Workshop on Property Tax Incentives and the Treatment of Tax-Exempt Property

Sponsored by the Federal Reserve Bank of Chicago, Metropolis Strategies, and the Civic Federation

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Federal Reserve Bank of Chicago
BUSINESS WON'T COME TO R.I. 
WHEN FORCED TO PAY 
BROWN UNIVERSITY'S TAXES 
“PROVIDENCE NEEDS A TAX REVOLT”
Tax structures, options matter

- Revenue/resource portfolio matters
- Constitutional/statutory authority to access a diverse revenue system matters
- Salience of policy issues related to tax-exempt properties depend on revenue reliance and diversity
In the United States, the authority of municipalities to levy taxes varies by state. The map illustrates the tax authority by state as follows:

- **Green**: States where municipalities have the authority to levy income or sales taxes.
- **Yellow**: States where municipalities have the authority to levy property or sales taxes only.
- **Red**: States where municipalities do not currently have the authority to levy any of the above taxes.

**Legend and Notes**:

- Income or sales tax for selected cities.
- Cities can levy a local income tax, but no locality currently does so.
- A local income tax under certain circumstances.
- Sales tax only; cities can levy a property tax for debt-retirement purposes only.
- Cities can impose the equivalent of a business income tax.
- Sales taxes for selected cities and/or restricted use only.

Municipal Revenue Reliance, 2002 & 2007

City of Columbus, Ohio
2.5% earnings tax

2013 General Fund Revenues = $733.8 Million

- Income Tax, $548.5
- Property Tax, $44.8
- State Revenue Sharing, $26.7
- Charges for Service, $58.1
- Fines & Penalties, $21.4
- All Other, $15.8
- Casino Tax, $5.5
- Transfers, $9.0

In Millions
Columbus City and Schools

- Nearly 6% of Columbus’ property exempt (acc to Kenyon et al). Tax exempts: State capital, large research university.

- City: “The city experienced a 10.3 percent increase in assessed valuation during the sexennial reappraisal in 2006, but in 2009, the triennial update year, the county applied a zero growth rate to all residential property values. Property tax collections declined by 7.14 percent in 2011 and are projected to decline again in 2012. The City Auditor projects that 2012 property tax collections will be 8.02 percent less than those of 2011. Property taxes are expected to rebound in 2013, with a growth rate of 2.32 percent.”

- Schools: Major issue to school district. $395,233,955 in property taxes collected in 2011; $509,549,317 in state aid; and $38,140,408 in PILOT.
What to consider?

• Fees (e.g., curb-fee; water; drainage fee)
• Audits to ascertain compliance with 501-c-3 status (e.g., Provena)
• Transform Fiscal Architecture to better align users of quasi-private (excludable/divisible) city services with payers
• Transform Fiscal Architecture to become less reliant on property taxes, more on earnings, income, payroll and other allowable taxes (e.g., Ohio’s municipal income tax).
• Tuition Tax? (e.g., Pittsburgh)