HOMESTEAD EXEMPTIONS AND CREDITS

An examination of an approach for Tax Expenditure Budgeting

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Homestead Exemption Programs

Introduction

Homestead exemption programs, incorporating exemptions and credits, are by no means the only programs state and local governments use to provide property tax relief to residents. They are, however, the only programs directed at *all* homeowners who claim the property as their primary residence[1]. Unlike the other residential relief programs, homestead exemptions have no further eligibility criteria. While all states provide some sort of residential relief, as shown in Table 1, only 28 states and the District of Columbia have adopted a homestead exemption program. In each case, however, these states (and D.C.) have also adopted residential relief programs for targeted populations, such as being a senior citizen or a veteran, or having limited income.

Although not as widely used as targeted residential relief programs, homestead exemptions provide benefits to far more homeowners than targeted programs. For instance, New York State's homestead exemption program, the school tax relief STAR, provides exemptions to 3.4 million homeowners compared to the 217,000 elderly households participating in senior citizens' relief or 580,000 veterans enrolled in the veterans' exemption program. (New York State Department of Taxation and Finance, STAR Assessor's Guide, n.d.)

States may also provide additional relief to homeowners, but such relief is available only under special circumstances. States have adopted programs that limit assessment growth, providing an additional homestead exemption when property values increase above the limit. Of the 18 states and District of Columbia that impose a limit on assessment growth in 2010, five have adopted limits that apply only to homeowners. (Journal of Property

[1] Evidence of primary or principal residency includes such things as address on driver's license, registering to vote, filing state income tax as a resident, and not claiming principal home exemption in any other jurisdiction. As Michigan has stated it is "the place you intend to return to whenever you go away". (Michigan Department of Treasury, 2011)

TABLE 1

Residential Property Tax Relief Programs

2010

State	Homeowner Exemption	Homeowner Credit	Circuit Breaker[1]	Non-Circuit Breaker Elderly	Non-Circuit Breaker Disabled Veterans
Alabama	X			X	X
Alaska	X			X	X
Arizona		X	X+	X	
Arkansas		X		X	X
California	X		X+	X	X
Colorado			X+	X	X
Connecticut			X*+	X	X
Delaware				X	
District of Columbia	X		X*+	X	
Florida	X			X	X
Georgia	X			X	X
Hawaii	X			X	X
Idaho	X		X	X	
Illinois	X	X	X+	X	X
Indiana	X	X		X	X
Iowa		X	X+		
Kansas	X		X+	X	
Kentucky				X	
Louisiana	X			X	
Maine	X		X*+	X	X
Maryland			X*+	X	
Massachusetts			X+	X	X
Michigan		X	X*+	X	
Minnesota		X	X*+		X
Mississippi		X		X	
Missouri			X+	X	
Montana			X*+		
Nebraska			X		
Nevada			X+		X
New Hampshire			X*	X	
New Jersey			X*	X	X
New Mexico	X		X+	X	X
New York	X		X*+	X	X
North Carolina			X	X	
North Dakota			X+		X
Ohio		X		X	
Oklahoma	X		X	X	X
Oregon				X	X
Pennsylvania	X		X+		X
Rhode Island			X*+	X	
South Carolina	X			X	X
South Dakota			X	X	X
Tennessee				X	X
Texas	X			X	X
Utah	X		X+	X	X
Vermont			X*+		X
Virginia				X	
Washington			X	X	X
West Virginia			X*	X	
Wisconsin		X	X*+	X	
Wyoming			X	X	X

[1]States may have multiple Circuit Breaker programs: Programs for elderly are marked with X; those that include non-elderly are marked with *; and those that include renters are marked with +.

Source: Significant Features of the Property Tax, Special Report, Lincoln Institute of Land Policy and George Washington Institute of Public Policy https://www.lincolninst.edu/subcenters/significant-features-property-tax.edu

Tax Assessment & Administration, 2010 p.59) The Save Our Homes program in Florida is such a program; a portion of the portion of a homeowner's assessed value is exempt if the growth in assessed value exceeds the limit.[2] Although the limit applies to all homeowners, the relief is available only when the assessment growth of the individual properties is above the limit. Since the relief applies only to those homeowners who experience extraordinary increases in housing values rather than all homeowners, such programs are not considered here as homestead exemptions.

Similarly, states have adopted programs that provide relief when property tax liability imposes an undue burden on the homeowner. As with assessment limits, the benefits are available only to those individual homeowners when property taxes exceed either a certain percentage of the homeowner's income, often referred to as circuit breakers[3], or assessed value of the home. In West Virginia, the state's circuit breaker program provides a credit when homeowners' property taxes exceed 4% of their gross income.[4] Other preferential treatment for homeowners, such as taxing homeowner's property at a lower percentage of full value, provides preferential treatment of homeowners' properties. These programs are not generally considered as homestead exemptions and are discussed in other chapters of this guide book dealing with assessment limitations, circuit breakers, and classification.

Although not as widely adopted as relief that is targeted relief, there are aspects of the homestead exemption that affect the level of relief and the distribution of the benefits. These characteristics are discussed in the next section where the various characteristics of homestead exemptions and how these factors affect who benefits from the program and the cost, or tax expenditure, to the taxing jurisdiction are discussed. Following the discussion of these options, a review of homestead exemption programs that have been

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[2] Florida's Save Our Homes program was adopted by the voters in 1992. In 2008 the voters expanded the limitation to non-homestead properties, but the limitation on the growth was 10% rather than the lower 3% for homestead properties. (Fla. Stat. §193.155(1)

[3] A circuit breaker is a credit mechanism with two specific parameters: that the relief increases as household income declines and the relief is direct property tax relief for the household. (Bowman et al. 2009)

[4] Prior to January 1, 2012, the credit was available to all homeowners. As of January 1, 2012, the credit is available only to a "low income person". W. Va. Code §11-21-23

adopted in the United States will highlight some of the differences among these programs. The last section provides an outline for preparing a tax expenditure analysis and a demonstration of such analysis using Idaho and four counties within that state.

Characteristics of Homestead Exemption Programs

Exemption or Credit

Homestead exemption programs are structured either as an exemption or a credit. With an exemption, a portion of the homestead value is excluded from the value of property subject to taxation[5], and the tax rate is applied to the remaining taxable value to determine tax liability. A credit, on the other hand, is applied after the base and rate are set and the liability is determined thus reducing the tax bill. For example, an exemption of $2,000 reduces the value of the homestead, or tax base, subject to the tax rate to determine tax liability. A $2,000 credit is applied after the liability is determined, reducing the amount of taxes due.

In general terms, property taxes, whether the discussion is the individual's liability or the jurisdiction's revenues or levy, are a function of taxable values and tax rates. Specifically,

*Property Tax Base * tax rate = Tax Liability or Revenues*

An exemption reduces the taxable base with the relief, whether considered a benefit to the taxpayer or a cost in terms of foregone revenues to the jurisdiction, dependent upon the tax rate applied to the exempted value. The tax liability is then the tax base net of the exemption times the tax rate.

*(Property Tax Base-Exempt Value) *tax rate = Net Tax Liability*

[5] States limit the size of the property that is eligible for homestead relief. In most cases, the amount of eligible property is limited to the house and the land immediately surrounding it. For example, in Idaho the exemption covers up to one acre of land and structures. Louisiana's constitutional provision is far broader, extending relief to "homestead, consisting of a tract of land, or two or more tracts of land, with a residence on one tract and a field, pasture or garden on the other tract or tracts, not exceeding 160 acres, as well as buildings and appurtenances" (Article VII §20).

A credit is a reduction of the liability. The tax liability is determined by applying the tax rate to property tax base, without consideration of the exemption.

*(Property Tax Base*tax rate) = Tax Liability-Credit*

Inasmuch as a credit reduces the liability, it can be expressed in relation to the liability. A credit may be based on tax liability, such as a such as a 5 percent reduction of total liability, or a set dollar amount times a specific mill rate such as $7,000 times the levy rate for education, or just a set dollar amount of credit, such as $500. Each type of credit reduces the liability and can be expressed in terms of how the liability is reduced. Although each of these credits reduces the liability in different ways, they can be expressed in terms of base and rate, even the flat amount.

*(Property Tax Base*tax rate) = Tax Liability-(5% * Tax Liability)*

*(Property Tax Base*tax rate) = Tax Liability-($7,000* tax rate)*

*(Property Tax Base*tax rate) = Tax Liability-($500)*

or

*(Property Tax Base*tax rate) = Tax Liability-(5 %*(Property Tax Base*tax rate))*

*(Property Tax Base*tax rate) = Tax Liability-($7,000*tax rate)*

As a result, a credit can also be expressed in terms of tax base and rate, similar to an exemption. The value of both the tax exemption and credit can be also written as:

*Credit or Relief = (Exempt value*tax rate)*

For the homeowner, the relief, whether provided as an exemption or a credit, is effectively the same. In a sense, exemptions and credits can be considered as substitutes for each other because the same results can be achieved. An example of a $20,000 exemption of assessed value (Table 2) and a $360 credit (Table 3) show how these programs can achieve the same benefits for the homeowner or costs to the jurisdiction.

Table 2							
Homestead Exemption of $20,000							
(tax rate =$1.80 per $100 of assessed value)							
Assessed Value of Homestead Property	Tax Liability without Exemption (Assessed Value times Tax Rate)	Taxable Value (Assessed Value minus Exemption)	Exemption as Percent of Assessed Value ($20,000 divided by Assessed Value)	Tax Liability with Exemption (Taxable Value times Tax Rate)	Relief (Tax Liability without Exemption minus Tax Liability with Exemption)	Percent Reduction of Tax Liability due to Homestead Exemption (Relief divided by Tax Liability without Relief)	Distribution of Relief: Each Homeowner's Share of Total Relief Provided (Relief divided by Total Relief)
$40,000	$720	$20,000	50%	$360	$360	50%	20%
80,000	1,440	60,000	25%	1,080	360	25%	20%
160,000	2,880	140,000	13%	2,520	360	13%	20%
200,000	3,600	180,000	10%	3,240	360	10%	20%
250,000	4,500	230,000	8%	4,140	360	8%	20%
Total	$13,140			$11,340	$1,800		

Fixed Benefit

With the $20,000 exemption, the homeowner with a home assessed at $40,000 has $20,000 of taxable value; ($40,000-:$20,000 = $20,000). The tax, imposed at $1.80 per $100 of taxable value, results in a liability of $360 ($20,000/$100) x $1.80). The benefit of the exemption is the exempted value, $20,000, times the tax rate of $1.80 per $100 of assessed value, totaling $360, thus reducing the liability on the $40,000 home by 50 percent. For the homeowner with a $250,000 assessed home, the benefit is same $360 as the exempt value, $20,000, and the tax rate, $1.80 per $100 of taxable value, are the same as they are for the $40,000 homes. The relief, however, represents only an eight percent reduction in liability.

