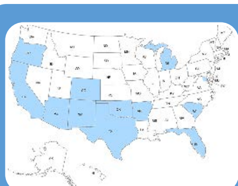
LINCOLN INSTITUTE
OF LAND POLICY

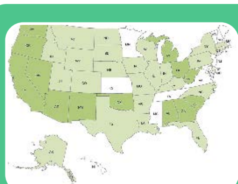
Property Tax Limits Demystified

Property tax limitations restrict property tax rates, levies, and/or assessments in all but four states. The interaction of these limits with fluctuating property values can lead to unusual variation in assessments and ultimately, property tax bills. Legal limitations on property taxes fall into three major categories:



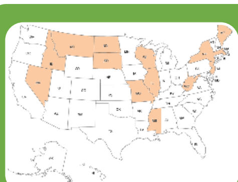
Assessment Limits

Restrict the amount by which a specific property's tax valuation can rise in a given year, no matter what the change in its actual market value (Youngman 2016)



Rate Limits

Restrict the tax rate so it is either frozen or limited by an index or formula

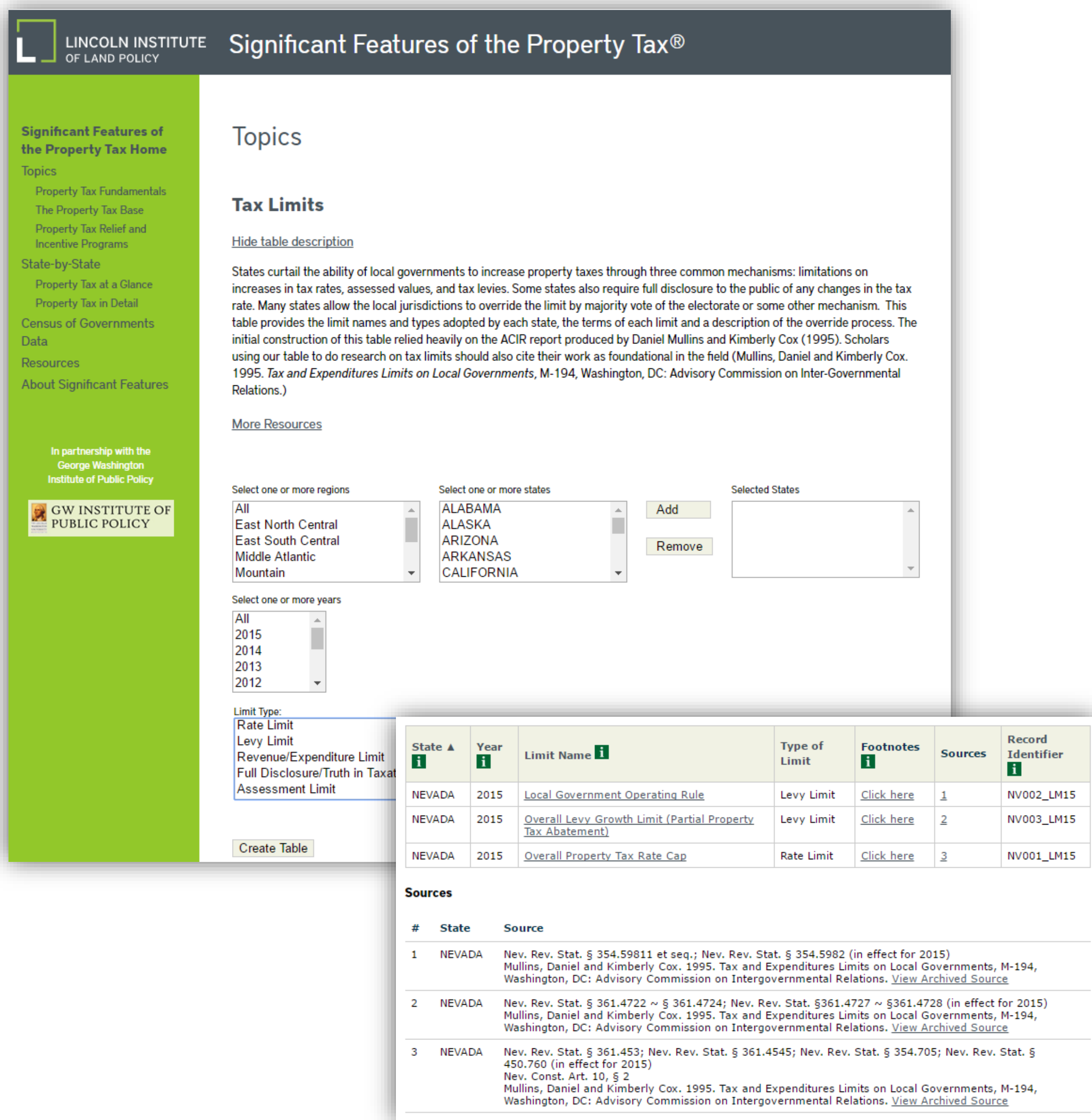


Levy Limits

Restrict the the amount of revenue raised by the property tax (levy) or the rate of growth in the levy

