

Property Taxes by Congressional District – 2017

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Overview

Earlier this year, NAHB released property taxes by state as a [blog post](#) and as a longer special study (December 10, 2018). However, in light of changes in the tax code made by the *Tax Cuts and Jobs Act* (TCJA), further refining the statistics by congressional district is instructive to both members of Congress as well as their constituents.

The highest average property tax bill was \$11,389, paid by home owners residing in New York's 17th district (Rockland County and portions of Westchester County). The smallest average annual real estate tax bill was \$425, paid by home owners in Alabama's fourth district (Franklin, Colbert, Marion, Lamar, Fayette, Walker, Winston, Cullman, Lawrence, Marshall, Etowah, and DeKalb Counties).

Congressional districts in New York State exhibited the most variability of effective property tax rates – equal to the percentage of the property value paid in taxes each year. The difference between rates in the 25th and 13th districts was 2.43 percentage points in 2017, the largest such difference within a state. The average property tax rate in the 25th district (2.79%) is more than six times greater than that in the 13th (0.36%). The smallest differential within a state is in Washington, where the highest effective property tax rate is 1.04% (WA-10) and the lowest is 0.75% (WA-7).¹

SALT, AMT, and the Tax Cuts and Jobs Act

The state and local tax (SALT) deduction decreases federal tax liability by allowing taxpayers to deduct property tax payments and either sales or income taxes paid to state and local governments during the year. Under prior law, this deduction was uncapped (except by the alternative minimum tax, discussed below).

However, significant changes took effect in 2018 after the *Tax Cuts and Jobs Act* (TCJA) was signed into law. Home owners may now only deduct \$10,000 in state and local taxes paid. The value of a tax deduction is determined by the amount deducted from taxable income and the taxpayer's top marginal tax rate at which the income would have been taxed. Thus, under prior law, a taxpayer in the top tax bracket (39.6%) who paid \$10,000 in state income taxes and \$10,000 in property taxes could have decreased their federal tax liability by \$7,920 [$39.6\% \times (\$10,000 + \$10,000)$].

Until the TCJA-made change expires in 2026, that amount will be reduced to \$3,700 (equal to the \$10,000 cap multiplied by the new, top marginal tax rate of 37%). At first glance, the effect of this change on after-tax income is quite obvious in certain high-tax congressional districts. For example, the

¹ Among states with five or more congressional districts

average yearly bill for property taxes alone exceeded \$10,000 in six districts in 2017 (NY-17, NY-3, NJ-11, NJ-7, NY-4, and NJ-5).

The alternative minimum tax (AMT) disallows the SALT deduction. Thus, one must bear in mind the significant [changes made to the AMT](#) by the *Tax Cuts and Jobs Act* when analyzing the effects of the SALT change. The most impactful of these changes was the increase of the income threshold at which the AMT exemption begins to phase out. For a married couple filing jointly, the phaseout threshold went from \$160,900 to \$1 million in 2018. Moreover, the threshold and the exemption amount are both indexed for inflation.

The number of AMT-affected taxpayers is expected to fall 90%—from five million to 500,000—between tax years 2017 and 2018.² More than 25% of those making between \$200,000 and \$500,000—and over 60% making between \$500,000 and \$1 million—were hit by the AMT in 2017. These percentages are expected to fall to 0.4% and 2.0% for tax year 2018. The taxpayers who no longer face the AMT can now deduct up to \$10,000 not available prior to the TCJA.

Effective Property Tax Rates among and within States

It is not surprising that many of the districts with the highest property tax rates are in states that impose the highest average property tax rates. For example, 17 of the 20 congressional districts with the highest property tax rates are in three states: New Jersey, New York, and Illinois (figure 1).