For the jurisdiction, the cost of providing the exemption in terms of foregone revenues is the same for both properties with the total effect of the exemption being the difference in total tax liability without the exemption compared to the total tax liability when the exemption is available. Alternatively it is the sum of the relief provided to all the taxpayers or $1,800 in the example in Table 2.[6]

[6] Exemptions result in foregone revenues if the jurisdiction either is unable or unwilling to increase the tax rate to compensate for the reduced tax base by raising the tax rate.

For a credit, unlike with an exemption, the assessed and taxable values for each home are the same. As shown in Table 3, when a credit of $360 is provided, the tax liability for the $40,000 home, prior to the credit, is $720 [$40,000/$100) x $1.80]. The $360 credit is then applied to the tax liability, reducing it from $720 to $360, a 50 percent reduction, just as with an exemption for that housing value. Similarly, all the benefits and costs are the same for each housing value when the credit is available compared to relief provided as an exemption.

Table 3

Homestead Credit of $360

(Tax rate =$1.80 per $100 of taxable value)

Assessed and Taxable Values of Homestead Property	Tax Liability Before Credit (Taxable Value times Tax Rate)	Credit	Tax Liability after Credit	Relief (Tax Liability before Credit minus Tax Liability after Credit)	Percent Reduction of Tax Liability due to Homestead Credit (Relief divided by Tax Liability before Creditf)	Distribution of Relief: Each Homeowner's Share of Total Relief Provided (Credit divided by Total Credit)
$40,000	$720	$360	$360	$360	50%	20%
80,000	1,440	360	$1,080	360	25%	20%
160,000	2,880	360	$2,520	360	13%	20%
200,000	3,600	360	$3,240	360	10%	20%
250,000	4,500	360	$4,140	360	8%	20%
Total	$13,140	$1,800	$11,340	$1,800		

As shown in these two tables, exemptions and credits can be structured so that benefits to homeowners, total cost to the jurisdiction of the providing relief, and distribution of the benefits are the same whether the homestead exemption is provided as an exemption or as a credit. When the relief is a fixed dollar amount, the benefits are equally distributed among all the homeowners, each getting the same dollar amount of relief and the benefits are distributed equally among the homeowners. However the relief represents a larger benefit to those with lower housing values. The flat exemption of $20,000 represents a 25 percent reduction in taxable value on the $80,000 home but only ten percent for the $200,000 homeowner. The cost to the jurisdiction is the sum of each exemption or the difference between the liability without consideration of the exemption and the liability when the exemption or credit is applied. The cost of the program in terms of the foregone revenues is $1,800 for both the exemption and credit.

Percentage-Capped or Unlimited

Capped

Not all homestead exemption provide fixed-dollar relief. Alternatively the benefit may be calculated as a percentage of value or percentage of liability. Such programs will have very different consequences with regard to the amount of relief, the distribution and cost of the program compared to a fixed-dollar program. These programs may include a cap or maximum that limits the amount of relief provided to each homeowner. Such limits set a ceiling on the maximum amount of relief, they do not limit participation. All qualified homeowners continue to receive the homestead exemption, it is just that the maximum amount of relief is capped. A program may provide an exemption of 20 percent applied to the first $10,000 of assessed value. The cap applies to properties above the maximum amount of eligible value. The program is available to all homeowners, not just those with assessed value below the $10,000. For homeowner with property less than $10,000, the exemption would be 20 percent of that value. For a home valued at $5000, the exemption would be $1.000 (20% of $5,000). The maximum exemption would be $2,000 (20% of $10,000), applied to all properties with assessed value of $10,000 or more.

When homestead exemptions are based on a percentage, whether calculated as a percent of assessed value or a percent of liability, (shown in Table 4-A for relief based on an exemption of 25 percent of assessed value and Table 4-B for a credit based on 25 percent of liability) the distributional consequences are decidedly different from fixed-dollar programs. For the fixed-dollar programs, all homeowners receive the same dollar benefit and as home values increase, the homestead exemption provides less relief.

For homestead exemptions based on a percent of value or liability, each homeowner's liability is reduced by the same amount, 25 percent, until the cap or limit is reached. While all homeowners enjoy the same percentage reduction in liability, the dollar

Table 4-A							
25% of Value Exemption with $50,000 Ceiling							
(tax rate =$1.80 per $100 of assessed value)							
Assessed Value of Homestead Property	Tax Liability without Exemption (Assessed Value times Tax Rate)	Exemption (25% of Assessed Value)	Taxable Value (Assessed Value minus Exemption)	Tax Liability with Exemption (Taxable Value times Tax Rate)	Relief (Tax Liability without Exemption minus Tax Liability with Exemption)	Percent Reduction of Tax Liability due to Homestead Exemption (Relief divided by Tax Liability without Relief)	Distribution of Relief: Homestead Share of Total Relief (Relief divided by Total Relief)
$40,000	$720	$10,000	$30,000	$540	$180	25%	5.9%
80,000	1,440	20,000	60,000	1,080	360	25%	11.8%
160,000	2,880	40,000	120,000	2,160	720	25%	23.5%
200,000	3,600	50,000	150,000	2,700	900	25%	29.4%
250,000	4,500	50,000	200,000	3,600	900	20%	29.4%
Total	$13,140			$10,080	$3,060		100%

amounts increase as property values increase, up to the limit. The share of the benefits going to each homeowner increases as the value of the property increases. The $40,000 homeowner receives just 5.9 percent of the total benefits while the homeowners with the $200,000 and $250,000 homes receive nearly five times the relief. Clearly, homeowners with higher valued properties receive a larger proportion of the relief.

The situation is similar when the homestead exemption is provided as a percentage credit, with a ceiling imposed on the amount of the credit that can be taken. As with the fixed-dollar credit, the assessed and taxable values are the same. And the relief provided by either 25percent of value or liability, the benefits for those homeowners below the cap are the same. And like the percentage exemption a larger share of the total benefits go to the homeowners with the higher valued property.

Table 4-B					
25% of Property Tax Liability Credit with $1,000 Ceiling					
(tax rate =$1.80 per $100 of assessed value)					
Assessed or Taxable Value of Homestead Property	Tax Liability Before Credit (Assessed or Taxable Value times Tax Rate)	Credit (percent of tax liability)	Tax Liability after Credit	Percent Reduction of Tax Liability due to Homestead Credit (Relief divided by Tax Liability without Relief)	Distribution of Relief: Homestead Share of Total Relief (Relief divided by Total Relief)
$40,000	$720	$180	$540	25%	6%
80,000	1,440	360	1,080	25%	11%
160,000	2,880	720	2,160	25%	23%
200,000	3,600	900	2,700	25%	28%
250,000	4,500	1,000	3,500	22%	32%
Total	$13,140	$3,160	$9,980		100%

When the homestead exemption is a percentage with no ceiling, the benefit is unlimited. As shown in Tables 5-A and 5-B, homestead exemptions with no cap provide greater relief, both in dollar amounts and shares of the relief, to those with higher property values or liability. Similarly, without a ceiling, the cost to the jurisdiction, its tax expenditure, is greater.

Table 5-A							
25% of Value Exemption with No Ceiling							
(tax rate =$1.80 per $100 of assessed value)							
Assessed Value of Homestead Property	Tax Liability without Exemption (Assessed Value times Tax Rate)	Exemption (25% of Assessed Value)	Taxable Value (Assessed Value minus Exemption)	Tax Liability with Exemption (Taxable Value times Tax Rate)	Relief (Tax Liability without Exemption minus Tax Liability with Exemption)	Percent Reduction of Tax Liability due to Homestead Exemption (Relief divided by Tax Liability without Relief)	Distribution of Relief: Homestead Share of Total Relief (Relief divided by Total Relief)
$40,000	$720	$10,000	$30,000	$540	$180	25%	5.5%
80,000	1,440	20,000	60,000	1,080	360	25%	11.0%
160,000	2,880	40,000	120,000	2,160	720	25%	21.9%
200,000	3,600	50,000	150,000	2,700	900	25%	27.4%
250,000	4,500	62,500	187,500	3,375	1125	25%	34.2%
Total	$13,140			$9,855	$3,285		100%

Table 5-B					
25% of Property Tax Liability Credit with No Ceiling (tax rate =$1.80 per $100 of assessed value)					
Assessed Value of Homestead Property	Tax Liability Before Credit (Assessed Value times Tax Rate)	Credit	Tax Liability after Credit	Percent Reduction of Tax Liability due to Homestead Credit (Relief divided by Tax Liability without Relief)	Distribution of Relief: Homestead Share of Total Relief (Relief divided by Total Relief)
$40,000	$720	$180	$540	25%	5%
80,000	$1,440	$360	1,080	25%	11%
160,000	$2,880	$720	2,160	25%	22%
200,000	$3,600	$900	2,700	25%	27%
250,000	$4,500	$1,125	3,375	25%	34%
Total	$13,140	$3,285	$9,855		100%

Overtime, the differences suggested by the characteristics are magnified. For relief that is a fixed amount, assuming the amount remains unchanged, the effect of the benefits diminishes over time as the relative size of the exemption diminishes. For example, Georgia's $2,000 standard homestead exemption was adopted in 1937[7] and has remained unchanged. (Soquist, 2008) At the time of adoption, it was estimated that the exemption reduced the homeowner's taxes by as much as 64% (Hudson, 1940). Today, the benefit represents just over 3% of taxes. On the other hand, homestead exemptions based on a percentage of either assessed value or liability keep pace with changing housing values particularly if no maximum is imposed. As housing values increase, providing the same percentage of relief will result in increased foregone revenues even without a rate increase assuming there is no limit on levy increase. If there is a budgetary limit, the jurisdiction must reduce, or rollback, its tax rate so as to generate the same level of revenue. For example, if there is no rollback requirement, a community's 10% exemption for a $100,000 homestead will increase from $10,000 to $12,000. Assuming no requirement that the levy must remain as it was in the prior year, relief will increase

[7] Because Georgia assesses at less than full value, the $2,000 is equivalent to $5,000 full value.

for a $100,000 homestead and at a 1% tax rate ($1 per $100) relief will increase from $100 to $120.

State Mandates or Local Option

A final consideration is the extent the programs are state or local programs. The critical aspects of state-local relations are two-fold—the funding source and local options. State-mandated programs will have the same structure and characteristics throughout the state. [8] However, the benefits provided and the costs will vary across jurisdictions, depending upon local tax rates and housing values. The benefit of a $10,000 exemption for a homeowner in a jurisdiction with a 1% tax rate is twice the benefit as a similar homeowner in a town with a tax rate of 0.5%. These differences in tax rates and consequently the distribution of the benefits to the homeowner are of particular concern when the state provides the funding for the homestead exemption. However, since most programs are not state-funded, local jurisdictions must absorb the cost, either by increasing the rate to compensate for the reduced revenues because of the relief or accepting the lower level of revenues. When considering the tax expenditures of homestead exemptions the focus is the local governments.

The different aspects of homestead exemption programs including fixed dollar amounts and percentages with or without caps- lead to a wide array of the programs adopted in the United States. The following section will provide an overview of the various Homestead Exemptions that are currently in place in the United States.

