

Property Tax Rates, Bills, and Role in State Budgets

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By David Logan

Property taxes vary widely across states both in terms of annual taxes paid as well as effective tax rates. In 2017, the difference between real estate taxes paid by New Jersey and Alabama home owners was nearly \$8,000. New Jersey continued its perennial distinction as having the highest average real estate tax bill per home owner (\$8,485) as well as the highest effective tax rate (2.13 percent). Alabama (\$684) and Hawaii (0.30 percent) were at the other end of the spectrum, boasting the lowest average effective tax rate and annual real estate tax bill, respectively.

These figures include real estate taxes levied by state and local governments, but the extent to which each level of government depends on property tax revenues is vastly different. Only two percent of state tax revenue comes from property taxes while the comparable figure for local governments is over 70 percent.

However, those property tax collections come from taxes levied on business property in addition to owner-occupied real estate taxes. The share of property tax revenue derived from these real estate taxes ranges from 16.1 percent in Wyoming to 60.1 percent in New Jersey.

Real Estate Taxes Paid by Home Owners

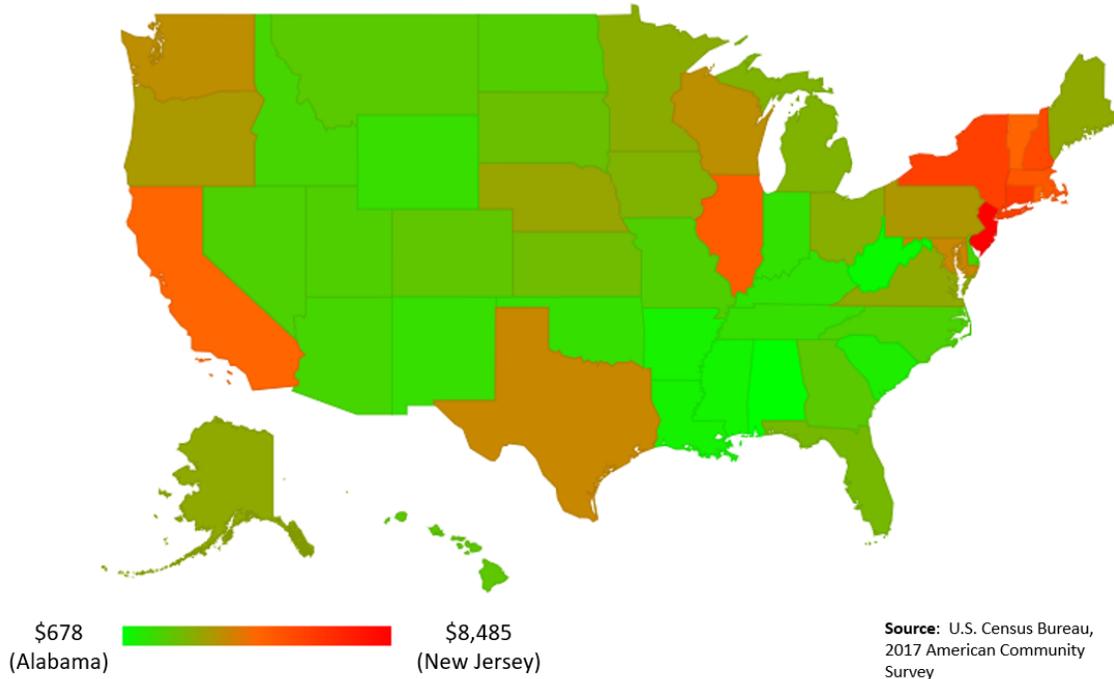
[NAHB research](#) consistently shows that property tax rates differ substantially across the United States, with the southern states typically registering some of the lowest rates, with the exception of Texas. Additionally, states in the Northeast and Midwest have tended to register some of the highest rates in the nation. The latest [American Community Survey](#) (ACS) data show that 2017 is no different.

