

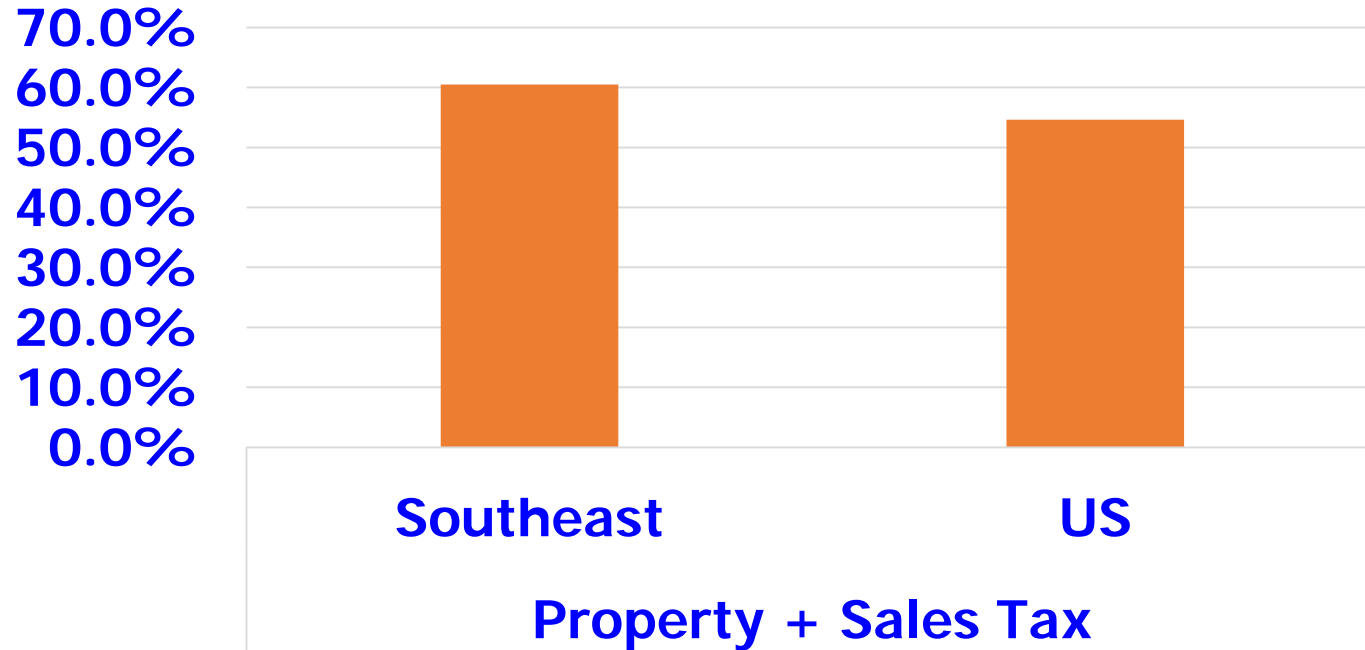
# Erosion of Property and Sales Tax Bases

David L. Sjoquist

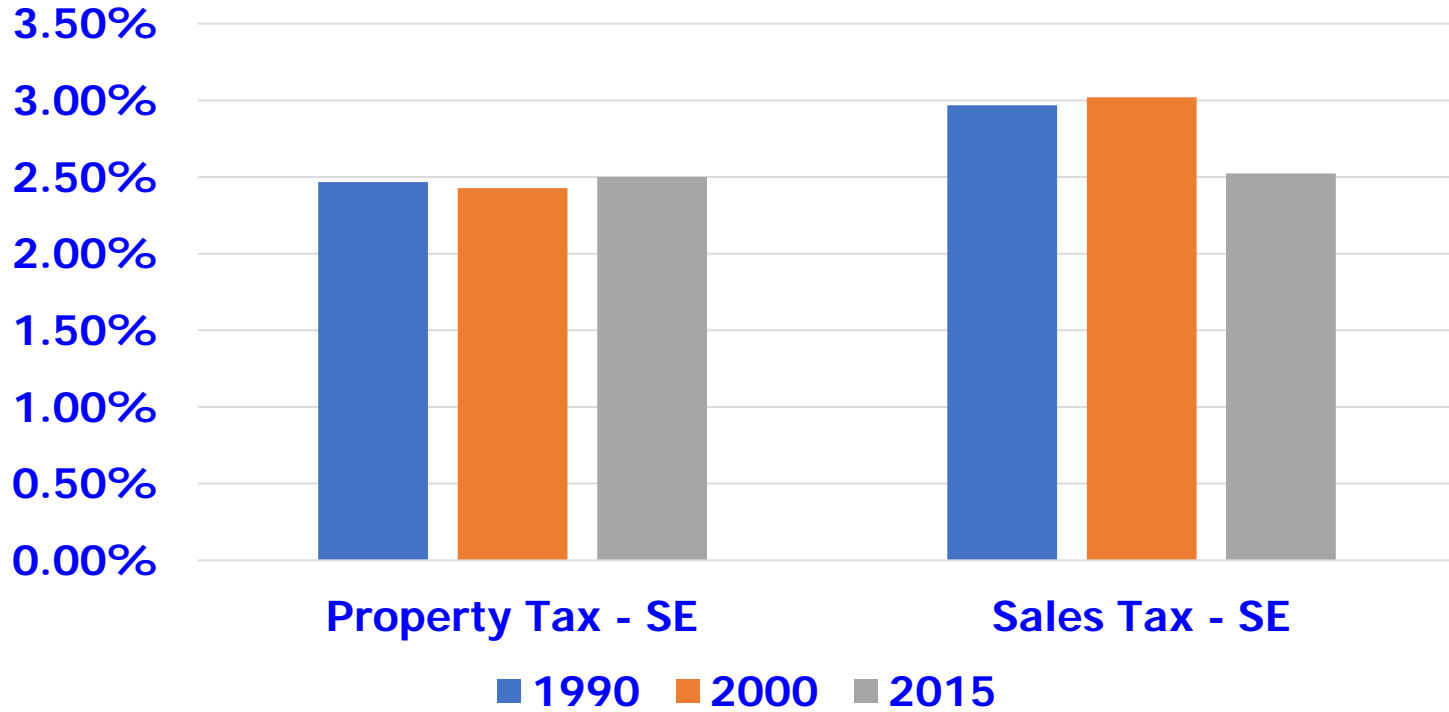
State of the Southeast:  
Challenges and Opportunities for State and Local  
Governments

