

INSIDE TODAY

# Here a tax, there a tax

The property tax has been unpopular — and amazingly durable — since it was first imposed in the United States in the 1790s. In the ensuing centuries, every state has enacted some form of property tax, and every state has its own peculiar way of administering the tax . A8

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## Everywhere a tax

AJC special investigation: Property tax meltdown  
Part 7 of 8

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Property taxes are universally loathed, but that's partly because they are universally imposed.

They have proved to be one of the most durable forms of taxation in America: Land is always there and, until recent years, has been remarkably dependable as a source of rising revenue for the government. We asked four experts to talk about different aspects of property taxation and how different states handle property taxes. Their edited responses appear today as Part 7 of "Property Tax Meltdown." Compiled and edited by Richard Halicks [rhalicks@ajc.com](mailto:rhalicks@ajc.com)

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'A good tax'

People who follow this for a living, like myself, thought it was almost comical that people in Georgia would be complaining about property taxes. If they think property taxes are bad, they should live in places like New Jersey and New Hampshire, where it is significantly more burdensome.

Speaker [Glenn] Richardson's move to eliminate the property tax was not unique. There was a similar movement in Arkansas, in Indiana, in Florida, in Pennsylvania, in New Hampshire, in Arizona, all in just the past year or two.

I personally think the property tax is a great tax for funding local government services. The services you purchase are also capitalizing the value of your home, so if your services are good, it's also going to raise the value of your home.

Those property taxes are paying for themselves — you're buying services that enhance the value of your property. That's why it's a good tax.

But the frustration nationwide, and it's certainly shared by people in Georgia, is that your property taxes often go up faster than your income. The other point of frustration is, the property tax is one of the few taxes that is incurred without you doing anything. Most other taxes — you have to earn money to pay income taxes, or buy something to pay sales taxes. But your property tax, you're going to have to pay it next year, and it's going to go up, without you ever doing anything.

John Joseph Wallis

Economic historian, University of Maryland, author of numerous papers on government finance.

'A valuable tool'

State and local governments were administering the property tax back in the 1790s. The major benefit of the property tax is that land can't move, so there are some efficiencies from taxing land and buildings.

In 1900, the property tax was the most important tax in the country. About 75 percent of all state and local government revenues came from the property tax.

Two things happened in the 20th century. In 1913, the federal government adopted the income tax, and states began taxing automobiles and gasoline.

By the end of the 1930s, states were getting out of the property tax altogether. They levied sales taxes and gasoline taxes, and they piggybacked on the federal income tax.

The property tax can be what economists call a benefit tax. If the government supplies services (like good schools), and the value of those services is reflected in higher property values, then the government has a good way to tax the benefits it creates. That's why the property tax is a valuable tool for local governments.

Property taxes are now about 50 percent of the revenues that local governments raise and 80 percent of local school district revenues.

We have weak towns and strong counties in Maryland. We have a state income tax and a local government income tax, so property taxes have become less important overall.

Glenn W. Fisher

Professor emeritus of urban affairs, Wichita State University, and author of "The Worst Tax?"

'We'll have to keep it'

It's not a good tax, but if we're going to have local governments, we'll have to keep it.

Actually Kansas has a pretty good administrative system now — probably the best in the country. We have appointed county appraisers, and the state Department of Revenue watches them very closely.

If they fall out of line the state can, and occasionally has, taken over the assessment. It works fairly well, although people still don't like the tax. The sales tax works for big cities but not for smaller ones.

Every district has some property, so it can be taxed.

A number of states do distribute part of the sales tax, but I don't know of anywhere it has replaced the property tax. Big cities have income and sales distributed over the whole city. But we have many school districts and special districts in Kansas that don't have a single store and would get nothing from a sales tax.

If you want to use either the sales or the income tax, you could reorganize local government into much larger areas, or set up some kind of tax district, but that is pretty unpopular in most states.

Kansas has a huge number of local governments. The secretary of revenue has been trying to get some legislation to consolidate them but hasn't had much luck.

Many years ago we did a study of townships in Kansas. We had a questionnaire for local officials. We asked them what townships did, and most of them said little or nothing. Then we asked whether they should be abolished, and the almost unanimous answer was no.

Josephine Lim

President of the International Association of Assessing Officials and recently retired after 33 years with the British Columbia Assessment Authority.

It's different abroad

In British Columbia, the assessing of property is done provincially for all 1.9 million properties [one assessing authority for the whole province].

In the United States, Montana and Maryland have statewide assessing as well, but most states have local or county assessors. ... Canada's practices tend to be more uniform across the country than those of the United States.

Both the U.S. and Canada tend to use market value to calculate their assessed value. But not all countries use the market value concept. The United Kingdom, for instance, still retains a system based on rents, which has been in place for hundreds of years.

Australia uses a tax based on the value of the land only and not the market value of the entire property. ... A property tax that is considered "fair and equitable" to all property owners / taxpayers is based on market values. (Please see IAAO standards, which can be viewed at [www.iaao.org](http://www.iaao.org) ).