Once again, New Jersey leads the nation with the highest average annual real estate tax (RET) bill of \$8,485—\$7,807 more than the average bill in Alabama (\$684). The difference between the highest-taxed state (New Jersey) and lowest (Alabama) grew by \$100 in 2017.

The overall distribution remained roughly unchanged since 2016, and the order of the top five and composition of the top ten remained the same. Figure 1 illustrates the concentration of high average property tax bills in the Northeast. In contrast, with the exception of Texas, southern states boast some of the lowest RET bills for their resident homeowners.

Figure 1

Average Real Estate Taxes Paid Per Year
(owner-occupied homes)



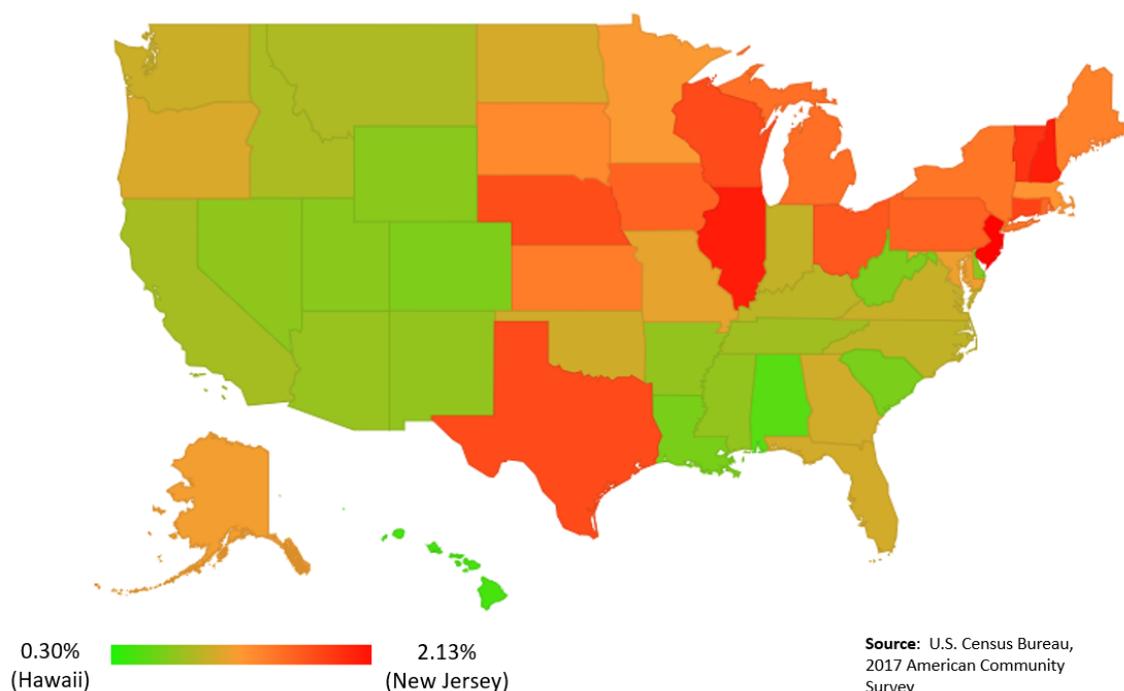
As property values vary widely by state, controlling for this variable produces a more instructive state-by-state comparison—effective property tax rates. In keeping with prior analyses (April 1, 2016 Special Study), NAHB calculates this by dividing aggregate real estate taxes paid by the aggregate value of owner-occupied housing units within a state. The effective tax rate can be expressed either as a percentage of home value or as a dollar amount levied per \$1,000 of this value.

Figure 2 shows that New Jersey has the dubious distinction of imposing the highest effective property tax rate—2.13% or \$21.34 per \$1,000 of home value. Hawaii levies the lowest effective rate in the nation—0.30%, or \$3.03 per \$1,000 of value. However, this low rate combined with extremely high home values results in middle-of-the-pack per-homeowner property tax bills. At \$692,938, the average home value in Hawaii is the highest in the country and 50 percent higher than New York’s average home value (\$460,075).

