

A Reprint from *Tierra Grande*

HIGH (TAX) ANXIETY

By Charles E. Gilliland



Texas' property tax burden is legendary. Citizens from other states often point to the crushing levy as a deal killer when considering a move here.

However, Texas routinely ranks well below national averages when analyses expand to examine total tax burdens, including state and local income taxes and sales taxes. In fact, Texas generally ranks in the bottom ten states based on combined income, property, sales and automobile taxes, according to a report issued by the District of Columbia's chief financial officer.

Each year, the D.C. government produces a report comparing tax burdens in the largest city in each state with the district's taxes. The report employs an elaborate set of assumptions designed to capture the important aspects of the tax system as it affects a hypothetical family of three. Homestead exemptions and other tax relief measures used in various states and cities are considered.

The report contains a compiled analysis of effective property tax rates for the cities in the study. An effective tax rate essentially represents the percentage of actual market value that must be remitted to state and local governments in property tax each year.

For example, suppose assessed values in a particular state are set at 50 percent of market value. If the official tax rate was set at \$3 per hundred dollars of value, the effective tax rate would be \$1.50 per hundred dollars of value, the product of multiplying \$3 by 50 percent. Dividing the \$1.50 rate by the \$100 of tax value to which it applies produces 1.5 percent, meaning that the effective levy will be 1.5 percent of market value. Because Texas assesses at 100 percent of market value, the effective tax rate would be the same as the official tax rate.

Table 1. Residential Property Tax Rates in Largest City in Each State, 2008

Rank	City	State	Nominal Rate per \$100	Assessment Level (Percent)	Effective Rate per \$100
1	Indianapolis	Ind.	\$2.93	100.0	\$2.93
2	Bridgeport	Conn.	3.87	70.0	2.71
3	Philadelphia	Pa.	8.26	32.0	2.64
4	Houston	Tex.	2.52	100.0	2.52
5	Milwaukee	Wis.	2.42	100.0	2.42
6	Providence	R.I.	2.37	100.0	2.37
7	Baltimore	Md.	2.27	100.0	2.27
8	Detroit	Mich.	6.58	32.1	2.11
9	Des Moines	Iowa	4.50	45.0	2.03
10	Fargo	N.D.	45.54	4.4	2.00
11	Columbus	Ohio	5.94	33.4	1.98
12	Omaha	Neb.	2.05	96.0	1.97
13	Burlington	Vt.	1.78	100.0	1.78
14	Memphis	Tenn.	7.47	23.3	1.74
15	Jackson	Miss.	17.16	10.0	1.72
16	Anchorage	Alaska	1.72	100.0	1.72
17	Manchester	N.H.	1.69	98.6	1.66
18	Atlanta	Ga.	4.10	40.0	1.64
19	Portland	Maine	1.77	91.0	1.61
20	Jacksonville	Fla.	1.60	100.0	1.60
21	Wilmington	Del.	3.38	47.2	1.59
22	Newark	N.J.	2.60	60.0	1.56
23	Wichita	Kan.	12.32	11.5	1.42
24	Little Rock	Ark.	7.05	20.0	1.41
25	Albuquerque	N.M.	4.52	30.0	1.36
26	Boise	Idaho	1.32	100.5	1.32
27	New Orleans	La.	12.93	10.0	1.29
28	Sioux Falls	S.D.	1.49	85.0	1.27
29	Louisville	Ky.	1.24	100.0	1.24
30	Oklahoma City	Okla.	10.98	11.0	1.21
31	Kansas City	Mo.	6.32	19.0	1.20
32	Salt Lake City	Utah	1.19	100.0	1.19
33	Las Vegas	Nev.	3.27	35.0	1.14
34	Minneapolis	Minn.	1.20	92.5	1.11
35	Los Angeles	Calif.	1.10	100.0	1.10
36	Charlotte	N.C.	1.30	82.9	1.08
37	Columbia	S.C.	26.26	4.0	1.05
38	Boston	Mass.	1.02	100.0	1.02
39	Portland	Ore.	1.95	52.1	1.02
40	New York City	N.Y.	15.43	6.0	0.93
41	Virginia Beach	Va.	0.89	100.0	0.89
42	Phoenix	Ariz.	8.75	10.0	0.88
43	Charleston	W.Va.	1.44	60.0	0.87
44	Washington	D.C.	0.85	100.0	0.85
45	Seattle	Wash.	0.94	83.4	0.79
46	Birmingham	Ala.	7.53	10.0	0.75
47	Cheyenne	Wyo.	7.10	9.5	0.67
48	Chicago	Ill.	6.72	10.0	0.67
49	Billings	Mont.	1.86	34.0	0.63
50	Denver	Colo.	7.06	8.0	0.56
51	Honolulu	Hawaii	\$0.33	100.0	\$0.33
UNWEIGHTED AVERAGE			\$5.63	58.2	\$1.45
MEDIAN			\$2.60	60.0	\$1.32