Homestead Exemption Programs in the U.S.

Homestead exemption programs have been adopted in 28 states and the District of Columbia. While most states have only one Homestead Exemption program, Georgia and Illinois have both an exemption program and a credit program, although Georgia has

[8] State constitutions have a uniform provision that requires that all properties be taxed uniformly unless specifically exempted. Providing special treatment for homeowners, therefore requires constitutional provisions. (Wallis, 2000)

not funded the credit program since 2009 and future funding is tied to state revenue growth.

The summary table, Table 6, shows that by far the most prevalent Homestead Exemption programs are fixed-dollar exemptions. (A more detailed summary of each state's program is in Appendix 1.) This type of program has been adopted in seventeen states and the District of Columbia. While most provide only a single fixed amount, Alabama has an amount for state property taxes, $4,000, and one for local property taxes, $2,000, with an additional $2,000 exemption for local taxes at the option of local governments. Because Alabama taxes residential properties at 10% market value, the $4,000 exemption is equivalent to $40,000 of full value. While the exemption and taxes are based on assessed value, in order to make comparisons among the states, exemptions should be compared on a full or market value of property. Florida's Homestead Exemption is two-tiered with the first $25,000 exemption applies to all property taxes and the second $25,000 is applied to the assessed values between $50,000 and $75,000, reducing only local, non-school taxes. The total size of the relief therefore depends upon the two tax rates as well as the value of the homestead property. For those counties that have higher levies for general government than for schools, the relief would be greater than those counties where education levies are higher. Since the second tier of the exemption applies to housing values between $50,000 and $75,000, those with housing value above $50,000 will receive more relief and a greater share of the benefits, while increasing the cost to the local government.

As discussed in the earlier section, the difficultly with a fixed dollar amount is that it may overtime become irrelevant as housing values increase. Only a few states have fixed amounts above $20,000 full value. New York's School Tax Relief program exempts $30,000 full value for all homesteaders, but then the state makes adjustments for residents in those counties that have high property values relative to the rest of the state

Table 6				
Type of Homestead Exemptions 2010**				
EXEMPTIONS		CREDITS		
Fixed-Dollar	Percent of Value	Fixed Dollar	Percent of Value	Percent of Tax Liability
Alabama* Alaska * California Washington D. C. Florida Georgia Hawaii * Illinois * Kansas Louisiana Maine Massachusetts* New Mexico New York Oklahoma Pennsylvania South Carolina Texas*	Idaho Indiana Utah	Arkansas	Minnesota Mississippi Wisconsin	Arizona Illinois Iowa Michigan Ohio Wisconsin
Note: *Local options are available to expand state programs or programs are only at local option **Includes only programs that are funded in 2010. Some states have more than one program and are listed for each component when the method of calculation is different				
Source: Significant Features of the Property Tax, Special Report, Lincoln Institute of Land Policy and George Washington Institute of Public Policy. http://lincolninst.edu/subcenter/significant-features-property-tax.				

average.[9] Such an adjustment has increased the exempt value in Westchester County to more than $99,000. Since the STAR program is an exemption program, the relief is the exempt amount times the local tax rate, in this case the school levy. As a result, the benefits vary greatly across the state and the distribution of the relief will favor high-value high taxed districts. The program reduces the homeowner school tax burden and while the State Comptroller McCall said the STAR program “should not be confused with state aid to education”, (p.6) some school finance experts consider this type of relief a type of intergovernmental aid and as such should be considered in conjunction with other school aid provided by the state. (Duncombe and Yinger, 2002)

[9] New York State STAR exemption program is not a true Homestead Exemption because the program has an income limitation on participation. However since the level is exceeding high, $500,000, it is included in this study.

Some homestead exemption programs are specifically designed as part of the state's education aid program. Five of the state-funded homestead exemption programs apply only to school levies, such as in Arizona, Michigan, South Carolina, and Wisconsin. In Pennsylvania the state funds only the homestead exemption for school districts. These programs continue to blur the lines between school finance, state property taxes and local property tax, an issue raised earlier by Kenyon (2003).

State funding of homestead exemptions has been affected by recent budgetary challenges. In addition to Georgia as mentioned earlier, Iowa and Maine have reduced state funding and Minnesota changed its program from a state-fund credit to a locally funded exemption program that will effect tax years being in 2012.[10]

Only four homestead exemption programs have no limit as to the amount of relief that is provided. Indiana adopted its current homestead exemption program as part of the state's comprehensive tax reform intended to reduce local property taxes. Like Florida, the benefit is a deduction based on two-tiers. The deduction is 35 percent on the first $600,000 of value and the 25 percent on the value above that threshold. (Indiana Department of Local Government Finance, 2010) The programs in Illinois and Ohio are credits based on a percent of liability, 5percent in Illinois and 2.5 percent in Ohio. In Utah, homestead properties receive a 45 percent exemption, while all other properties are taxed at 100 percent or full value.[11] The benefit is proportional for homeowners within any one jurisdiction, but since there is no limit on the value of the exemption, relief is greater for homeowners with high housing values living in high tax rate jurisdictions.

Another reason for inter-jurisdictional variation within a state is the provision of Homestead Exemption by local governments, beyond or in the absence of state mandates. In six states – Alabama, Alaska, Georgia, Hawaii, Massachusetts, and Pennsylvania– local jurisdictions have adopted their own relief programs. In all but Hawaii, the states

[10] As part of the 2011 omnibus tax act, the state repealed the existing market value homestead credit and established a new program called the homestead market value exclusion. Minnesota Statue section 273.13 subd. 35

[11] The provision of exemption 45% of the market value in Utah applies to all residential properties provided that the property is the primary residence of either the owner or tenant. (Utah Code §59-2-103

have set down parameters for the programs. In some cases the local portion is patterned after the state homestead -exemption and is available to all homeowners. In other states, the local jurisdiction may adopt the optional relief but make it available to just targeted groups of homeowners. For example, in Georgia local governments have elected to supplement the state exemption. Nearly two-thirds of the counties that have adopted local programs complement the state program and provide additional relief to all homeowners (19 of the 33 counties). Many of these counties, along with the other 14 counties provide additional exemptions to targeted groups by applying age and income restrictions. (Local Government Services Division, 2011) In Rhode Island, where there is no state program, all programs are at local option and all are targeted.

Homestead exemption programs are widely used through the United States and display tremendous diversity. While Georgia's exemption has been in place for decades and provides minimal relief, \$5,000 market value, Indiana has recently adopted an unlimited exemption as part of a comprehensive property tax reform aimed at reducing the property tax burden on homeowners. While states generally mandate the programs at the local level, few of the programs are funded by the state beyond those that are part of state school funding. As a result, local governments bear the cost of most of the homestead exemption programs.

Literature Review

Property tax relief has a long history in the U.S. reaching back to colonial times when communities provided relief to individuals, who were ill, aged, widowed or orphaned (Carlson, 2005). During the Great Depression when property tax delinquency rates rose dramatically, many states enacted homestead relief programs, designed to reduce the tax burden on homeowners and farmers in an effort to avoid seizing the properties for non-payment of taxes. Glenn Fisher (1996) writes in describing the criticism of the homestead exemptions enacted during the 1930's, "They gave benefits to the wealthy as well as the needy, they discriminated against renters, and the burden fell unevenly upon local governments."(193) Yet, in spite of this criticism, the homestead programs continue with little change in structure. But even with this long tradition, they continued to have a low profile. In the 1975 preface to reprinting their 1963 report on *The role of the state,* ACIR reported that the homestead exemption was a "moribund institution". (6)

This evaluation seems particularly true when one considers the extensive review other property tax incentive programs have received, such as circuit breakers (Bowman, 1980), (Fisher, 1984) (Allen and Woodbury, 2006), and (Bowman et al., 2009) and economic development programs involving property tax incentives (Anderson and Wassmer, 1995), (Sands et al, 2006), and (Connecticut Department of Economic and Community Development, 2010). These relief programs have stated policy objectives that can be used to measure the effectiveness of the preferential treatment. Even in some of the seminal works regarding residential property tax relief, homestead exemptions are barely mentioned. (Gold,1979)

Much of what has been written about the homestead exemptions has been tied to those programs that provide relief only for school property taxes. In their works on New York STAR (school tax relief) program, Eom and Rubenstein (2006) and Duncombe and Yinger (2002), acknowledge that the program provides property tax relief, but evaluate it in terms of funding education and consider the relief as conditional intergovernmental aid. The Homestead Exemption relief is seen as counteracting the state programs aimed at improving the education finance. This is similar to an early evaluation of the distribution of equalization aid and STAR undertaken by the state comptroller. (McCAll, 1998)

Other state studies that are at the intesection of Homestead Exemption and school finacee have a similar focus. In reviewing the Pennsylvania Act 1 program that provides the homestead exemption for school taxes, Bumbarger (2010) spends considerable time discussing the funding source for the program (gambling revenue) and little analysis of the impact or implications of exemptions themselves other than mentioning the reduction in the homeowners' tax burden.

The objective of most homestead exemption is to reduce the property tax burden on homeowners, yet only a few studies have measured the effects. One such study was in Sudbury, Massachusetts when the town considered adoption of a homestead exemption. As part of its deliberations the town prepared an analysis of what the impact would be on taxpayers. Since several communities in Massachusetts had adopted such relief, the Sudbury study, The Residential Exemption Report (2011) looked at how the tax burden shifts when the program is adopted. Compared to the communities that adopted the program[12], Sudbury had a limited non-residential component of the tax base. The report concluded that the program should not be adopted because the shift in burden would fall on a relatively small commercial tax base. Sudbury was concerned that all homeowners would be eligible, regardless of income or age, with some of the tax burden shifted to residents of modest means (p.70). One of the main objections voiced in the report echoes the complaints about the program when adopted during the Depression.

Because homestead exemption programs are aimed at all homeowners, the objective of the programs may be to provide voters with some tax relief, even if the relief is only nominal, rather than addressing issues of equity. Gold (1979) suggested that in light of taxpayer revolts and the adoption of tax and expenditure limitations, providing relief through homestead exemptions may be an appropriate policy decision to address the concerns of taxpayers, especially those with high property values. This notion of providing an attractive policy option for politicians was empirically supported in a study by Moomau and Morton (1992). Using the 1982 referendum on a homestead exemption in New Orleans, they found that voters' postion on the referendum rested on their perception as to who would benefit rather than the actually economic impact of the program. Therefore, the adoption of homestead exemptions are preceived to benefit the

[12] The fourteen communities in Massachusetts that have adopted the Homestead Exemption are Cambridge, Everett, Boston, Marlborough, Waltham, Chelsea, Somerset, Watertown, Somerville, Malden, Tisbury, Barnstable , Brookline, and Nantucket. The Residential Exemption Report (p.49)

homeowners may be perceived as politically attractive, even if voters do not fully grasp the economic impact.