Table 1 (available under “Additional Resources”) shows the average property tax bill for owner-occupied homes in each state.

Figure 2

Average Effective Property Tax Rate
(owner-occupied homes)



Interstate differences among home values explain some, but not all, of the variance in real estate tax bills across the country. Texas is an illustrative example of a state in which home values hardly, if at all, explain real estate tax bills faced by homeowners. While Texas ranks only 30th in the country for average home values, it is 11th in average real estate taxes paid. Other factors are clearly at play, and state and local government financing turns out to be a major one.

Table 2 (available under “Additional Resources”) shows the average effective property tax rate for owner-occupied homes in each state.

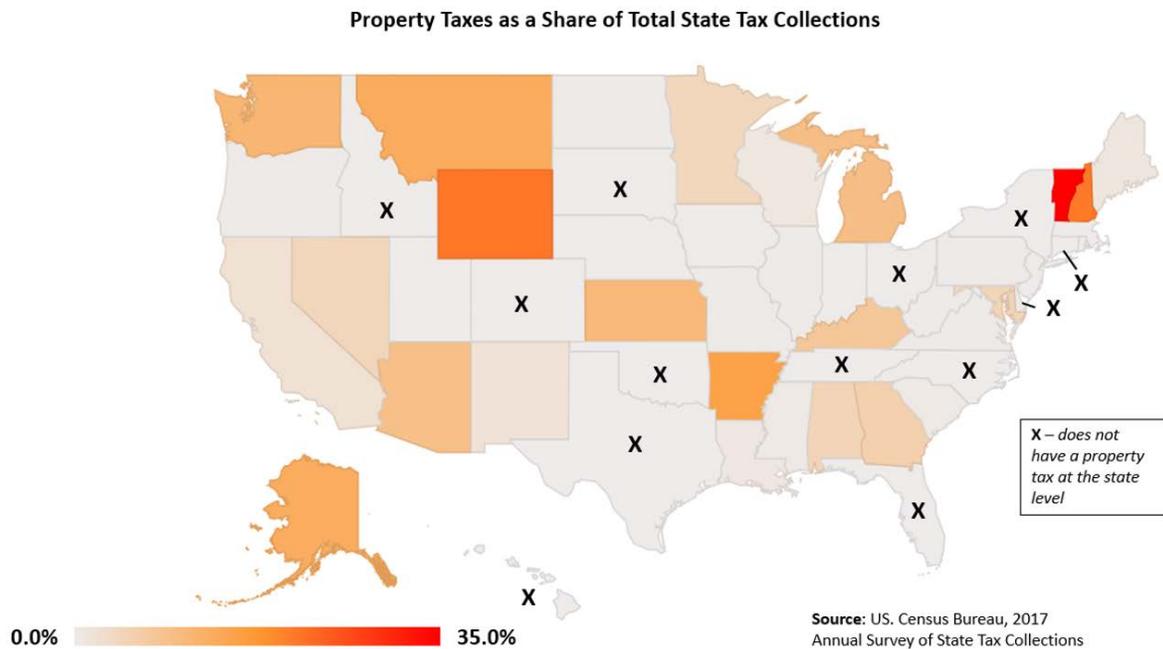
Role of Property Taxes in Government Budgets

The [Quarterly Summary of State & Local Tax Revenue](#) provides information on which types of taxes are levied in each state and how much is collected. The tables split tax revenue into five categories (property, sales and gross receipts, license, income, and other taxes) and 24 subcategories. Information from the [Annual Surveys of State and Local Government Finances](#) supplement the quarterly tax data by providing data for these categories at the local level, separating revenue by source, and adding expenditure figures for each state.

According to 2017 data, property taxes account for nearly [40% of state and local tax receipts](#) last year, on average. However, the data also illustrates that states rely much less heavily on property taxes as a source of revenue than do local governments. While practically all local governments tax property in some way, only 36 state governments levy a property tax. The 14 that do not impose a state-level property tax are Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, New York, North Carolina, Ohio, Oklahoma, South Dakota, Tennessee, Texas, and Utah.