November 3, 2017

## Percent of Total Taxes, 2015



## Taxes as a Percentage of Income - SE



# The Property Tax

## Basic Principles:

- **Universality**
- **Uniformity**

# Legislated Exemptions

- **Intangible personal property**
  - 1990: 22 states
  - 2006: 4 states
  - 2017: 3 states
  - GA exempted it in 1996
  
- **Household personal property**
  - Exempt in all states
  - GA exempted it in 1970

# Legislated Exemptions

- **Inventories**

- 2007: 15 states
- 2017: 9 states
- GA exemption is a local option (2012)

- **Machinery and equipment**

- 2006: 40 states
- 2015: 36 states

# Legislated Exemptions

- **Motor Vehicles**

- 2006: 16 states
- 2015: 11 states
- GA exempted them in 2012

- **Value in use (Agriculture)**

- 1955: no state allowed use value
- 1979: 45 states allowed use value
- 2017: 50 states allowed use value
- GA adopted use value in 1991

# Legislated Exemptions

- **Tax abatement**
  - 1964: 15 states allowed them
  - 2004: 35 states allowed them
  - 2010: 37 states allowed them
  - Atlanta-4 counties
    - ❖ 124 firms
    - ❖ \$30.7 million abated
    - ❖ 29.7% abated



# Legislated Exemptions

- **Homestead Exemptions (GA)**
  - 1937: \$2000 homestead exemption
  - 1957: Disabled veteran and surviving spouse
  - 1964: Low-income elderly (non-school)
  - 1974: Low-income elderly (school)
  - 1978: 100% senior exemption for school tax
  - 1994: "Floating" homestead exemption

# Legislated Exemptions

- **Assessment limits**
  - 1957: Maryland
  - 1978: California (Prop 13)
  - 2002: 12 states
  - 2008: 20 states

# Economic Effects

- **Growth in nonprofits**
  - **Real Estate: nonprofit / (nonprofit + residential)**
    - ❖ 2000: 9.0%
    - ❖ 2016: 12.4%
  
- **Change in prod tech & output comp**
  - **Private Nonresidential Fixed Assets/GDP**
    - ❖ 1982: 1.290
    - ❖ 2016: 1.065

# Consequences

- **Increase in residential share**
  - 1981: 52%
  - 2004: 64%

# The Sales Tax

**Note: 5 states do not have a sales tax**

# Legislated Exemptions

- **Food for home consumption**
  - **1971: 15 states**
  - **1994: 26 states**
  - **2017: 33 states**
  - **Georgia: 1996**

# Legislated Exemptions

- **Sales tax holidays**

- **1997: New York**
- **2000: 7 states**
- **2010: 19 states**
- **2017: 16 states**
- **Georgia: 2002**