Taxpayer confusion was not isolated to voting on referendum. When the Illinois Property Tax Reform and Relief Task Force (2009) looked at the whole range of relief programs, none of the recommendations related to the state's Homestead Exemption programs. They did however find taxpayer confusion. The panel expressed concern that the programs were not always perceived by taxpayers as relief. Specifically,

> Recommendation 5 connecting property tax relief to the property tax bill …[P]roperty taxpayer often does not see the correlation between his or her tax bill and property tax relief provided either on the income tax return or through a circuit breaker grant. (45)

This lack of connection between providing a homestead exemption and homeowners recognizing the relief is more widespread than just Illinois. Perhaps that is the rationale for Arizona to explicitly state the benefit. The reduction in the homeowner's tax liability resulting from the state's 40% exemption of the homeowner's value is shown on the tax bill as "State Aid" and "Credit", making the homeowner fully aware not only of the benefit, but also which government is providing the relief.

Even for states that fund homestead exemptions, the relation between the tax relief and the tax expenditure is not often made. One objective of preparing a tax expenditure budget is to acknowledge that foregone revenues resulting from tax policy decisions are the same as general expenditures. Another reason for adopting a tax expenditure budget is to raise the awareness of the benefits and costs provided and determine the merits of such a policy decision. (Ladd, 1994) Many of the state funded homestead exemption programs require appropriations with the funds for the exemption examined within the context of the full budget. When the relief is a credit against the personal income tax, analysis of the program is reviewed in the context of the income tax, as Illinois has done and is examined in the context of the property tax. (Illinois Department of Revenue, 2011) However, at the local level the lost tax base resulting from the provision of a homestead exemption is made up for by shifting the tax burden to other taxpayers or reducing local property tax revenues. Both the relief and the cost are not clearly visible and therefore not part of the public debate. This is especially true if the programs are state-mandated and have been in place for several years. In the next section, steps detailing how a local government may proceed in preparing a tax expenditure budget are presented and applied to four counties in Idaho.

Estimating Consequences of Homestead Exemptions

In this section, a framework for analyzing the benefits and shift in tax burden associated with a homestead exemption program is presented. This involves estimating the benefits the homeowner receives in terms of reduced tax liability, [13] the distribution of the relief among the homeowners within that community, and the impact on the taxing jurisdiction. The impact on the taxing jurisdiction is two-fold; foregone revenues when rates are not increased sufficiently to compensate for the smaller tax base and on the taxpayers as higher rates increase the taxes on non-exempt property, shifting the tax burden.

A district's ability to raise rates to compensate for the reduced tax base depends on how large the exemption is relative to the total tax base and the needed increase in rate. Raising the tax rate is not always an option for taxing jurisdictions. In some states, such as California, rates are fixed and therefore cannot be increased. The impact of an exemption in such cases is that jurisdictions cannot raise rates and revenues will be reduced or foregone. In other jurisdictions, states impose maximum rates that can be levied, either as a ceiling for each taxing jurisdiction or a limit as to the aggregate of all taxes levied on a single property. When a taxing jurisdiction is at the ceiling, compensating rates cannot be increased and the exemption results in lost or foregone revenues. Alternatively, the percentage increase of the rate in any given year may be limited. A jurisdiction's capacity or ability to increase rates is a function of these limits imposed by the state and the local government's capacity to raise rates.

[13] The provision of an exemption may have additional effects on the homeowner, such as changing market values of property or increased disposable income because of lower property taxes. However, these secondary effects are not considered here.

If the tax rates cannot be increased, the jurisdiction will suffer a revenue loss, requiring adjustments in spending. Alternatively the jurisdiction may adopt or expand an alternative tax, such as a local sales or income tax, to replace lost property tax revenues. The local option income tax available in Indiana provides revenues to replace reduced property tax revenues. However, the impact of spending cuts or shifts in the tax burden from property taxes to another local taxes are beyond the focus of analyzing tax expenditures.

A tax expenditure analysis of homestead exemptions focuses on the savings to the individual homeowner, the increase in the property tax rate, and the shift of the tax burden. This is done by estimating the tax rate needed to generate the same level of revenues—an equal yield rate--using a tax base that *includes* the value of the exempted portion of a property's value. This equal yield tax rate is then used to calculate the tax both for homeowners and the other taxpayers. The shift in the burden is measured as the difference between the two tax liabilities. This requires knowledge of the size and composition of the tax base and the current tax rates currently levied.

Tax Base

In undertaking a tax expenditure analysis, the starting point is the estimated market value of the property tax base. For a state that either assesses all property or reports the value of all property on an equalized basis, the information is readily available and aggregating local values results in an accurate measure of the property values statewide. For example, Connecticut collects and reports property tax information for each of the 169 towns in the state on an equalized value for each town. (Intergovernmental Policy Division, Connecticut Office of Policy and Management, 2012) Since all property in Connecticut is in one and only one town, the total for each town reflects the market value for that town and there would be no double accounting of property values when the town values are aggregated to determine the tax base on a statewide basis.

However, the town level may not always be the appropriate level to aggregate the tax base. In other states the property base for towns may overlap with that of other districts. The result is that the same property is included in both districts' tax bases. Aggregating districts that include the property of overlapping districts would result in counting some properties more than once. For example, in New York State some towns overlap more than one village and school districts are in more than one county. Adding property values of all the taxing districts together will result in double counting the overlapping properties and omitting properties of districts that are in more than one jurisdiction. [14] In Westchester County, the 2010 total property values for the cities, school districts, towns and villages within the county total $428.5 billion, but the value at the county level is $182.3 billion. (New York State Comptroller, ND) The difference between the total of the taxing jurisdictions within the county and the countywide tax base is explained by double counting properties of overlapping taxing jurisdictions and omitting property attributed to another county. In undertaking a tax expenditure analysis, the property tax base considered should be at a level that assures that there is no double or under accounting for property values. In many cases, this may be at the county level since the boundaries of counties do not overlap.

Another consideration in identifying the tax base is that the data reflect full or market value as of the same date. When reappraisals or revaluing occurs annually, the values across the state are current. However some states require reappraisals on a multi-year cycle with jurisdictions revaluing as of different dates. In Connecticut municipal revaluation is carried out over a five-year cycle from 2007 to 2011. The state equalizes property values to addresses the marked difference between the market value and the assessed value among the municipalities and estimates current values for all towns, regardless of the year of revaluation. (Connecticut 2012)

In addition to reflecting the current value of all the property, the tax base must distinguish between the various types or components of the tax base, such as residential, commercial,

[14] For New York school districts that include property in two or more counties, all of the district's property is attributed to the county in which the school district's main building is located and generally contains the majority of the school district's full valuation.

industrial and agricultural. In addition, the value of the exemption has to be identified. For the homestead exemption only properties that are the principal residence of the owner are eligible. Eligible homeowners apply for such an exemption and the exemption is reflected in the taxable value. The taxable value of homestead properties is then the full or market value less the value of the exemption. To determine the tax expenditure of a homestead exemption program, once the values of the tax base and homestead exemption are available requires determining the tax rate.

Tax Rate

As with the tax base, the appropriate tax rate is needed in order to calculate the benefit of the exemption to the homeowner. The tax rate used needs to reflect all the eligible taxes that are levied on the property. For example, if the exemption applies only to the state levy, then the state rate is used. If the exemption applied to all levies, then the tax rates of all the taxing jurisdictions are included. Unlike the tax base that sought to eliminate any overlapping districts, the taxes levied by these districts need to be include in determining the tax rate. To determine the overall or average rate, the tax of each jurisdiction has to be included in the average in proportion to that jurisdiction's share of the tax base. For example, in County A there are several jurisdictions that levy a property tax; the county, Big City, towns A, B and C and school districts 1, 2, and 3. The total property value in County A is $100,000,000. Half of the property value is located in Big City and the rest of the county is comprised of the three towns. The school districts are all within County A as the property values of the three districts is the same as the county's. The average tax rate then for the county would be the sum of each of the jurisdiction's rate, relative to its share of the total tax base of the county. This is calculated as the tax rate times the jurisdiction's property value relative to the total tax base. As shown in Example 1-A, the average tax rate, based on each jurisdiction's rate and share of the tax base is $3.3075 per $100 of property value.

Example 1-A Weighted Average Tax Rate for Jurisdictions in County A			
	Property Value	Tax rate /$100 of Property Value	Relative Tax Rate/$100 of Property Value
County A	$100,000,000	$1.00	$1.00
Big City	50,000,000	1.20	0.60
Town A	25,000,000	0.60	0.15
Town B	10,000,000	0.70	0.07
Town C	15,000,000	0.35	0.05
School District 1	30,000,000	1.30	0.39
School District 2	55,000,000	1.60	0.88
School District 3	15,000,000	1.10	0.17
Total	$100,000,000		$3.3075

This is calculated by adding each of the relative tax rates. The relative tax for the county is $1.00 per $100 of value; calculate as $1.00 times its property value, $100,000,000, divided by the total non-overlapping property value in the county, $100,000,000. For Big City, since its property value is half the value in the total in the county, its relative tax rate is half the city's tax rate of $1.20 or $0.60 per $100 of value. The relative tax for each of the other jurisdiction is calculated in this manner with the average or total rate for County A the sum of all the jurisdictions, $3.3075 per $100 of value.

An alternative method for calculating the average tax rate would be to determine the taxes levied by each jurisdiction and determine the rate by dividing the total levy or revenue by the total tax base. This is shown in Example 1-B for County A. County A's tax levy is the base, $100,000,000 times the rate, $1.00 per $100 value for a total levy of $1,000,000. Big City's tax levy is its base, $50,000,000 times its rate, $1.20 per $100 value for a total of $600,000. Similarly, each jurisdiction's tax levy is calculated. The total of all the taxes imposed in the county is $3,307,500. The tax is the total taxes divided by the property value of the county, $100,000,000 or $3.3075 per $100 value.