Census also collects comprehensive information on revenue sources in the [Annual Survey of State Government Tax Collections](#). Nationally, property taxes account for roughly 22 percent of combined state and local own-source revenue (“own-source” revenue excludes intergovernmental transfers). However, state-level property taxes make up a very small share of total tax revenue—two percent, on average. As figure 3 illustrates, that average is driven upward by a handful of outliers.

Figure 3



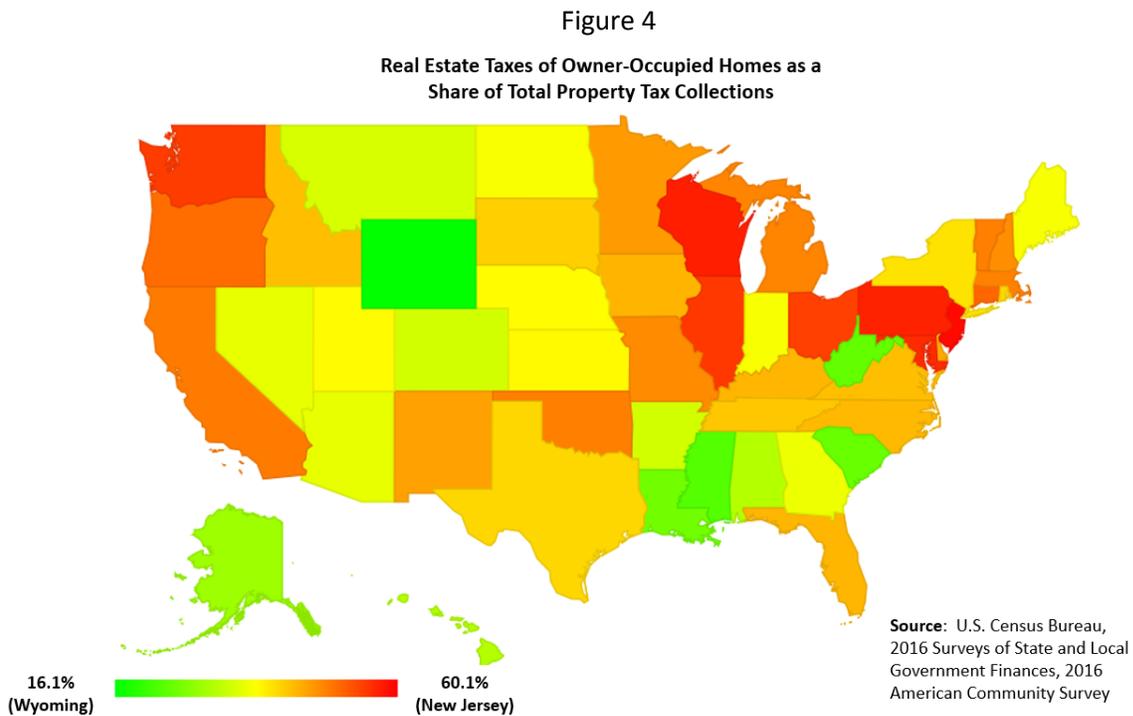
Property taxes account for greater than five percent of tax collections in just 11 states: Vermont, Wyoming, New Hampshire, Arkansas, Montana, Alaska, Washington, Kansas, Michigan, Arizona, and Kentucky. Only three states—Vermont (33.8 percent), Wyoming (16.6 percent), and New Hampshire (16.2 percent)—have property tax collections that make up for more than 15 percent of their total tax receipts.

In contrast, property tax receipts made up nearly one-half of total local government revenue (\$487 billion of \$1 trillion in own-source revenue) and over 70 percent of local governments’ tax revenue. Property taxes provide three-quarters or more of local own-source revenue in six states; Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, and Rhode Island.