Source: Government of the District of Columbia

Table 2. Estimated Burden of Major Taxes for Hypothetical Family of Three, 2008; \$100,000 in Earnings

Rank	City	State	Taxes				Burden	
			Income	Property	Sales	Auto	Amount	Percent
1	Bridgeport	Conn.	\$4,007	\$10,769	\$1,675	\$492	\$16,943	16.9
2	Philadelphia	Pa.	7,050	2,840	1,559	390	11,839	11.8
3	Detroit	Mich.	6,322	2,663	1,495	589	11,069	11.1
4	New York City	N.Y.	5,304	3,007	2,056	322	10,689	10.7
5	Columbus	Ohio	5,238	2,890	1,713	355	10,196	10.2
6	Louisville	Ky.	6,412	1,502	1,670	611	10,195	10.2
7	Baltimore	Md.	5,572	2,555	1,592	368	10,087	10.1
8	Chicago	Ill.	2,595	4,492	2,450	500	10,037	10.0
9	Des Moines	Iowa	3,598	3,333	2,059	952	9,942	9.9
10	Portland	Maine	4,217	3,609	1,194	915	9,935	9.9
11	Milwaukee	Wis.	4,556	3,213	1,664	465	9,898	9.9
12	Atlanta	Ga.	3,625	3,467	1,862	712	9,666	9.7
13	Indianapolis	Ind.	4,092	3,209	2,102	208	9,611	9.6
14	Charlotte	N.C.	4,867	2,004	1,940	793	9,604	9.6
15	Omaha	Neb.	3,552	3,039	1,942	816	9,348	9.3
16	Jackson	Miss.	2,886	2,852	2,199	1,287	9,225	9.2
17	Providence	R.I.	2,585	2,967	1,698	1,791	9,041	9.0
18	Kansas City	Mo.	4,035	1,856	2,135	881	8,908	8.9
19	Little Rock	Ark.	4,042	1,603	2,457	694	8,796	8.8
20	Boston	Mass.	4,292	2,811	909	775	8,787	8.8
21	Columbia	S.C.	4,257	1,594	1,775	1,802	8,707	8.7
22	Minneapolis	Minn.	3,839	2,806	1,610	409	8,663	8.7
23	Wichita	Kan.	3,901	1,662	2,255	743	8,862	8.6
24	Charleston	W.Va.	4,987	1,116	1,523	919	8,545	8.5
25	Los Angeles	Calif.	1,239	4,663	1,748	859	8,508	8.5
26	Newark	N.J.	1,923	4,332	1,679	273	8,207	8.2
27	Burlington	Vt.	2,811	3,526	1,535	322	8,194	8.2
28	Oklahoma City	Okla.	3,888	1,548	2,389	355	8,180	8.2
29	Portland	Ore.	5,438	2,306	0	299	8,042	8.0
30	Salt Lake City	Utah	4,267	1,246	1,950	559	8,022	8.0
31	Birmingham	Ala.	4,194	1,099	2,159	552	8,004	8.0
32	Boise	Idaho	4,642	1,277	1,659	409	7,987	8.0
33	Washington	D.C.	3,465	2,325	1,757	391	7,938	7.9
34	Virginia Beach	Va.	3,814	1,764	1,674	684	7,936	7.9
35	Wilmington	Del.	4,361	3,296	0	277	7,933	7.9
36	Albuquerque	N.M.	2,926	2,298	2,407	264	7,895	7.9
37	New Orleans	La.	3,438	1,128	2,454	449	7,469	7.5
38	Denver	Colo.	2,988	1,399	1,949	988	7,324	7.3
39	Honolulu	Hawaii	3,888	1,063	1,476	274	6,701	6.7
40	Phoenix	Ariz.	1,821	1,149	2,605	714	6,290	6.3
41	Billings	Mont.	4,529	823	0	784	6,136	6.1
42	Fargo	N.D.	1,566	2,495	1,432	401	5,894	5.9
43	Seattle	Wash.	0	2,777	2,332	526	5,636	5.6
44	Houston	Tex.	0	2,787	2,246	324	5,357	5.4
45	Memphis	Tenn.	25	2,245	2,658	265	5,194	5.2
46	Las Vegas	Nev.	0	2,973	1,421	594	4,988	5.0
47	Manchester	N.H.	0	4,264	0	586	4,850	4.9
48	Sioux Falls	S.D.	0	1,897	2,253	340	4,490	4.5
49	Cheyenne	Wyo.	0	1,167	2,063	802	4,032	4.0
50	Jacksonville	Fla.	0	2,003	1,759	237	4,000	4.0
51	Anchorage	Alaska	0	3,428	0	182	3,610	3.6
AVERAGE			\$3,797	\$2,611	\$1,854	\$584	\$8,179	8.2
MEDIAN			\$3,839	\$2,555	\$1,757	\$526	\$8,207	8.2