Example 1-B

Weighted Average Tax Rate for Jurisdictions in County A

	Property Value	Tax rate /$100 Value	Tax Levy
County A	$100,000,000	$1.00	$1,000,000
Big City	50,000,000	1.20	600,000
Town A	25,000,000	0.60	150,000
Town B	10,000,000	0.70	70,000
Town C	15,000,000	0.35	52,500
School District 1	30,000,000	1.30	390,000
School District 2	55,000,000	1.60	880,000
School District 3	15,000,000	1.10	165,000
Total			$3,307,500
Average Tax Rate/$100 value			$3.3075

When a taxing jurisdiction is in two counties, the calculation reflects the share of the multi-county district that is in each county. For example, in Example 2, School District 10 serves a portion of County A and a portion of County S, with 40 percent of the value and 40 percent of the tax levy in County A. The calculation of the average tax rate in County A includes the county's share of School District 10's levy. The calculation of the share is $450,000 calculated as either 40 percent of the district's levy of $1,125,000 or the 40 percent of the tax base, $30,000,000 times District 10's rate of $1.50 per $100 value. The tax rate is $3.368

Example 2

Average Tax Rate with Allocation of Tax Between Jurisdictions

	Property Values	Tax Rate/ $100 value	Share	Tax Levy
School District 10	$75,000,000	$1.50		$1,125,000
in County A	30,000,000	1.50	40%	450,000
In County S	45,000,000	1.50		675,000

County A	100,000,000	1.00		1,000,000
Big City	50,000,000	1.20		600,000
Town A	25,000,000	0.60		150,000
Town B	10,000,000	0.70		70,000
Town C	15,000,000	0.35		52,500
School District 10	30,000,000	1.50		450,000
School District 2	55,000,000	1.60		880,000
School District 3	15,000,000	1.10		165,000
Total				$3,367,500
Average Tax rate				$ 3.368

Estimating Tax Expenditures of Idaho's Homeowner's Exemption

Using Idaho's homestead exemption program for demonstrating tax expenditures has several advantages. First, the state does not currently prepare a tax expenditure budget for property taxes but does provide a good deal of property tax data. Secondly, the program is mandated by the state, with no authority delegated to local jurisdictions either to provide alternative benefits or to impose additional requirements or qualification for participation. This assures uniformity of the program across the state. Although there is no local control, the fiscal impact of the program is borne by the local taxing jurisdictions. Lastly, properties are assessed uniformly across all jurisdiction and taxed at full value. Both the uniformity of the program and in assessing and taxing properties, any variation in homestead exemption tax expenditures is likely to reflect differences in local property tax base. Therefore, to better understand tax expenditures for homestead exemptions and the range of consequences, this analysis will focus on the program in four counties in Idaho that have different property tax characteristics in the expectation that the tax expenditures will be different for each of these counties.

Although Idaho's homestead exemption is only one of the four programs in the United States that calculates the exemption as a percent of homestead value, it is useful to use as an example. As discussed earlier, homestead exemption programs that provide percentage relief generate larger differences in benefits. In addition, the Idaho program provides a substantial exemption, 50 percent of market value, up to $92,040 exempted value in 2011.

Property Tax in Idaho

The property tax base in Idaho is composed of real property—land and improvements attached to the land, and personal property used for business purposes. Homeowners are not subject to personal property taxes, as home furnishings are not taxable. Property is reassessed annually and taxed at full value.

Idaho's property tax is levied by multiple overlapping taxing districts, including cities and counties that levy the tax to support general local services, and special districts, including school districts and fire districts, levying for the specific services provided by that district.[15] Overall, there are over 958 separate taxing districts that currently levy the tax.[16] While special districts account for about half of the taxing jurisdictions, the bulk of budgeted property taxes are raised by cities, counties, and school districts, as shown in Table 7. Together these districts account for about 80 percent of the property taxes, with the remaining 20 percent raised by other special districts that have a more limited purpose, such as mosquito abatement or flood control.[17]

Table 7

Idaho Budgeted Property Taxes by Taxing Jurisdiction 2011 ($ in millions)

	Budgeted Property Tax ($ in millions)	Percent of Property Tax
Counties	$375.4	27.2%
Cities	$375.4	27.2%
School Districts	$393.8	28.5%
Other Districts	$236.0	17.1%
Total	$1,380.6	

Source: Idaho State Tax Commission, 2011 Annual Report, pp.12-13

Each of the taxing districts determines its annual budget and sets its own tax rate. In setting the rate, the annual growth of property tax revenue is limited to 3%, plus additional revenue attributed to new construction[18] and the rates for each district are limited by state statute.[19]

Boundaries of the taxing jurisdictions are rarely coterminous. As a result, the overlapping districts of one parcel may be different from those of a neighboring parcel. The tax bill for a resident in part of a community will reflect the taxes of the overlapping districts on that parcel. For example, in the City of Sandpoint in Bonner County, the total

[15] The state has authority to impose a state property tax, but it can exercise this authority only if no sales tax is imposed. At this time, the state imposes a sales tax. (Idaho Code sec 63-801)
[16] As reported in the State Tax Commission Annual Report, There are 1,115 districts that have taxing authority but 157 of these districts do not levy a property tax in 2011. (14)
[17] Budgeted figures are used here rather than actual collections because the budgeted figures are used when setting tax rates.
[18] Idaho Code 63-802
[19] Idaho State Tax Commission, Maximum Statutory Levy Rates EPB00092_04_14_2011

taxes levied on one parcel include the taxes imposed by the county Ambulance District, the county, the city, the school district, East Bonner Free Library, Pend Oreille Hospital and Sandpoint Highway. The taxes levied on another parcel in Sandpoint will be the same, except instead of the tax levied by the Sandpoint Highway tax, the levy of the Bonner County Road and Bridge is imposed. These two parcels are in two different taxing code areas. The combination of taxing districts that overlap a particular area are identified by the state as "tax code areas". In 2011 there are over 3,000 taxing areas in the state.

Because of the taxing jurisdictions do not serve the same areas, an average of the rates for property in the each county is used. The rate used is therefore a typical rate rather than the actual rate on a specific parcel. However, this rate does include the component rates for the typical set of taxing districts levying on a given parcel. A process similar to that described in the example presented earlier was used to determine the average rates for each county. In undertaking a tax expenditure budget for a single jurisdiction, the analysis would require just the single levy for that jurisdiction. However when the analysis involves areas covered by multiple districts or a statewide study, the tax rates have to be a composite rate, reflecting the relative weight of each taxing jurisdiction.

For the purposes of this analysis the average 2011 tax rate for each county is used and it assumes that the taxing jurisdictions were not constrained by rate limits. The full cost of providing the exemption is then captured in the higher tax rate, which for this study are the average county rates. To determine how the tax liabilities for the other tax payers have changed, we determine what the taxes would have been if there had been no exemption. A new tax rate to generate the same amount of revenues is calculated using the tax base with the exempted values included. The new rate is the equal yield rate and estimates the rate when the exemption is not provided.

Idaho's Homestead Exemption Program

Idaho's homestead exemption began in 1980, with a maximum exemption of $10,000. With this dollar limit, the original exemption allowed a 20 percent of the home, not including land, to be exempt from the taxes imposed on the property. The dollar limit remained at the initial level for 3 years, when in 1983 it was raised to $50,000 by voter initiative. At that time the percentage limit was raised to 50 percent. In 2006, the Idaho Legislature raised the exemption limit to $75,000, permitted one acre of land to be eligible for the exemption, and provided that the limit be adjusted annually; the adjustment reflecting price changes is based on the change in the Idaho Housing Price Index published by the Federal Housing Finance Agency. The annual adjustment has resulted in dramatic changes in the maximum exemption levels allowed. The trend is shown in Table 8.

Table 8
Maximum Value of Idaho Homestead Exemption
(2006 – 2012)

	Maximum Value of Homestead Exemption	Percent Change in Maximum Exemption
2006	$75,000	50%
2007	$89,325	19.1 %
2008	$100,938	13.0%
2009	$104,471	3.5%
2010	$101,153	-3.2%
2011	$92,040	-9.0%
2012	$83,974	-8.8%

Source: Tax Commission News Release, Idaho Tax Commission sets 2011 homeowner's exemption http://tax.idaho.gov/n-feed.cfm?idd=130

Because the index is based on statewide housing market, to the extent local markets differ, the local effects, either in terms of benefits or costs, may vary greatly. This is particularly relevant when the maximum values declines, as it has in recent years. In communities where the housing market has a similar decline, the benefit may not be reduced significantly. However, in communities that have stable or more robust housing markets, homeowners whose properties have performed comparatively well, may see their exemptions decline. Further to the extent that communities are able to increase the tax rate to offset lower property values, the homeowner may continue to see the same savings.

Tax Base

A critical component of the homestead exemption tax expenditure analysis is to identify the portion of the tax base that is no longer subject to tax because of the exemption. For fixed-dollar exemptions, determining the amount is rather straight forward. The total value of the exemption is the value of the exemption times the number of homeowner claimants. For example, in California, the $7,000 exemption is claimed by 5.5 million homeowners. (Staff Legislative Bill Analysis, 2007) The total value of the property exempted is $38.5 billion. While the aggregate value of homestead exemptions may be large on the state level, the amount of the individual exemption in most states is not significant. Of the 16 states that provide fixed-dollar exemptions, the exemption in eight of those state is $20,000 or less. (Details of the various state exemption programs are presented in Appendix 1.) This is not the case in Idaho. The program provides an exemption of 50 percent of homestead value, up to a maximum exemption which is adjusted annually. For 2011, the year of this analysis, the exemption is capped at $92,040. This is the maximum exemption so homes valued above $184,080 the exemption is the maximum

The exemption is taken at the local level and reduces the taxable base of all taxing jurisdictions. To receive the homestead exemptions, owners of residential properties that are used as their primary residence apply to the county assessors. The exemption reduces the assessed value before the tax is levied by each taxing jurisdictions.

The county tax rolls records the value of the homestead exemption as well as the type of property, showing a breakdown of the tax base by category, such as residential, commercial, and industrial. The residential value is further divided between those that are the owner-occupied eligible for the exemption and those that are not either because they are not owner-occupied, such as rental property or are a second home. Values are also current and uniform as all properties are reassessed annually with state reviews to assure uniformity. Therefore the reported values did not have to be adjusted to compensate for different assessment years when comparing the program across counties. For states that do not assess annually or do not tax uniformly across all property types, adjustments have to be made before making inter-jurisdictional comparisons.

Estimating Tax Expenditures

The tax expenditure budget for homestead exemptions estimates the increase in tax rates and shift in tax liabilities to compensate for property tax relief to resident-homeowners. Answering the following questions help estimate the tax expenditure

- What is the value of the exempted property?
- What would the tax rate be if there was no exemption?
- How much do homeowners save because of the exemption?
- What is the lost revenue to the local jurisdiction if the tax rate does not compensate for the homestead exemption?
- Which homeowners benefit the most from the program?

Analyzing the tax expenditure at the local level rather than statewide explores the range of effects a homestead exemption program can have because of characteristics of the local property tax base. Four counties are selected based on two factors-- the value of the average homestead property and the local tax rate-- that are directly related the costs and benefits of a homestead exemption. As shown in the matrix below (Chart 1), the selected counties have a high-low combination of average homeowner property values and tax rates relative to the state average.

Chart 1
Matrix of Counties

	High Tax Rate	Low Tax Rate
High Homestead Value	Twin Falls	Bonner
Low Homestead Value	Butte	Lincoln

There are other characteristics of these counties that may mitigate or amplify the effects of the homestead exemption. However, this is an exercise in preparing a tax expenditure budget and not an analysis of the Idaho's homestead expenditure program. Future work could address these other factors. For this analysis, 2011 county data are used including data that are publicly available as well as additional county-level data provided by the State Tax Commission.