Residential Real Estate Taxes are Only Part of the Story

State and local property taxes tax more than just residential real estate. State and local governments also collect property taxes on commercial real estate, industrial real estate, and personal property owned by individuals as well as businesses.

Although the disaggregated figures are not separate line items in Census government finance surveys, the ACS data on real estate taxes paid by home owners provides a starting point. Dividing each state's total state and local property tax collections by its corresponding real estate tax figure from the ACS yields the percentage of property taxes that comes from the taxation of owner-occupied homes. The map below shows the share of each state's property tax revenue that came from taxing owner-occupied housing in 2016 (the most recent year for which the data are available).



This share does not show as clear a geographic pattern as effective property tax rates and annual real estate taxes paid. Although a few adjacent states in the Northeast, West, and Midwest regions still have similarly high RET revenue shares, the clusters are smaller. The median (43.8 percent) and mean (42.4 percent) are also essentially equal, indicating that the distribution of across states resembles a symmetric bell-shaped curve.

Table 3 (available under “Additional Resources”) shows real estate taxes paid by home owners as a share of total property taxes for each state.

Conclusion

Property taxes come in many forms, are assessed on myriad types of property, and are relied upon to much different degrees depending upon which state and/or municipality has the taxing authority.

As far as residential real property taxes are concerned, 2017 data is consistent with prior years. The highest effective tax rates are concentrated in the Northeast, Midwest, and Texas, while the highest annual real estate tax bills are paid by homeowners in the Northeast, Illinois, and California.

This paper also analyzes residential property taxes in the context of all property taxes collected by state and local governments to help provide insight into the tax burden borne by homeowners as opposed to owners of commercial real estate and personal property. For example, while homeowners in New York pay some of the highest property tax bills in the country, other property tax payments make up three-fifths of state and local property tax collections. New Jerseyans pay similarly high RET bills but, unlike New Yorkers, they *pay* three-fifths of property taxes collected in their state.

Table 1. Real Estate Taxes per Year

Average Real Estate Taxes Paid per Year		
State	(owner-occupied homes)	Rank
Alabama	\$678	50
Alaska	\$2,882	17
Arizona	\$1,735	37
Arkansas	\$1,012	46
California	\$4,623	8
Colorado	\$2,127	27
Connecticut	\$6,349	2
Delaware	\$1,689	38
Florida	\$2,486	24
Georgia	\$2,055	29
Hawaii	\$2,103	28
Idaho	\$1,753	36
Illinois	\$4,983	6
Indiana	\$1,451	43
Iowa	\$2,637	22
Kansas	\$2,380	25
Kentucky	\$1,396	44
Louisiana	\$1,005	47
Maine	\$2,869	19
Maryland	\$3,730	10
Massachusetts	\$5,192	5
Michigan	\$2,617	23
Minnesota	\$2,784	20
Mississippi	\$967	48
Missouri	\$1,900	32
Montana	\$2,037	30
Nebraska	\$3,004	16
Nevada	\$1,856	34
New Hampshire	\$5,713	4
New Jersey	\$8,485	1
New Mexico	\$1,497	40
New York	\$6,054	3
North Carolina	\$1,822	35
North Dakota	\$1,940	31
Ohio	\$2,757	21
Oklahoma	\$1,490	42
Oregon	\$3,291	15
Pennsylvania	\$3,330	14
Rhode Island	\$4,576	9
South Carolina	\$1,139	45
South Dakota	\$2,305	26
Tennessee	\$1,494	41
Texas	\$3,718	11
Utah	\$1,892	33
Vermont	\$4,639	7
Virginia	\$2,881	18
Washington	\$3,569	12
West Virginia	\$812	49
Wisconsin	\$3,543	13
Wyoming	\$1,525	39