² Joint Committee on Taxation

Figure 1

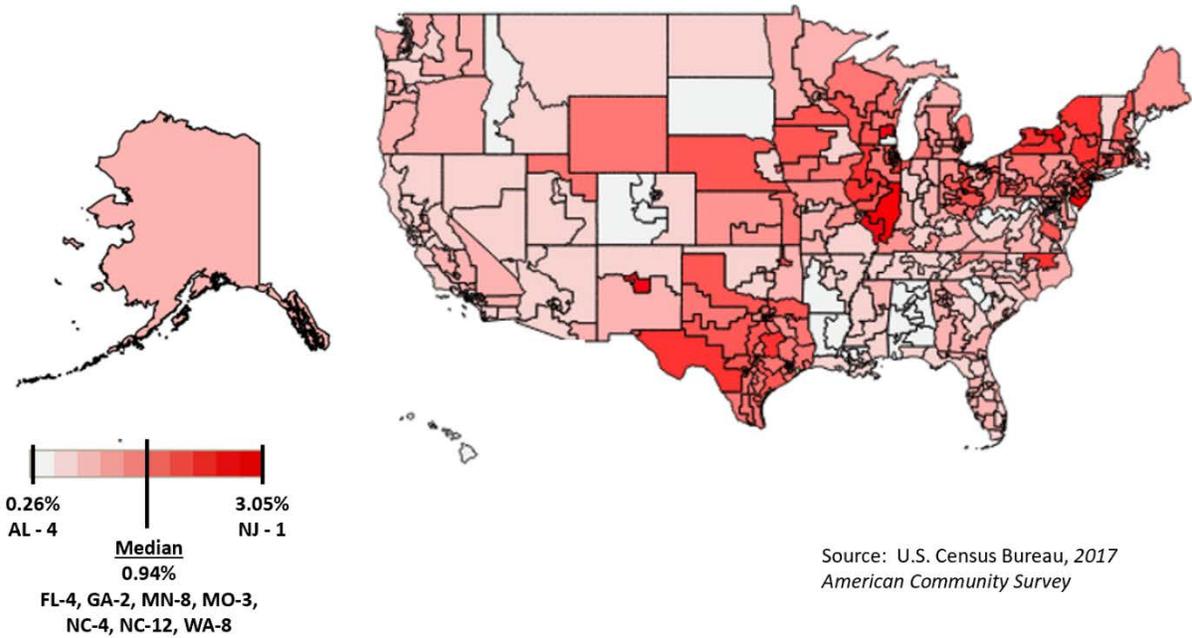
Rank (1= highest rate)	State - District	Effective Property Tax Rate
1	NJ-1	3.05%
2	NY-25	2.79%
3	IL-14	2.59%
4	NJ-10	2.57%
5	NY-24	2.52%
6	NY-2	2.36%
7	IL-2	2.36%
8	NJ-12	2.30%
9	WI-4	2.28%
10	NY-23	2.27%
11	IL-8	2.24%
12	IL-11	2.23%
13	IL-16	2.21%
14	NY-22	2.20%
15	CT-3	2.19%
16	NJ-9	2.18%
17	NY-18	2.17%
18	NJ-3	2.15%
19	CT-1	2.15%
20	NY-26	2.14%

Source: U.S. Census Bureau, *2017 American Community Survey*

On the other end of the spectrum, every district in Alabama and Hawaii imposes a property tax rate that is among the lowest 10 percent.

Figure 2 shows the dispersion of high-tax and low-tax congressional districts. Similar to the map of [property taxes paid by state](#), the highest effective property tax rates are concentrated in the Northeast, Midwest, and Texas (which levies high rates statewide in order to raise revenue as the state has no individual income tax). However, the detailed map illustrates that states that impose moderate property tax rates—such as New Mexico, Oklahoma, and North Carolina—are also home to a few districts that rank high nationally.