In addition to the average value of homestead properties and the property tax rate appearing in Table 9, the average homestead exemption and the exemption as percent of full value of homestead properties provide some indication as to the impact the exemption will have on benefits and cost of the program, indicating how much of the homeowner's value is actually reduced. In Butte and Lincoln, the two low property value counties, the homestead exemption reduces the homestead tax base by 45 percent. This high a percentage suggests that only a small percentage of the homes are affected by the cap and most of the homeowners are able to get the full 50 percent exemption. In Bonner, the county with the highest property value, the percent is the lowest, 35 percent, indicating that a greater percent of the exemption are capped. In Lincoln, only 12 percent of the housing value is above the capped value of $184,080, while in Bonner, 65 percent are above the capped level. A description as to how these figures were derived is detailed in Appendix 2.

Table 9
Homeowner's Full Value and Homestead Exemption, Tax Rate and Exemption as Percent of Homestead Property
2011

	Homeowner's Average Full Value Property	Homeowner's Average Homestead Exemption	Tax Rate / $100	Exemption as Percent of Homestead Property Full Value	Exemption as Percent of Total Taxable Value
Twin Falls (High Prop/High Tax)	$154,549	$65,502	$1.49	42.4%	27.0%
Butte (Low Prop/High Tax)	89,142	40,166	1.476	45.1%	22.2%
Bonner (Low Prop/Low Tax)	204,821	70,861	0.767	34.6%	13.0%
Lincoln(High Prop/Low Tax)	92,794	42,240	1.155	45.5%	15.9%
State Average	146,030	53,903	1.294	39.0%	23.4%

Source: calculated and compiled by author from State Tax Commission, 2011 Values by Major Category and Frequency Distribution
EIS00095_11-28-2011

The benefit of the homestead exemption for homeowners is the difference between the liability when the exemption is available and what it would be without the exemption. The tax bases used in calculating the two liabilities are the full value property base with the exemption excluded and the full value property value base which includes the exempted property value. The value of the exempted property then is only half of the benefit calculation. To determine the tax expenditure the tax rates must raise the same amount of revenues. The two taxable bases and the total revenues are shown in Table 10.

Table 10

Tax Base Without and With the Homestead Exemption Value

	Total Taxable Base When Homestead is Provided	Total Homestead Exemption	Total Taxable Base with Homestead Exemption Added Back (Full Value)	Total Revenues
Twin Falls	$4,356,280,676	$1,174,197,811	$5,530,478,487	$65,039,270
Butte	137,759,051	30,606,701	168,365,752	2,033,324
Bonner	6,050,289,258	787,908,808	6,838,198,066	46,405,719
Lincoln	296,768,634	47,267,280	344,035,914	3,427,678

Source: calculated and compiled by author from State Tax Commission, 2011 Values by Major Category and Frequency Distribution EIS00095_11-28-2011

To calculate the two liabilities, the two tax rates are needed using the two tax bases to generate the same level of revenues. The equal yield rate is the rate that generates the same level of revenues using the tax base that includes the previously taxable base plus the value of the exempt properties. It is estimated by dividing the total revenues by the total tax base with homestead exemption added back, the full value tax base. This new, lower rate is what the jurisdiction would imposed if homestead exemption was not provided. The calculations of the equal yield rate are shown in Table 11.

Table 11				
Calculating Equal Yield Rate				
	Total Taxable Base with Homestead Exemption Added Back (Full Value)	Total Property Tax Revenues or Total Liabilities	Calculation (Property Tax Revenues divided Total Taxable Base	Equal Yield Rate per $100 Taxable Value*
Twin Falls	$5,530,478,487	$65,039,270	$65,039,270 / 5,530,478,487	$1.176
Butte	168,365,752	2,033,324	$2,033,324 / 168,365,752	1.208
Bonner	6,838,198,066	46,405,719	$46,405,719 / 6,838,198,066	0.679
Lincoln	344,035,914	3,427,678	$3,427,678 /344,035,914	0.996

*These values vary slightly with those published by the state because state rates are based on updated data.

Source: calculated and compiled by author from State Tax Commission, 2011 Values by Major Category and Frequency Distribution EIS00095_11-28-2011

The equal yield rate is then used to determine the tax liability for homestead properties if the exemption was not available. The tax savings is the difference between the liability when the exemption is provided, (tax base less homestead exemption times the initial rate) and the liability when the exemption is not provided, (tax base including the value of the exemption times the equal yield tax rate). The components of both liabilities and the savings are shown in Table 12.

Table 12
Liability of Homestead Property with and Homestead Exemption and without Homestead Exemption

	Tax Rate /$100 When Homestead Exemption is Provided	Equal Yield Tax Rate /$100 When No Homestead Exemption is Provided	Tax Liability of Homestead Property when Exemption is Provided (Tax base with exemption times tax rate when exemption is provided)	Tax Liability of Homestead Property when Exemption is NOT Provided (Tax base with exemption added back times equal yield tax rate)	Total Homeowner Savings (Difference between tax liability with and without the Homestead Exemption)
Twin Falls	$1.493	$1.176	$23,832,049	$32,580,917	$8,748,869
Butte	1.476	1.208	550,835	820,332	269,497
Bonner	0.767	0.679	11,424,476	15,455,074	4,030,598
Lincoln	1.155	0.996	653,369	1,034,533	381,164

Source: calculated and compiled by author from State Tax Commission, 2011 Values by Major Category and Frequency Distribution EIS00095_11-28-2011

The total homeowner savings is a function of the total value of the exempted properties and the size of the homestead tax base, as well as its share of the entire tax base. The homestead share of the tax base is important as it is the taxes on this base that will compensate for the revenue not collected on the exempt property. For the counties where the percent of homestead exemption was higher at noted in Table 9, Butte and Lincoln, have a greater reduction in liability, 33% and 37%, than the other two counties. However, the savings for the homeowners in these two counties is less than in Twin Falls and Bonner, because of the lower than average homestead values. The differences are shown in Table 13.

Table 13			
Tax Saving of Homestead Exemption for Homestead Properties			
	Total Savings of Homestead Exemption for Homestead Properties	Average Homestead Exemption Savings	Average Homestead Savings as Percent of Liability without Exemption
Twin Falls	$8,748,869,	$488	27%
Butte	269,497	354	33%
Bonner	4,030,598	362	26%
Lincoln	381,164	341	37%
Source: calculated and compiled by author from State Tax Commission, 2011 Values by Major Category and Frequency Distribution EIS00095_11-28-2011			

For the counties, the cost of providing the homestead exemption is the value of the exempted property times the equal yield rate. Thiis calculation is different from the homeowners' savings which is the difference between the two liabilities using different tax bases and tax rates. For the county, the equal yield rate, rather than the higher initial rate, is used because equal yield rate generates the needed revenue when all properties are taxed. If the exemption is provided, the foregone revenues are those that would have been levied against the value of the homestead exemptions. Since the equal yield rate is not sufficient to compensate for those revenues, this is the cost or foregone revenues.

The costs in terms of foregone revenues is when the tax rates are not increased to compensate for the value of the homestead exemptions. The foregone revenues are presented in Table 14. The formula for the cost is the value of the exemption (the base) times the equal yield rate (the rate) to estimate the foregone revenues or costs attributed to the value of the homestead exemption.

Table 14			
Foregone Revenues From Providing Homestead Exemption			
	Value of Homestead Exemption Provided	Equal Yield Rate/ $100	Cost of Homestead Exemption
Twin Falls	1,174,197,811	$1.176	$13,808,745
Butte	30,606,701	1.208	369,632
Bonner	787,908,808	0.679	5,346,946
Lincoln	47,267,280	0.996	470,930
Source: Idaho State Tax Commission 2011 market values and property taxes EIS00095_11-28-2011			

For counties that can increase rates sufficiently to replace revenue resulting from the exempt property not being taxed, then the cost of the exemption is not lost or foregone revenues. Rather, the taxes are shifted to the non-exempt properties. The higher rate is levied against all taxable non-exempt values. Because the homestead exemption is only a partial exemption, the non-exempt portion of the homeowner's property is taxed at the higher rate. A portion of the cost to the county is the savings that homeowner's enjoy and it is these costs that are passed on to non-homestead properties that pay taxes levied at the higher rate. This shifts the tax burden from the exempt properties to the non-exempt properties. The homeowners' savings are not the full cost of the providing the exemption. The amount not shifted to non-homestead properties is paid by the homeowner. This occurs because homeowners, like all other non-exempt property, pay the levy of the higher rate on the non-exempt homestead value.

Table 15			
Cost and Savings of Homestead Exemption and Tax Burden Shift			
	Cost or Foregone Revenues of Homestead Exemption to County (Reduced Revenue without Compensating Rate)	Homeowner's Savings on Homestead Exemption or Increased Liability of All Other Taxpayers	Increased Tax Liability of Homeowner on Non-exempt Homestead Value
Twin Falls	$13,808,745	$8,748,869	$5,059,877
Butte	369,632	269,497	100,135
Bonner	5,346,946	4,030,598	1,316,347
Lincoln	470,930	381,164	89,767
Source: calculated and compiled by author from State Tax Commission, 2011 Values by Major Category and Frequency Distribution EIS00095_11-28-2011			

The savings that the homeowners receive with the provision of the homestead exemption are passed on to all the other tax payers. The shift in Table 16 is measured by the difference in the tax liability of all of the non-homeowners when taxed at the equal yield rate and the initial, higher rate. This is the same calculation done in determining the homeowners' savings. Except in this case, the tax bases are the same for both taxes and the difference in liability is only the change in the tax rates. When the homestead exemption is provided, all non-homeowner properties are taxed at the high initial rate. This contrasts with the liability they would pay if there the homestead exemption was not permitted. The difference between the two liabilities represents the taxes saved by the homestead exemption which is paid for by all the other tax payers. The increase in tax burden, measured as a percent increase in taxes is greatest in the two counties that have high tax rates, Twin Falls and Butte, as well as a high percentage of the homestead exempt.

Table 16				
Shift in Tax Burden to the Non Homeowner				
	Tax Liability of Non Homeowners When Homestead Exemption is Provided (Tax at initial rate)	Tax Liability Non Homeowners When Homestead Exemption is NOT Provided (Tax at equal yield rate)	Shift of Tax Burden for Non-Homeowners Because of Homestead Exemption	Percent Increase in Taxes Because of Homestead Exemption
Twin Falls	41,207,222	32,457,932	8,749,290	27%
Butte	1,482,489	1,212,991	269,497	22%
Bonner	34,981,243	30,950,645	4,030,598	13%
Lincoln	2,774,309	2,393,145	381,164	16%
Note: The slight $421 discrepancy between the Twin Falls shift in non-homeowners burden in tables 15 and 16 is the result of using different data bases in calculating the various components of the analysis.o				
Source: calculated and compiled by author from State Tax Commission, 2011 Values by Major Category and Frequency Distribution EIS00095_11-28-2011				

In addition to the shift in burden from the homeowners to the other taxpayers, the distribution of benefits among the individual homeowners is also a critical issue to be addressed in a tax expenditure budget. The distribution reflects the county's profile of home values. The tax savings is calculated as described earlier, with the higher tax rate applied to the value of the value of the property less the exemption, and the lower, equal yield rate applied to the full value. In spite of the benefit being capped for the higher-valued homes, the savings to these homeowners are disproportionate in all four counties. For example in Bonner, (Table 17) one of the high property value counties, the homestead exemption is capped for properties above $184,080 which is about 40 percent of homeowners and they receive almost 50 percent of the benefits.

