

# FOREWORD

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The property tax can seem a straightforward fiscal instrument, with a set rate applied to assessed value. In stark contrast to the complexity of the Internal Revenue Code, taxpayers are not required to complete a return, engage professional help, or calculate the amount they owe. Yet there are many variations in property tax structure, administration, and procedure across the nation. Understanding the details of valuation, classification, collection, and exemptions in another locality can present a challenge even to those familiar with the tax in their own jurisdictions. The Deskbook offers expert guidance for navigating this complex fiscal landscape, with information on the operation of the property tax in all fifty states and the District of Columbia. A compilation of this type would be a major contribution with respect to any tax, but in the case of the property tax it provides a special public benefit, because the property tax is an often unrecognized linchpin of local finance.

The property tax provides vital fiscal support to local governments and school districts. It is an instrument for independent local budgeting and a fiscal lifeline during periods of economic turmoil. It is by far the most important state and local tax for business enterprises. As a source of local revenue, the property tax enables communities to respond to local needs and allows taxpayers to see their preferences reflected in decisions at the level of government closest to its residents. In a time of federal and state fiscal stress, a local tax base can be essential for autonomous budget-

ing. In downturns and recessions, when localities are most in need, transfers to other levels of government are often one of the first items to be curtailed. The property tax can also offer revenue stability when sales and income taxes experience dramatic and rapid fluctuations.

A tax computed as a percentage of value can be clear and understandable. Knowledge of the cost and quality of public services allows residents to be active and informed participants in local government. But relatively invisible indirect taxes never arouse the opposition encountered by a tax billed in one or two large annual installments. Administrative measures for targeted tax relief and alternate billing and payment options can reduce these difficulties while maintaining the transparency that encourages responsiveness and efficiency in government.

In a time of globalization, with keen competition for business, an immovable tax base has important advantages. Retail activity and employment may shift to lower-tax jurisdictions in response to sales or income taxes, limiting local ability to set an independent tax course. Cities with wage taxes risk losing jobs to nearby suburbs, and even entire states find it difficult to withstand tax competition. An immobile tax base allows a measure of stability in such an environment, especially for small jurisdictions.

The pressing need for greater investment in infrastructure has led to many suggestions for innovative fiscal instruments to fund these improvements. A common goal is the recovery of some part of the value increment due to public investment as a means of helping to defray the cost of those projects. In fact, the land-based portion of the property tax reflects enhanced

location value in exactly that way. It does not require a new tax, it is not based on formulas predicting value increases or distributing infrastructure costs, and it does not impose a burden on properties whose value may actually have fallen due to changing patterns of business or transportation as a result of these projects. The proportionate burden of the tax will shift toward properties benefiting most from value increases.

The property tax also has lessons for the debate on economic inequality, which often leads to proposals for wealth taxation. Wealth taxation is inherently contentious, and it has been withdrawn even in European countries with strong redistributive policies. The problems of wealth taxation are issues that the property tax deals with on a daily basis, beginning with the

need for payment not necessarily accompanied by a cash transfer, unlike amounts withheld from salary or added to a retail purchase. A wealth tax requires the valuation of nonliquid assets, and reaches items of great personal importance to the taxpayer, such as a principal residence. In this way the familiar property tax has achieved fiscal goals that have eluded ambitious international efforts at wealth taxation.

In all these respects, the intensely practical property tax holds important lessons even as it functions as a central support for crucial local public services. The American Bar Association has assisted in its fair and equitable operation by compiling the key information on its structure and administration contained in this volume.