# Legislated Exemptions

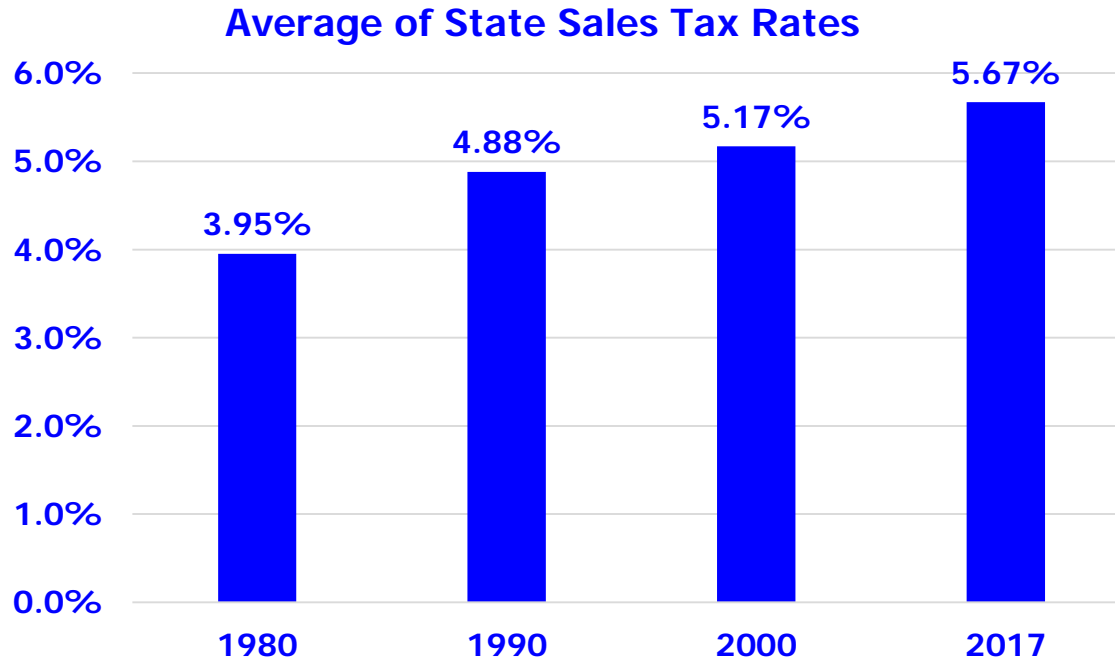
- **Georgia**
  - 2000-2014: 54 new exemptions
  - 43 of these are still in effect
  - Estimated revenue loss (FY2015) = \$857 million



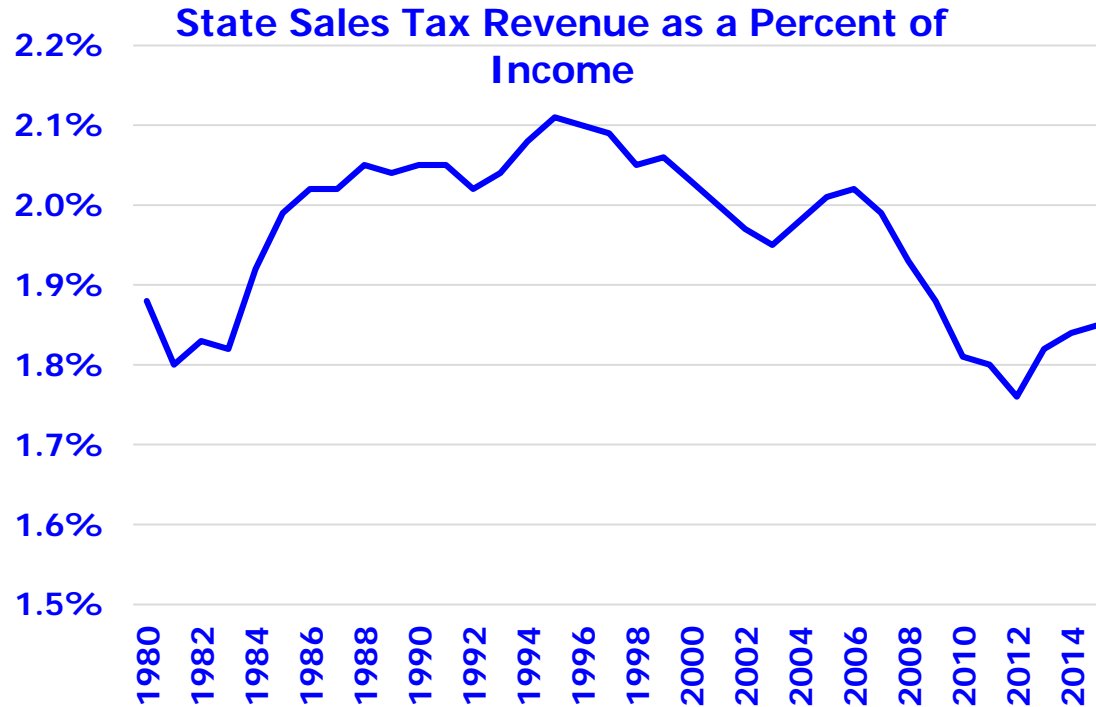
# Economic Effects

- **Decline in consumption of goods**
  - 1950: 60.8%
  - 1990: 39.0%
  - 2014: 33.3%
  
- **Growth in online sales**
  - 2000: 0.9% of retail sales
  - 2014: 6.4% of retail sales

# Consequences



# Consequences



**That's all Folks**

**Thank You!**