Table 17

Tax Liability and Savings of Homestead Exemption by Housing Value for Bonner County

Housing Values		Tax Liability when Homestead Exemption is Taken	Tax Liability when Homestead Exemption is Not Taken	Tax Liability Savings to Homeowner	Average savings	Percent Savings	Distribution of the Savings
Minimum	Maximum						
1	25,000	$3,175	$4,846	$1,672	48	34%	0%
25,001	50,000	57,647	91,209	33,562	96	37%	1%
50,001	75,000	168,895	275,431	106,535	165	39%	3%
75,001	100,000	365,121	604,180	239,059	236	40%	6%
100,001	125,000	581,573	973,476	391,903	309	40%	10%
125,001	150,000	748,227	1,250,404	502,178	376	40%	12%
150,001	175,000	847,060	1,421,670	574,610	445	40%	14%
175,001	200,000	823,399	1,355,283	531,884	497	39%	13%
200,001	225,000	778,268	1,197,922	419,655	504	35%	10%
225,001	250,000	739,725	1,063,682	323,957	490	30%	8%
250,001	275,000	658,512	894,269	235,757	469	26%	6%
275,001	300,000	623,286	810,578	187,293	449	23%	5%
300,001	over	5,029,589	5,512,123	482,534	284	9%	12%
	Totals:	$11,424,476	$15,455,074	$4,030,598	$362	26%	100%

Source: calculated and compiled by author from State Tax Commission, Frequency Distribution EIS00095_11-28-2011

In Lincoln, one of the low property value counties, the cap applies to only 5 percent of the homeowners and yet these homeowners receive 10 percent of the savings. This distribution of the benefits highlights one of the criticisms of general homestead exemptions. Since all homeowners are eligible, the benefits are not targeted and costs, either as foregone revenue or shifted taxes, may not provide relief targeted to those most in need.

Table 18

Tax Liability and Savings of Homestead Exemption by Housing Value for Lincoln County

Housing Values							
Minimum	Maximum	Tax Liability when Homestead Exemption is Taken	Tax Liability when Homestead Exemption is Not Taken	Tax Liability Savings to Homeowner	Average savings	Percent Savings	Distribution of the Savings
1	25,000	3,627	5,638	2,011	67	36%	0.5%
25,001	50,000	39,110	62,632	23,522	147	38%	6.2%
50,001	75,000	118,152	193,211	75,059	242	39%	19.7%
75,001	100,000	123,508	202,781	79,273	337	39%	20.8%
100,001	125,000	99,887	165,195	65,308	438	40%	17.1%
125,001	150,000	87,571	141,269	53,698	516	38%	14.1%
150,001	175,000	48,785	77,201	28,415	592	37%	7.5%
175,001	200,000	37,118	60,087	22,968	718	38%	6.0%
200,001	225,000	32,702	48,460	15,758	685	33%	4.1%
225,001	250,000	24,354	33,190	8,836	631	27%	2.3%
250,001	275,000	8,028	10,593	2,565	641	24%	0.7%
275,001	300,000	11,888	14,316	2,428	486	17%	0.6%
300,001	over	18,638	19,961	1,323	265	7%	0.3%
	total	653,369	1,034,533	381,164	341	37%	100.0%

Source: calculated and compiled by author from State Tax Commission, Frequency Distribution EIS00095_11-28-2011

Conclusions

Homestead exemptions are focused on providing relief to all homeowners, not targeted to give relief to any particular group. This makes the programs available to a very broad population which, depending on the structure of the program, could make the relief very costly. The tax expenditure, either in terms of increased rates or reduced revenues, falls to the local taxing jurisdictions, for although most of the programs are state mandated, only a few are state funded. The tax expenditure will vary greatly both because of elements of program design, such as whether the exemption is a modest fixed amount or an unlimited percent reduction of the homeowner's tax base, and the property tax profile of the taxing jurisdiction.

Homestead exemption programs are adopted in 28 states and the District of Columbia, with a few states allowing homestead exemptions as local option only. Many of these programs have a long history. In part because of their being a cornerstone for general property tax relief, homestead exemption programs have not changed substantially over in recent years. A few states have reformed their programs, although the motives have been vastly different. Indiana substantially increased their homestead exemption programs recently as part of major tax reform designed specifically to reduce the local property taxes burden. In Minnesota, on the other hand, the state revamped its homestead exemption credit that was state funded to an exemption program funded locally, The change was a means to address the state's own budget challenges. These two examples exemplify the need for states to consider Tax Expenditure Budgets that include property tax programs. Although local governments must finance these programs, it is critical that the states recognize the differential impact this program may have across the state.

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APPENDIX 1 RESIDENTIAL HOMESTEAD RELIEF 2010

State	Taxable value of Exemption	Credit	Conditional Relief	State Funded	Market Value of Exemption	Statutory Authority	Notes
Alabama	$4,000 state,$2,000 local, @ LO additional $2,000			No	$ 40,000	Ala Code §40-9-19	For Homesteaders under 65, $4,000 of assessed value is exempt from state taxes and $2,000 from local taxes except school levies and at local option for any local jurisdiction, an additional $2,000 assessed value may be exempt.
Alaska	@ LO $20,000			No	$ 20,000	Alaska Stat. 29.45.050 (a)	For example; Anchorage exempts Homeowners 10% of assessed value up to $20,000 Initiative on August 28, 2012 primary election ballot would increase local option to $50,000, from $20,000
Arizona		40% of school levy	Credit if sum of the primary levies on a homestead exceeds the 1% limit, the state pays an addition of the owner's school district tax in order to keep the total tax bill under the cap.	Yes		Ariz. Rev. Stat. §15-972	State provides a rebate on owner-occupied residence considered "state aid" for education. Rebate is equal to 39% (2009) 40% (2010) of each school districte's primary property tax rate. Maximum rebate for any homeowner is $580 (2009) or $600 (2010). In addition if the sum of the primary levies on an owner-occupied property exceeds the 1% limit, the state pays an addition of the owner's school district taxes in order to keep the total tax bill under the cap.
Arkansas		$350		Yes		Ark. Const. Amend. 79 §3; Ark. Code. Ann §26-26-118(a)	
California	$7,000			Yes	$ 7,000	Cal. Revenue and Taxation Code § 218	
Colorado	None						
Connecticut	None		In City of Hartford, relief to homeowners if taxes are in excess of 1½% of value.			Conn. Gen. Stat. §12-62a(b)	
Delaware	None						
District of Columbia	$67,500		Assessed values increase over 10%, homestead credit for offset tax	NA	$ 67,500		Tax rate set annually by local ordinance as part of budget process

Florida	$25000 +25000;		value of homestead property in excess of 3% or inflation growth	No	$ 25,000	Fla. Stat. §196.031; §193.155	First $25,000 exemption applies to all property taxes,. The additional exemption up to $25,00 applies to the assessed value between $50,000 and $75,000 and only for non-school taxes. Save Our Homes program limits assessment growth
Georgia	$2,000	Credit of $8,000 times local mill rate	local option, Homestead Assessment freeze, but may include limitations by age and income restriction	No for Exemption/ Yes for Credit	$ 5,000	GA. Code Ann. §48-5-44; §36-89-1~6	$2,000 exemption applies to state, county, and county school system taxes. At local option, exemption from municipal tax may be granted, counties may increase the value of the standard exemption for all residential homeowners as well as for targeted populations. Of the 33 counties that have adopted additional exemptions, 19 have universal exemptions. Property Tax Credit is available only from state appropriation; no appropriation in 2009, future appropriation only when revenues grow at 3%+inflation. Revenue growth has not been sufficient to fund program in 2010 or 2011.
Hawaii	Amount varies by County			No		Haw. Rev. Stat. §246A-2; county ordinances: Honolulu: §8-10.1	State transferred property tax authority to counties except for Kalawao. Local exemptions: Hawaii County: $40,000; Maui: $200,000 (2011, previously $300,000) Honolulu: $80,000. Minimum property tax is required.
Idaho	50% of AV, max exemption $101,153			No	$ 101,153	Id. Code §63-602G	Maximum exemption was $104,471 in 2009; $101,153 in 2010; $92,040 in 2011; and $83,974 in 2012
Illinois	$6,000	5% of property tax liability is credit on income tax		No for Exemption/ Yes for Credit	$ 18,182	35 Ill. Comp. Stat. §200/15-175; §5/208	Credit is non-refundable. Exemption is increase in value above the 1977 equalized assessed value, not to exceed $6,000. This program does not apply in Cook County. Cook County has its own program general homestead exemption which phases in assessment increases over the general assessment cycle by reducing the maximum exemption each year of the cycle.

Indiana	Lesser of 60% of AV or $43000; plus Supplemental deduction: 35% first 600,000 of AV & 25% of AV above 600,000.;	Homestead State Credit being phased out, to be completed for 2011 property taxes.	"Circuit Breaker Cap Credit": credit for all homestead property taxes imposed by all taxing units except school general fund imposed in excess of 1% of gross assessed value.	No		Ind. Code §6-1.1-12-37~37.5; §6-1.1-12-1; §6-1.1-20.6-7.5	Homeowners may also take a deduction up to $3,000 for mortgage. Exemptions, cap credit, and mortgage deduction are available to homeowners. Local option credits using local option income tax revenue and may be available to all property owners, residential owners, or homestead properties Homestead cap is 1%; non-homestead residential cap is 2%; cap of tax as percent of assessed value for all other property is 3%.
Iowa		Equal to tax levied on first $4850 of value		Yes	$ 10,000	Iowa Code § 25B.7 § 425.1 ~ § 425.2 § 425.11~ § 425.12	Credit is the pro rata share based on state appropriation. 2010 assessment ratio % for Iowa. 2009 funding was 72% of full funding.
Kansas	$20,000 FV		Homeowner's credit of property tax attributed to increase in when appraised value exceeds 75% or more of the prior appraised value. Credit is 80% of tax attributed to excess in the first year, 50% in the second year; and 25% in the third year.	Yes	$ 20,000	Kan. Stat. Ann §79-201x; Kan. Stat. Ann §79-4539	The exemption is $20,000 full value, taxed at 11.5% for homestead. The state school levy for 2010 was 20 mills.
Kentucky	None						
Louisiana	$7,500			No	$ 75,000	La. Rev. Stat. Ann. § 47:1703 ; La. Rev. Stat. Ann. § 47:1710 ~§ 47:1711 La. Cons. Art VII §20	
Maine	$10,000			Yes at 50%	$ 10,000	Me. Rev. Stat. Ann. Tit.36 §683	2009 session reduced value from $13,000
Maryland			Credit on any annual assessment increase exceeding 10% (at local option the limit may be less than 10%)	No		Md Code Ann. Tax Prop. §9-105(e)(2)	

