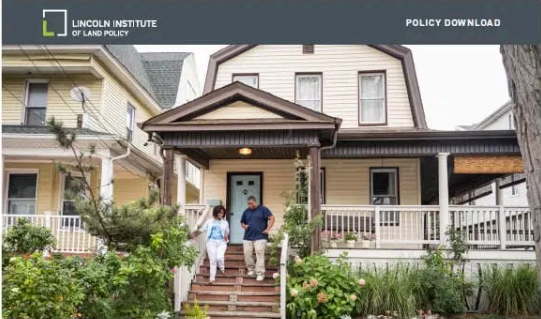




POLICY DOWNLOADS



When Property Values Rise,
Do Property Taxes Rise Too?

Thomas Brosy and Adam H. Langley

This policy download examines the relationship between changes in property values and property taxes. When housing prices increase rapidly, as they have done recently in the US, homeowners are often concerned that property taxes will increase as well. But the relationship between property values and property taxes is more nuanced than that. It also varies widely across states, depending on the kind of property tax institutions in the state, especially the design of property tax limits and the actions local officials take in response to changes in housing prices. In some states, changes in assessed values have almost no impact on property tax bills, while in other states increases in assessed values lead to a nearly one-to-one increase in property taxes. Many states fall in between, with a 1 percent increase in property values leading to a 0.3 percent to 0.5 percent increase in

property taxes. To ensure that spikes in housing prices do not lead to rapid growth in property tax bills, states should adopt Truth in Taxation and property tax circuit breakers, but avoid property tax limits that undermine local fiscal autonomy, and local governments should reduce property tax rates when values rise rapidly.

In recent years, housing price growth has been among the fastest in US history. From January 2020 to June 2022, housing prices grew over 45 percent nationally. And that spike was on top of the unusually rapid appreciation of the previous decade, after accounting for inflation, housing prices in 2022 were 57 percent higher than in 2012 (see figure 1). In some regions, housing prices have grown even faster.

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February 2025, English

Lincoln Institute of Land Policy



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Keywords

Assessment, Property Taxation, Taxation

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