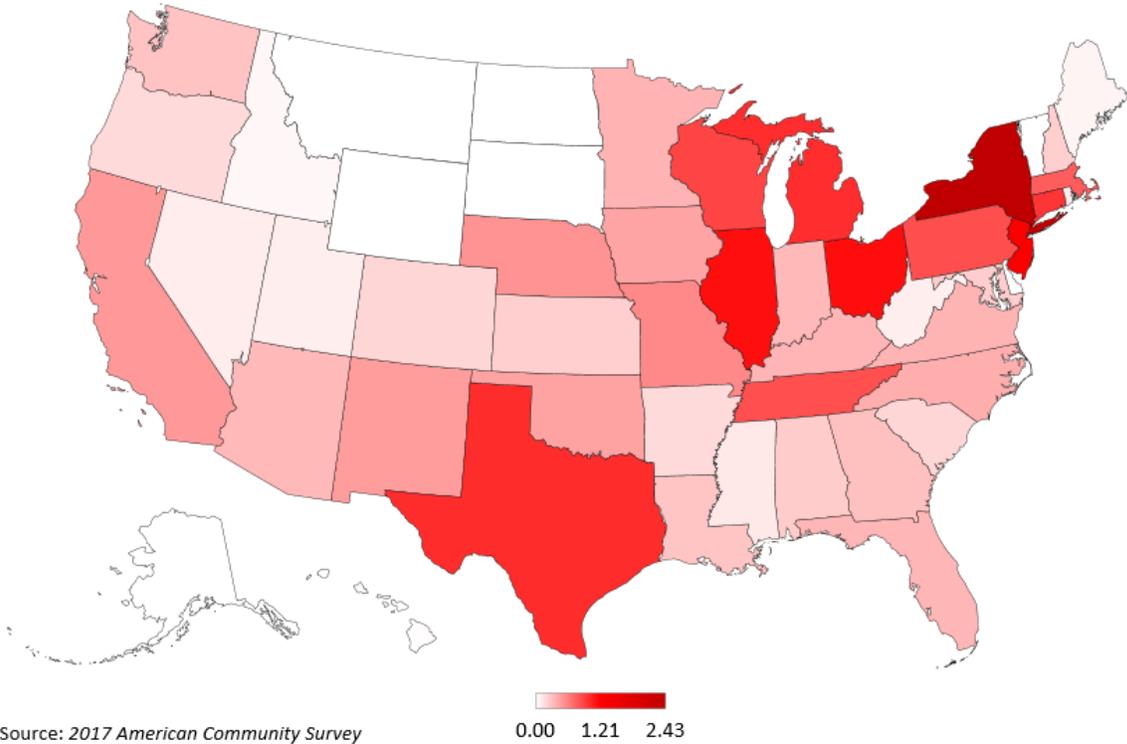
Figure 2



As Figure 2 illustrates, effective property tax rates among congressional districts within each state also show considerable variation, which can be expressed in terms of the percentage-point differential between the congressional districts with the highest and lowest effective property tax rates (Figure 3). The largest such difference is 2.43 percentage points and is between 25th district (2.79%) and 13th district (0.36%) in New York, while the smallest—0.09 percentage point—is between Washington State’s 10th and 7th districts, which levy rates of 1.04% and 0.75%, respectively.

Figure 3

Intrastate Differences Between Highest and Lowest Property Tax Rates
(percentage points)



Annual Property Tax Payments

The amount of real estate taxes paid each year also varies significantly across the country. Home owners in New York's 17th district pay an average of \$11,389 per year. In contrast, Alabama home owners residing in the state's 4th district pay just \$425 each year, on average. Figure 4 shows the 20 largest and smallest annual property tax bills by congressional district.

Figure 4

20 Largest Bills			20 Smallest Bills		
Rank	State - District	Annual Real Estate Taxes Paid	Rank	State - District	Annual Real Estate Taxes Paid
1	NY-17	\$11,389	417	KY-1	\$922
2	NY-3	\$11,265	418	SC-6	\$918
3	NJ-11	\$10,725	419	SC-3	\$918
4	NJ-7	\$10,603	420	WV-1	\$859
5	NY-4	\$10,476	421	MS-2	\$854
6	NJ-5	\$10,334	422	OK-2	\$853
7	CA-18	\$9,450	423	LA-4	\$853
8	NY-2	\$9,444	424	LA-3	\$781
9	NJ-9	\$9,387	425	SC-7	\$740
10	CT-4	\$9,354	426	AR-1	\$729
11	NY-16	\$9,022	427	AL-5	\$717
12	CA-33	\$8,997	428	AR-4	\$689
13	NJ-12	\$8,950	429	AL-1	\$680
14	NJ-10	\$8,774	430	KY-5	\$652
15	NJ-8	\$8,447	431	WV-3	\$614
16	NY-1	\$8,324	432	AL-3	\$573
17	IL-6	\$8,108	433	AL-7	\$533
18	NJ-6	\$8,076	434	LA-5	\$532
19	CA-12	\$8,049	435	AL-2	\$460
20	NY-18	\$8,037	436	AL-4	\$425

These rankings also implicitly reflect the effect of home prices in two ways:

- Annual real estate taxes paid increase as the average home values increase for any given property tax rate.
- If the end goal of policymakers is to raise a certain amount of revenue, the property tax rate levied may be lower as average home prices increase (for a given revenue target).

Although 26 congressional districts in California rank among the top 50 districts nationwide in terms of average home value, the highest effective property tax rate among those districts (0.81%) ranks 276th nationally. Over one-quarter of owner-occupied homes (27.2%) in those districts are valued at \$1 million and over and nearly three-quarters (73.6%) have values of at least \$500,000.

Conclusion

Some critics of the *Tax Cuts and Jobs Act*—particularly those in high-tax states such as New York, New Jersey, and California—have focused on changes that were made to the state and local tax deduction. In fact, these states have fought to implement changes to their own tax code that would circumvent a tax increase that may result from the newly capped SALT deduction. Due to the local nature of property taxes and home values, however, the effects of the SALT cap vary both within states as well as among them.

Many home owners could not take the SALT deduction prior to 2018 as they had been subject to the alternative minimum tax. While it is true that SALT is capped for tax years 2018-2025, the \$10,000 available is a new pool of deduction dollars for many.

When the cap is eliminated in 2026, the pre-TCJA alternative minimum tax rules will return and subject an estimated seven million taxpayers to the AMT. Some of those taxpayers will see their federal tax liability increase, all else held equal. However, the effects will vary between similar households located in different congressional districts and will depend largely upon local property tax rates. Though the effect on after-tax income may be limited in states such as Louisiana and Alabama, it may be painful for home owners in New York and New Jersey, home to many congressional districts in which the combination of high property values and tax rates yields some of the nation's highest annual bills.