

Property tax levy limits are imposed in some form in 27 states.⁹ However, levy limits vary a good deal across states. In this section, we provide a brief discussion of the levy limits across states.¹⁰

A. Alaska

Adopted in 1972, the levy limit in Alaska applies only to municipalities and for operating expenses. It limits annual revenues in a municipality to \$1500 per resident. Additionally, the property tax levy cannot exceed 225 percent of per capita assessed full and true value of property in the state multiplied by the number of residents in the municipality.

B. Arizona

Adopted in 1913 and amended in 1980, Arizona's levy limit applies only to counties, municipalities, and community college districts. For each of these jurisdictions, a maximum allowable annual levy has been set and increases by 2 percent per year plus an adjustment for new construction. Therefore, jurisdictions at the levy limit can only increase property tax revenues by 2 percent annually (excluding new construction), but jurisdictions below the maximum can increase revenues by more than 2 percent up to the levy limit.

C. Arkansas

Arkansas' levy limit is a rollback provision that applies to counties, municipalities, and school districts. It stipulates that if countywide reassessment results in a 10 percent or more increase in property values, rates are rolled back so that no local government receives revenue growth greater than 10 percent.

⁹ Additionally, Kansas and Utah previously had levy limits, but they were repealed in 1999 and 1986 respectively.

¹⁰ This discussion borrows from Mullins and Cox (1995) and Baer (2003).

D. Colorado

Colorado has both a statutory and a constitutional levy limit with whichever is more restrictive taking effect. The statutory limit was adopted in 1913 and amended in 1976 and 1987. The statutory provision limits annual property tax revenue increases for counties and non-home rule municipalities to 5.5 percent excluding new construction, improvements, annexations, and debt service. The constitutional limit (TABOR) adopted in 1992 restricts annual levy increases for each local government to the inflation rate plus annual “local growth”, with adjustments for revenue changes approved by voters. For non-school districts, local growth is defined as the percentage change in taxable property values due to new construction. For school districts, local growth is defined as the percentage change in student enrollment.

E. Delaware

Delaware’s levy limit is a rollback provision that stipulates that property tax revenues cannot increase by more than 15 percent for counties and 10 percent for school districts following a countywide reassessment. This is essentially a mandated partial roll back of the property tax rate following a reassessment of all property.

F. Idaho

Idaho limits levy increases for counties, municipalities, and school districts to 3 percent annually plus an adjustment for new construction and annexations. Voters can approve increases beyond the 3 percent.

G. Illinois

Illinois limits levy increases for certain jurisdictions in the Chicago metropolitan area to the lesser of 5 percent or the inflation rate, excluding new construction, annexed property and bonded debt. Voters can approve increases beyond this amount.

H. Indiana

Since 2003, Indiana local jurisdictions cannot increase property tax revenues at a rate greater than the six-year average growth of non-farm personal income in Indiana. Local governments can appeal the limit if total assessed value growth exceeds the statewide assessed value growth by 3 percent or more. They can also raise property taxes above the limit for a variety of reasons including rising public pension payments.

I. Kentucky

Kentucky has a rollback provision that property tax rates must be adjusted annually to limit revenue growth to 4 percent, excluding growth from new property. If revenue increases by more than 4 percent, voters may hold a referendum to reconsider the rate.

J. Louisiana

Louisiana has a rollback provision that property tax rates must be adjusted after reassessment to yield the same amount of revenue as in the previous year excluding increases for additions and improvements. Property tax rates may be raised with voter approval.

K. Massachusetts

Adopted in 1980 and amended in 1983, Massachusetts' levy limit stipulates that local taxing districts' allowable levy for a year cannot increase by more than 2.5 percent of the maximum allowable levy for the previous year plus an adjustment for new property. However, the levy limit can be exceeded by overrides approved by voters.

L. Michigan

Michigan has a rollback provision. Following a reassessment, local property tax rates must be reduced so that total property taxes, other than that attributable to new property, do not increase by more than the inflation rate. The limit can be overridden with voter approval and does not apply to debt service.

M. Mississippi

In Mississippi, property taxes for local taxing districts are limited to increases of 10 percent over the largest amount collected over the last three years, excluding increases due to new property. Other exclusions for debt service and certain special functions exist as well. Voters can approve property taxes above this limit.