Table 2. Effective Property Tax Rates

State	Average effective property tax rate	Average Effective	
		Property Tax Rates per \$1,000 of Value	Rank
Alabama	0.37%	\$3.73	49
Alaska	1.02%	\$10.16	20
Arizona	0.64%	\$6.44	37
Arkansas	0.63%	\$6.33	38
California	0.70%	\$6.99	35
Colorado	0.53%	\$5.33	46
Connecticut	1.68%	\$16.81	5
Delaware	0.58%	\$5.85	42
Florida	0.89%	\$8.86	25
Georgia	0.88%	\$8.82	26
Hawaii	0.30%	\$3.03	50
Idaho	0.72%	\$7.19	34
Illinois	1.95%	\$19.54	2
Indiana	0.82%	\$8.16	30
Iowa	1.46%	\$14.57	11
Kansas	1.28%	\$12.80	15
Kentucky	0.79%	\$7.92	32
Louisiana	0.51%	\$5.11	48
Maine	1.24%	\$12.38	16
Maryland	1.00%	\$10.03	21
Massachusetts	1.10%	\$10.97	18
Michigan	1.37%	\$13.69	13
Minnesota	1.06%	\$10.60	19
Mississippi	0.62%	\$6.25	39
Missouri	0.97%	\$9.66	22
Montana	0.73%	\$7.26	33
Nebraska	1.61%	\$16.08	8
Nevada	0.60%	\$6.01	41
New Hampshire	1.94%	\$19.44	3
New Jersey	2.13%	\$21.34	1
New Mexico	0.62%	\$6.24	40
New York	1.32%	\$13.16	14
North Carolina	0.81%	\$8.11	31
North Dakota	0.90%	\$9.03	24
Ohio	1.54%	\$15.44	9
Oklahoma	0.87%	\$8.65	27
Oregon	0.91%	\$9.11	23
Pennsylvania	1.46%	\$14.60	10
Rhode Island	1.43%	\$14.29	12
South Carolina	0.52%	\$5.25	47
South Dakota	1.18%	\$11.76	17
Tennessee	0.68%	\$6.80	36
Texas	1.62%	\$16.16	7
Utah	0.58%	\$5.80	43
Vermont	1.79%	\$17.93	4
Virginia	0.84%	\$8.37	29
Washington	0.85%	\$8.53	28
West Virginia	0.54%	\$5.40	45
Wisconsin	1.63%	\$16.35	6
Wyoming	0.58%	\$5.76	44

Table 3. Real Estate Taxes Paid on Owner-Occupied Homes as a Share of Total Property Tax Revenue

State	Share	Rank
Alabama	31.9%	43
Alaska	29.9%	45
Arizona	36.5%	39
Arkansas	34.4%	42
California	50.1%	10
Colorado	34.5%	41
Connecticut	52.1%	8
Delaware	46.2%	19
Florida	44.9%	22
Georgia	36.9%	37
Hawaii	31.8%	44
Idaho	44.2%	25
Illinois	56.0%	5
Indiana	37.8%	36
Iowa	45.0%	20
Kansas	38.9%	31
Kentucky	44.9%	21
Louisiana	26.0%	46
Maine	37.8%	35
Maryland	57.2%	4
Massachusetts	49.6%	13
Michigan	49.4%	14
Minnesota	47.4%	17
Mississippi	23.3%	49
Missouri	48.8%	15
Montana	35.0%	40
Nebraska	38.7%	33
Nevada	36.5%	38
New Hampshire	48.4%	16
New Jersey	60.2%	1
New Mexico	46.8%	18
New York	40.9%	30
North Carolina	44.7%	23
North Dakota	38.0%	34
Ohio	55.3%	7
Oklahoma	49.7%	12
Oregon	51.4%	9
Pennsylvania	58.0%	3
Rhode Island	42.0%	29
South Carolina	25.2%	47
South Dakota	42.8%	27
Tennessee	43.5%	26
Texas	42.1%	28
Utah	38.8%	32
Vermont	49.8%	11
Virginia	44.2%	24
Washington	55.7%	6
West Virginia	24.8%	48
Wisconsin	58.3%	2
Wyoming	16.1%	50