Property Tax Limitation Resources

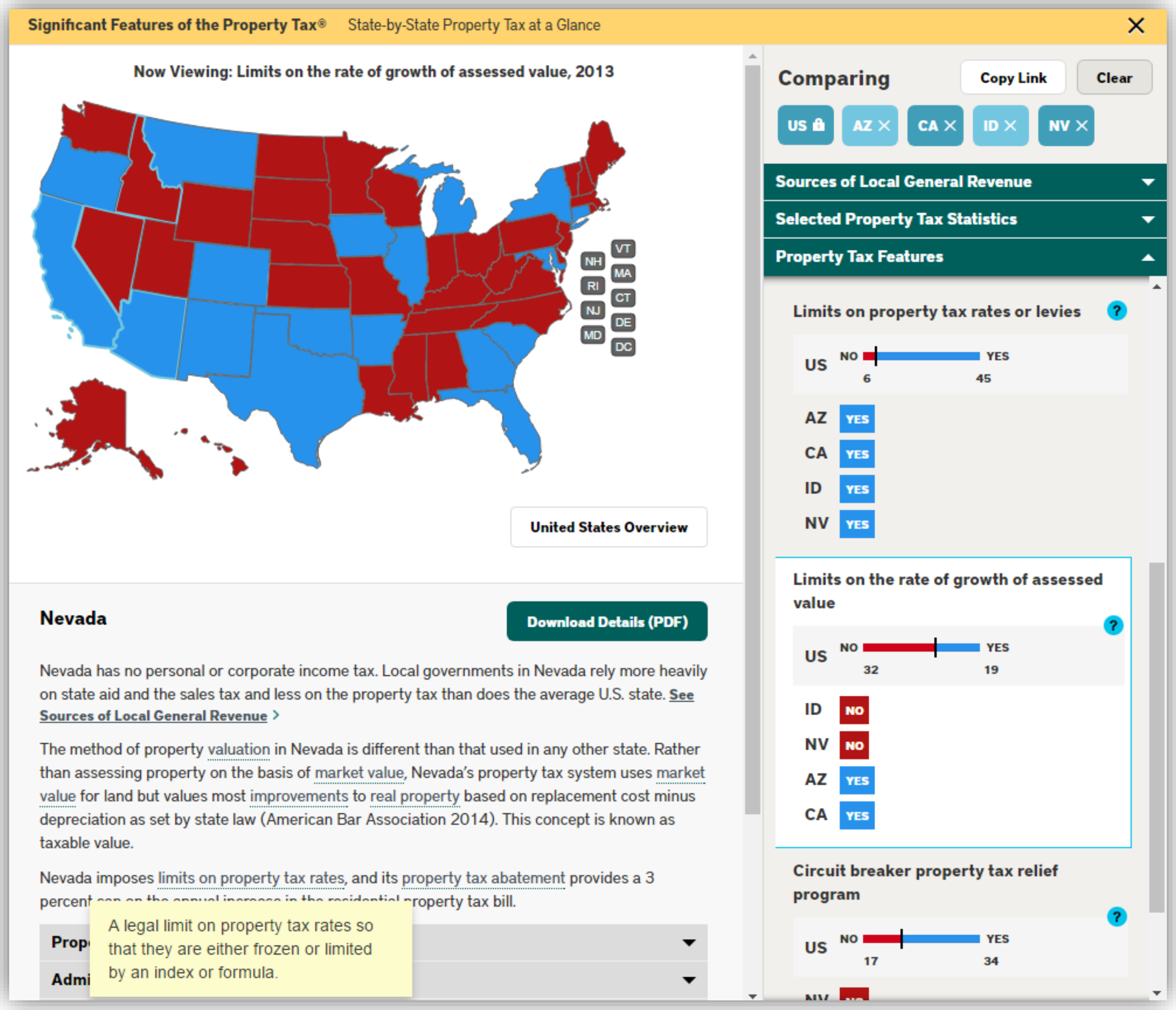
Significant Features of the Property Tax, the Lincoln Institute's comprehensive property tax database publishes records on 135 legal limitations on the property tax in effect in the 50 states and DC for 2015 and historic data on limitations in effect for years 2006 to 2015. Each record includes a description of the limit, the override process (if any), notes on its history, and a list of sources with links.



http://datatoolkits.lincolninst.edu/subcenters/significant-features-property-tax/

Property Tax Limitation Resources

The **State-by-State Property Tax at a Glance** narratives and visualization tool tell the unique story of the property tax in each of the 50 states and DC. The state narratives provide the context for each state's use of tax limits, telling the story of their adoption and practice. The visualization tool allows users to chart and map the use of assessment limits, rate limits and levy limits across the 50 states and DC. The integrated glossary defines terms such as "assessment limit" and "acquisition value based assessment system."