N. Missouri

Missouri has a rollback provision. If total assessed value increases by more than 5 percent or the inflation rate, tax rates must be reduced so that property tax revenues increase by no more than the lesser of 5 percent or the rate of inflation. The limit excludes revenue increase due to new property and does not apply to bonded debt. Additionally, voters may approve levy increases above the limit.

O. Montana

Counties and cities in Montana can increase total property tax revenues by no more than one half of the average inflation rate for the previous three years, excluding increases due to new construction. The limit can be exceeded with voter approval and for certain emergencies.

P. Nebraska

Counties and municipalities in Nebraska are limited to annual increases in property taxes of 5 percent. The limit excludes debt service and can be exceeded with voter approval.

Q. Nevada

Nevada limits counties and municipalities to property tax increases of no more than 6 percent per year excluding increases from new property. The limit also does not apply to bonded debt and certain capital improvement projects.

R. New Jersey

New Jersey passed a levy limit in 2007 which imposes a 4 percent cap on property tax increases of local governments. The limit provides exceptions for new construction and debt service. Additionally, local governments can exceed the 4 percent cap with voter approval.

S. New Mexico

New Mexico limits property tax increases for counties, municipalities, and school districts to the lesser of 5 percent or the inflation rate, excluding increases due to new property and levies for debt service.

T. North Dakota

Local governments in North Dakota cannot collect property taxes greater than the highest amount collected in the previous three years, excluding increases due to new property. The limit does not apply to revenues for bonded debt or certain capital projects and voters can approve revenues above the limit.

U. Ohio

Local governments in Ohio for which total local property taxes for all taxing units exceed 1 percent of true market value must roll back tax rates following reassessment so that property tax revenues do not exceed the previous amount. This limit does not apply to new property or bonded debt and may be exceeded by voter referendum.

V. Oregon

Oregon's Measure 50, limits the annual increase in property taxes to 3 percent, excluding levies for bonded debt and increases in value due to additions or rezoning. The limit can be exceeded with voter approval.

W. Pennsylvania

Pennsylvania has a rollback provision with different limitations for different local governments. Following reassessment, aggregate property taxes cannot increase by more than 5 percent or 10 percent, depending on the type of local government. In addition, aggregate property taxes for some school districts cannot increase by more than the percentage change in statewide average weekly wages from the previous year. The limit excludes increases due to new property and can be overridden by voter referendum.

X. Rhode Island

Local governments in Rhode Island are limited to annual increases in property taxes of 5.25 percent in 2008. However, the limit is scheduled to be gradually reduced to 4 percent by 2013. Localities may approve an override with a four-fifths vote of the local governing body.

Y. South Dakota

Counties and municipalities in South Dakota cannot annually increase property taxes by more than the lesser of 3 percent or the inflation rate. The limit excludes growth from new construction and can be exceeded with voter approval.

Z. Texas

Texas has a rollback provision. Following reassessment, local governments must roll back property tax rates to yield revenue increases no greater than 8 percent, excluding revenues for debt service. If revenue growth exceeds 8 percent, voters can

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petition for a referendum to roll back rates to result in an 8 percent increase in revenues.

AA. Washington

Under a levy limit adopted in 2001, counties and municipalities in the state of Washington cannot increase property tax revenues annually by more than the lesser of 1 percent or the inflation rate. This limit excludes increases for new construction and bonded debt. The limit can also be exceeded with voter approval.

BB. West Virginia

West Virginia has a rollback provision according to which property tax rates must be adjusted following a reassessment so that levies for each county and municipal government cannot increase by more than 3 percent annually. This limit does not apply to bonded debt or new property. Additionally, counties and municipalities can hold public hearings to increase property tax revenues by up to 12 percent annually.

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About the Authors

John V. Winters is a research associate in the Fiscal Research Center of the Andrew Young School of Policy Studies at Georgia State University and is currently finishing his Ph.D. in Economics. His research interests include state and local public finance, urban and regional economics, and the economics of education. John Winters is from Mississippi and holds a B.A. in economics from Mississippi State University and a M.A. in economics from Georgia State University.

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