

Property Tax Study: Using Data to Identify Potential Problems

Modernization and Risk Analysis Committee

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Revenue Interim Committee Study

Background

- September: Education/background

Identify Problems

- November – January: Identify key issues and problems (Exemptions, taxes by class, TIF, residential taxes, 15-10-420)

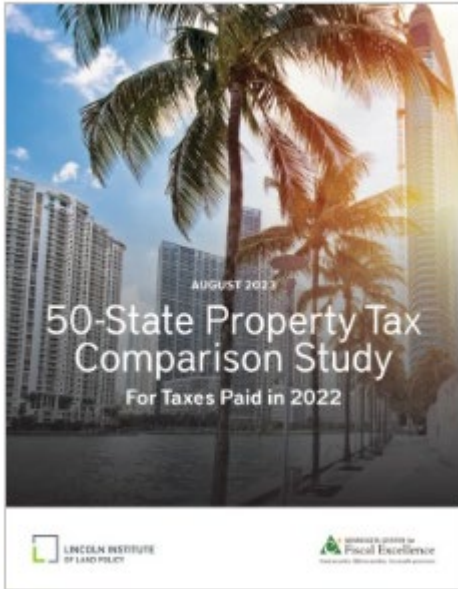
Options

- March: Explore identified problems
- May: Consider policy changes, preliminary recommendations

Recommendations

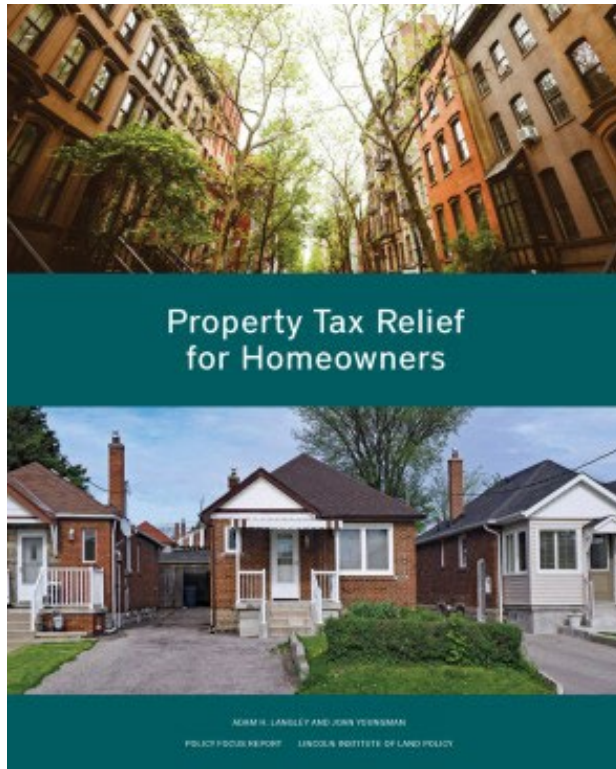
- June: Refine recommendations, review draft policy
- August: Finalize recommendations, legislation, draft final report

50-State Property Tax Comparison Study



- Data for 74 large U.S. cities and rural municipalities in each state
- Four property types: homestead, commercial, industrial, apartment
- Tax bills and effective tax rates

Connecting RIC & MARA



- Potential problems with property tax
- Identify/develop data sources (MARA)
- Use data to identify problems for property tax study (RIC)

Lincoln's Potential Problems

Table 1.3

Potential Problems with the Property Tax and Promising Solutions

Potential Problems	Promising Solutions	Policies to Avoid
Fiscal disparities: Poorer jurisdictions may struggle to provide adequate services at affordable tax rates		
Perceived regressivity: Belief that lower-income households pay a higher share of income in property taxes		
Liquidity constraints: Some homeowners are housing-rich, but income-poor		
Volatility: Potentially sharp year-to-year increases in taxes, especially after reassessment		
Inaccurate assessments: Estimated property value is inaccurate or contested		
Salience: Property tax is highly visible and paid in large lump sums		
Tax levels: Property taxes for the <i>average</i> homeowner are too high, not just for <i>individual</i> homeowners		

Fiscal Disparities: Poorer jurisdictions may struggle to provide adequate services at affordable tax rates

Possible Data	Data Availability	Analysis
Cost of services	✓ Local government Historic Revenues & Expenditures tool	
Total taxable values Taxable value by class	✓ LFD has data	✗ Compare statewide
Effective tax rates and total tax bills	✓ LFD has 2016-2022	✓ In process
Other revenue sources	✓ School District tool ✓ Entitlement share (DOR)	✓ Entitlement Share analysis

Perceived Regressivity: Belief that lower-income households pay a higher share of income in property taxes

Possible Data	Data Availability	Analysis
Income data for homeowners	* Property tax rebate may allow matching of DOR income and property data	X Analyze property taxes of people at different incomes
Range of effective tax rates/tax bills	✓ LFD has 2016-2022	✓ In process

Liquidity Constraints: Some homeowners are housing-rich, but income poor

Possible Data	Data Availability	Analysis
Market values	<ul style="list-style-type: none">✓ LFD has parcel-level data✓ DOR: 2022-23 change by county	<ul style="list-style-type: none">✗ Yearly changes in market values✗ Compare changes in home values with changes in incomes
Tax liens	<ul style="list-style-type: none">✗ Collect from counties	<ul style="list-style-type: none">✗ Change in number of tax liens
Use of property tax assistance programs	<ul style="list-style-type: none">* Property tax rebate may allow matching of DOR income and property data	<ul style="list-style-type: none">✗ Compare actual with expected use

Volatility: Potentially sharp year-to-year increases in taxes, especially after reassessment

Possible Data	Data Availability	Analysis
Taxes paid	✓ LFD has 2016-2022	X Changes in taxes paid
Voted levies	X LFD has some data, working to improve	X Consider impact of voted levies

Inaccurate assessments: Estimated property value is inaccurate or contested

Possible Data	Data Availability	Analysis
Match appraised value to sale price	✓ DOR	✓ <u>Measuring the Quality of Reappraisal (2023)</u>
Number of appeals	✓ DOR <u>informal appeals</u> ✓ MTAB formal appeals (county and state)	X Analyze change in appeals by year, number resolved informally

Salience: Property tax is highly visible and paid in large lump sums

Possible Data	Data Availability	Analysis
Taxes paid late, tax liens	✗ Collect from counties	✗ Examine portion of taxpayers missing due date
Use of alternative payment schedule	✗ Collect from counties (no data this interim)	✗ Future: Are homeowners using alternative schedule? Does it reduce late payments?
Actual mills levied compared with assessment notice estimate	✓ DOR	✗ How close are estimated mills to actual levy?

Tax levels: Property taxes for the *average* homeowner are too high, not just for *individual* homeowners

Possible Data	Data Availability	Analysis
Effective tax rates and total tax bills	✓ LFD has 2016-2022	✗ Compare Montana with other states (targeted?)
National comparison	✓ Property tax reliance ✓ Local Spending	✓ Lincoln 50 state report – Why Tax Rates Vary?

Questions & Discussion



Discussion

- Additional ideas for data or analysis?
- Do members want to pursue any identified data or analysis?