Source: Government of the District of Columbia

Table 3. Comparative Tax Burdens at Different Income Levels

Houston, Tex.	Income Levels	Total Tax	Percent of Income	National Rank
	\$ 25,000	\$ 2,479	9.9	36
	50,000	3,047	6.1	42
	75,000	4,228	5.6	44
	100,000	5,357	5.4	44
	150,000	6,532	4.4	43
U.S. Average	25,000	2,720	10.9	25
	50,000	4,084	8.2	24
	75,000	6,024	8.0	40
	100,000	8,179	8.2	26
	\$150,000	\$11,749	7.8	32

Source: Government of the District of Columbia

This ambitious project provides an objective analysis of how Houston stacks up compared with other cities. At an effective tax rate of \$2.52 per \$100 of value, Houston ranks fourth in the nation in property tax burden as a percent of value, not far behind chart topper Indianapolis at \$2.92 per \$100 (Table 1). So the Texas rate does indeed rank among the highest in the nation.

Rates tell only part of the story because exemptions, “circuit breakers” and an assortment of special treatments affect the actual levy for particular properties. For example, suppose a home valued at \$100,000 in a city with a combined effective tax rate of \$1.50 per \$100 enjoyed a homestead exemption of \$25,000 in value. Without the exemption, taxes would be \$1,500, but the exemption reduces tax value to \$75,000, and the tax assessment becomes \$1,125 dollars.

The D.C. study addresses this issue by estimating the amount of tax a family of three would pay in each city after taking all the exemptions and credits the typical family could claim. The income, property, sales and automobile tax burden for the hypothetical family earning \$100,000 per year is shown in Table 2. In Houston, the total tax burden for this family amounted to \$5,357 in 2008, ranking the state 44th, with a tax burden of 5.4 percent of family income.

Houston consistently ranks in the bottom ten for total tax burden except for the lowest income level (Table 3). However, even that burden ranks 36th out of the 50 states and D.C. These results suggest that although Texas property tax rates are steep compared with other states, overall tax burdens are generally low by comparison. 📌

Dr. Gilliland (c-gilliland@tamu.edu) is a research economist with the Real Estate Center at Texas A&M University.

THE TAKEAWAY

Texas property taxes are high compared with many other states. But when the overall tax burden for a family of three is considered, Texas taxes are among the lowest in the nation.



MAYS BUSINESS SCHOOL

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031

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Tierra Grande (ISSN 1070-0234) is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115. Subscriptions are free to Texas real estate licensees. Other subscribers, \$20 per year. Views expressed are those of the authors and do not imply endorsement by the Real Estate Center, Mays Business School or Texas A&M University. The Texas A&M University System serves people of all ages, regardless of socioeconomic level, race, color, sex, religion, disability or national origin. Photography/Illustrations: Real Estate Center files, p. 1.