The Property Tax Fiasco II

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As apparent affirmation that inertia is a powerful force, Governor Perry’s Appraisal Task force recommended little fundamental change in the Texas property tax system. Well-meaning public officials subject to political pressure, limited staff, and major information gaps will still have to periodically guess the taxable value of residential property, and at taxpayer expense spend thousands of hours processing protests. Protests are the bizarre phenomenon where taxpayers, or hired professional assessment protesters, insist that their property really isn’t as valuable as the assessor alleges that it is. Despite some task force attention to the problem of forced sale because of increased property tax liability, rising property values (which should be an unmitigated blessing) can still force a homeowner to sell and move.

Since my research demonstrated that the current system of periodic reappraisal yields no more tax revenue in the long-run than basing assessment for tax purposes on purchase prices adjusted for inflation (no re-appraisal needed, no more protests, no forced sales), the only remaining public-spirited objection to abandoning periodic re-appraisal is the likely shock value of news stories about similar properties being assessed at different levels because a few have not been on the market for awhile. And such apparent inequities may be appropriate, rather than outrageous. Why should a long-time resident have to pay a lot more tax just because other people are willing to pay a lot to live in their neighborhood? Is it fair to be forced to pay much higher taxes because of what your house is worth to someone else, perhaps so much that you have to abandon your long-time homestead?

Against the theoretical possibility that the current system can eliminate such assessment disparities, we have to consider the reality that huge disparities survive repeated, determined efforts to eliminate them. Not only is the current system of periodic re-appraisal costly to administer, it is a nightmare. Consider this comment from a review of Utah’s repeated attempts to eliminate inequities. “Since the 1930s when the first major attempts to make the property tax more equitable were initiated, significant time and effort had been expended trying to make property valuations more equal. Despite all of this effort, many [significant] discrepancies remain.” Differences of up to 100% were described as common. Indeed, according to the Utah study, “although many states had attempted improvements, the property tax continued to be the most difficult major tax to administer.”

But the reform question is in the hands of the legislature, which means in your hands, especially those of you willing to exert some leadership on this matter. Urge the legislature to follow Oregon and California, and replace costly, difficult to
administer periodic re-assessment with assessment based on purchase price adjusted for inflation. Barring that, a significant improvement in the current system would be to mandate rate decreases to match assessment increases that exceed the rate of inflation. Then, local leaders can only increase the tax bite by voting to do it.