Massachusetts	local option			No		Mass. Gen. Law Ch. 59, §5c	At local option, cities or towns may grant a residential exemption of a dollar amount. The exemption can be between 5% and 20% , in 5% increments, of the average assessed value of all residential class properties. Communities that receive special legislation can exceed the 20% maximum. This exemption is in addition to any personal exemptions, however, the taxable value of such property after all applicable exemption be reduce below 10% of full value.
Michigan		Homestead properties are exempt from taxes levied by school district for school operating costs		Yes		Mich. Prop A.;	Exemption is limited to local school district levy for opeating purposes up to 18 mills.
Minnesota		Homestead Market Value Credit: credit equal to taxes on .4% of first $76K in MV minus .09% of value in excess of $76K for a maximum grant of $304; available up to about $410K MV		Yes, until 2012; then credit is repealed and replaced with an exemption that is locally funded.		Minn. Stat. §290A.03~ 290A.04(24) Minn. Stat. § 290A .03; Minn. Stat. § 290A.04(2h) ~ 290A.27	State funded credit has been repealed and replaced with a locally funded exemption, effective beginning for tax year 2012.
Mississippi		Tax credit; up to max $300 for $7,351 AV and above		Yes	$ 73,510	Miss. Code Ann. §27-33-75	State reimburses municipalities at a rate of $200 per taxpayer and counties and school districts at $50.
Missouri	None						
Montana	None						
Nebraska	None						
Nevada	None		Property taxes for resident homeowners in excess of 3% of prior year's liability are abated.			Nv. Rev. Stat. §361.471~361.4735	All properties, other than owner occupied residences, are also subject to tax abatement. The level of abatement varies by county and is the greater of either assessment growth or CPI. Growth is either the average change in assessed value of taxable property within that county over the past 10 years or 8%, whichever is less. The second factor is twice the percent change in the CPI, all urban consumers for the prior year.
New Hampshire	None						
New Jersey	None						

New Mexico	$2,000			No		N.M. Stat. §7-37-4(A) N.M. Stat. §7-36-21.2(A)	Assessment growth of residential value, not just owner-occupied property, is limited to not more than 3%. For elderly homeowners, the assessment is frozen at the level when first eligible.
New York	$30,000 full value*			Yes	$ 30,000	N.Y. R.P.T. Law §425	For School Tax Relief, Basic STAR program; all homeowners with income less than $500,000. The state makes adjustments to the the maximum exemption for counties that have high residential housing values relative to the statewide average. For 2010 the highest exemption is for Westchester County, at $99,111 full value, 3.3 times those counties that aren't adjusted. Adjustments are made to 11 counties and NYC, all within the NYC area except Albany, Saratoga and Ulster counties. Beginning with the 2011-12 school year, the maximum savings cannot exceed more than 2% of the prior year maximum savings.
North Carolina	None						
North Dakota	None					N.D. Cent. Code §57-02-01; N.D. Cent. Code §57-02-27: N.D. Cent. Code §57-06	Taxable value for residential is 9% of assessed value, which is 50% of full value. All other property is taxed at 10% of assessed value.
Ohio		2.5%		No			Tax liability is reduced or "rollback" by 10% for all non-business properties including homestead properties and an additional 2.5% just for homesteads.
Oklahoma	$1,000			No	$ 8,333	Okla. Stat. tit. 68 §2889	
Oregon	None						
Pennsylvania	At local option for counties, municipalities and school districts, homestead exclusions of a flat dollar amount, not to exceed one-half the median AV of homestead property in the political subdivision may be adopted.			Yes education Act 1; no local relief		Act 1: 53 P.S. §6926.5005(4); Act 50 53 P.A. C.S. §8583	School tax relief is known as Act 1, general relief is Act 50. Homesteads and farmsteads are eligible. Pennsylvania will continue its broad-based property tax relief for school districts in 2011-2012 based on Special Session Act 1 of 2006. As required by law, the Commonwealth's Budget Secretary certified on April 15, 2011, that $612.1 million in state-funded local tax relief will be available in 2011-2012. Each school district will determine the actual amount of property tax relief for each homestead and farmstead after it determines its 2011-2012 real estate tax rate.

Rhode Island	None							Relief provided at town or city option; all homestead relief programs are for targeted populations, none for general homeowners
South Carolina	First $100,000 full value exempt from school levy			Yes		S.C. Code Ann. § 12-37-220(B)(47)(a)		Assessment ratio is 4 % for homesteads and 6% for all other residential properties. Assessment limit applies to all residential properties, not just homesteads.
South Dakota	None							
Tennessee	None							
Texas	$3,000 County; $15,000 School Local option for additional relief, up to 20% of AV		Assessment increase limited for homesteads to 10% a year	No	$ 15,000	Tex. Tax Code Ann. § 11.13; Tex. Tax Code Ann. § 23.23		
Utah	45% of fair market value			No		Utah Code § 59-2-102 ~ § 59-2-103		Exemption applies to properties that are the primary residence of both owners and tenants. All other properties are taxed at 100%
Vermont	None					Vt. Stat. Ann. tit. 32, § 6066		For statewide education property tax homestead rate is $0.87 per $100 and non-homestead rate is $1.36 per $100
Virginia	None							
Washington	None							
West Virginia			All homeowners are eligible if property taxes exceed 4% of their gross household income.	Yes		W. Va. Code § 11-21-23		The maximum credit is $1,000. Beginning with tax years on or after January 1, 2012, the credit is available only for "low income persons." The income level is 300% of the federal poverty guidelines.
Wisconsin		Value of credit base times school tax rate (lottery and gaming credit); 12% of first $2,500 property taxes paid, max $300 (income tax credit)		Yes				Homestead credit is limited to low-income residents. School Levy and First Dollar programs apply to all properties. First Dollar equals the school property tax on a certain amount of value of the residence, with the value determined each year depending on funds available. Credit for 2010 on $8,100 ($8,700 in 2011), Amount of credit is dependent upon state's lottery and gaming fund.
Wyoming	None							

Source: Significant Features of the Property Tax, Special Report, Lincoln Institute of Land Policy and George Washington Institute of Public Policy https://www.lincolninst.edu/subcenters/significant-features-property-tax.edu

Appendix 2 Calculating the data in Table 9

To calculate the statistics in Table 9, the county's homestead property tax data are stratified by full value of homestead properties. The data for Twin Falls County is presented in Table 9-A. Similar data are made available for each county in Idaho. These data were used to calculate:

1. Average full value (total full value divided by total number of properties) and average homestead exemption (total homestead exemption divided by total number of properties)
2. Homestead exemption as percent of full value (homestead exemption divided by full value)
3. Percent of homestead values above the $184,080 level eligible for the maximum exemption. Because the $184,080 falls within the $175,000 - $200,000 strata, a portion of the values was attributed to the properties between $175,000 and $184,080 (36 percent) and added to the value of the properties above $200,000. This is the value of the individual properties that are above the $184,080 and therefore the exemption is the maximum. The percentage is the total of these properties divided by the total full value.

Table 9-A
Distribution of Homestead Full Value and Exemption by Housing Value
Twin Falls, Idaho
2011

Housing Full Value				
Minimum	**Maximum**	**Number of Properties**	**Full Value**	**Homestead Exemption**
1	25,000	**36**	**708,317**	**337,240**
25,001	50,000	**420**	**17,123,619**	**8,278,262**
50,001	75,000	**1,323**	**86,276,050**	**42,125,815**
75,001	100,000	**2,909**	**256,611,596**	**126,562,295**
100,001	125,000	**2,972**	**334,523,302**	**164,271,712**
125,001	150,000	**3,193**	**437,448,783**	**215,515,513**
150,001	175,000	**2,286**	**369,385,387**	**181,761,940**
175,001	200,000	**1,418**	**263,919,431**	**127,057,034**
200,001	225,000	**885**	**187,197,675**	**80,481,054**
225,001	250,000	**604**	**143,150,779**	**55,298,930**
250,001	275,000	**464**	**121,957,428**	**42,505,127**
275,001	300,000	**329**	**94,351,830**	**30,143,397**
300,001	over	**1,087**	**457,796,052**	**99,859,492**
	Totals:	**17,926**	**2,770,450,249**	**1,174,197,811**

Appendix 2

Distribution of Homestead Property Values and Homestead Exemptions

Taxable Value		Twin Falls			Butte			Bonner			Lincoln		
Minimum	Maximum	Number of Properties	Full Value	Homestead Exemption	Number of Properties	Full Value	Homestead Exemption	Number of Properties	Full Value	Homestead Exemption	Number of Properties	Full Value	Homestead Exemption
1	**25,000**	36	708,317	337,240	52	852,253	411,063	35	714,117	300,212	30	565,876	251,848
25,001	**50,000**	420	17,123,619	8,278,262	122	4,815,255	2,340,082	349	13,440,278	5,924,391	160	6,286,357	2,900,209
50,001	**75,000**	1,323	86,276,050	42,125,815	184	11,607,575	5,535,028	645	40,586,564	18,566,331	310	19,392,549	9,162,968
75,001	**100,000**	2,909	256,611,596	126,562,295	146	12,713,463	5,957,015	1,011	89,030,012	41,426,268	235	20,353,133	9,659,816
100,001	**125,000**	2,972	334,523,302	164,271,712	110	12,246,185	5,644,592	1,268	143,448,298	67,623,922	149	16,580,638	7,932,370
125,001	**150,000**	3,193	437,448,783	215,515,513	69	9,414,633	4,348,968	1,337	184,255,571	86,703,201	104	14,179,143	6,597,251
150,001	**175,000**	2,286	369,385,387	181,761,940	32	5,224,939	2,341,337	1,292	209,492,750	99,054,677	48	7,748,624	3,524,778
175,001	**200,000**	1,418	263,919,431	127,057,034	15	2,827,831	1,197,616	1,070	199,710,147	92,356,961	32	6,030,882	2,817,160
200,001	**225,000**	885	187,197,675	80,481,054	8	1,707,746	708,325	832	176,522,005	75,052,962	23	4,863,933	2,032,600
225,001	**250,000**	604	143,150,779	55,298,930	14	3,303,215	1,202,275	661	156,740,703	60,296,785	14	3,331,298	1,222,745
250,001	**275,000**	464	121,957,428	42,505,127	4	1,025,427	368,160	503	131,776,644	45,921,052	4	1,063,210	368,160
275,001	**300,000**	329	94,351,830	30,143,397	3	856,106	276,120	417	119,444,239	38,181,445	5	1,436,893	407,605
300,001	**over**	1,087	457,796,052	99,859,492	3	1,331,523	276,120	1,699	812,248,851	156,500,601	5	2,003,470	389,770
	Totals:	**17,926**	**2,770,450,249**	**1,174,197,811**	**762**	**67,926,151**	**30,606,701**	**11,119**	**2,277,410,179**	**787,908,808**	**1,119**	**103,836,006**	**47,267,280**

Source: calculated and compiled by author from State Tax Commission, Frequency Distribution EIS00095_11-28-2011