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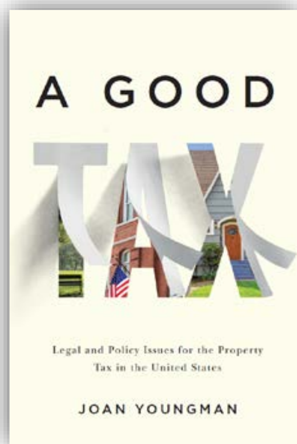
Property Tax Limitation Publications



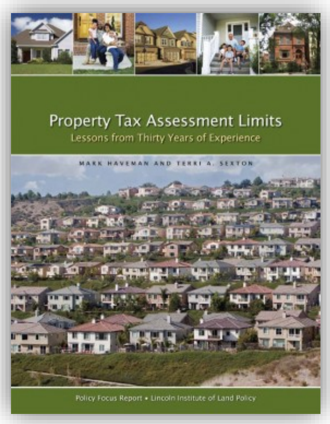
A Good Tax
by Joan Youngman
Lincoln Institute of Land Policy
2016

This book devotes two chapters to tax limitations and accurate assessments. Youngman discusses how tax limitations can undermine the strength of the property tax. The full book is available for free download in pdf or epub format at the Lincoln Institute web site.
www.lincolninst.edu/sites/default/files/pubfiles/a-good-tax-full_2.pdf

"**State-Imposed Property Tax Limitations: Trends and Outlook**."
by Bethany P. Paquin
State Tax Notes
August 24, 2015

"**Chronicle of the 161-Year History of State-Imposed Property Tax Limitations**"
by Bethany P. Paquin
Lincoln Institute of Land Policy Working Paper
April 2015
https://www.lincolninst.edu/pubs/dl/2538_1878_Paquin%20WP15BP1.pdf

Property Tax Assessment Limits
by Mark Haveman and Terri Sexton
Lincoln Institute of Land Policy
2008



This policy focus report draws lessons from 30 years of experience with assessment limits and presents alternative tools for responding to taxpayer discontent. The full report is available for free download at the Lincoln Institute web site.

http://www.lincolninst.edu/sites/default/files/pubfiles/property-tax-assessment-limits-full_0.pdf

Property Tax Limitation Mysteries

1. **Confusing terminology**
   Limits on property taxation often introduce confusing new terminology. For example, Oregon's Measure 50 defines a property's value three ways. Taxable assessed value (the value upon which the property tax is levied) is the lower of real market value and maximum assessed value. Growth in maximum assessed value is limited to 3 percent per year. Real market value is Oregon's term for true market value.

2. **Similar homes, very different tax bills**
   Taxpayers in states with assessment limits may find very different tax bills for very similar homes. This is the case in California where the Supreme Court upheld the tax assessment for a Los Angeles condominium owner who argued her tax bill was almost five times that of her neighbors with identical property. In its ruling, the court noted this is not unusual under Prop 13.

3. **Surprisingly high increases in property tax bills**
   Under a property tax limit such as Oregon's Measure 50, housing market fluctuations can lead to surprising jumps in a homeowner's tax bill. A property in Oregon with a real market value that has fallen lower than the maximum assessed value is assessed at the real market value. But if real market value increases by more than 3 percent in a year, the taxable assessed value of that property can increase until it reaches the maximum assessed value even if that increase is greater than 3 percent in one year. A video by Deschutes County, Oregon explains Measure 50 with the help of the Property Tax Fairy.

4. **Losers among classes favored by assessment limit**
   Surprisingly assessment limits can result in higher tax bills for the very property owners the limit aims to protect from increases. Studies of existing or proposed assessment limits in Illinois (Cook County), Minnesota, and Idaho show property owners covered by assessment limits often pay higher bills under these limits if their rate of property appreciation is relatively low. The July 2007 issue of the Lincoln Institute of Land Policy magazine *Land Lines,* available for free download, discusses these unintended consequences in more detail in an article by Richard F. Dye and Daniel P. McMillen entitled, "Surprise: An Unintended Consequence."

5. **Assessed values which reflect tax benefits from an earlier residence**
   Acquisition value based assessment systems result in a lock-in effect whereby property owners have no incentive to move because transfer of property triggers reassessment at market value. Some states have enacted "portability" which allows property owners to "port" their tax reductions to a new property. Although the aim is to address lock-in effect, the result is an assessed value for the new home that does not reflect that home's market value.