

# e·POER Report

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Since 1964 serving our clients under same ownership and high standards

### EXPERIENCE

Over 75 local property tax consultants with decades of local valuation and appeal experience

### KNOWLEDGE

Represent property in all 50 states and over 7,000 local tax jurisdictions

### FOCUS

Single-source provider of property tax services nationwide



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## U.S. Cities with the Highest and Lowest Property Taxes

Property taxes are the single largest source of revenue for local governments. A new report examines the wide range of property tax rates in more than 100 U.S. cities and helps explain why they vary so widely. [The 50 State Property Tax Comparison Study for Taxes Paid in 2016](#) was compiled by the Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence.

To understand why property tax rates are high or low in a particular city, it is critical to look at some key factors:

- Property tax reliance is one of the main reasons why tax rates vary across cities. While some cities raise most of their revenue from property taxes, others rely more on alternative revenue sources. Cities with high local sales or income taxes do not need to raise as much revenue from property taxes, and thus have lower property tax rates on average.
- Property values are another crucial factor explaining differences in property tax rates. Cities with high property values can impose a lower tax rate and still raise at least as much tax revenue as a city with low property values.
- Two additional factors that help explain variation in tax rates are the level of local government spending and whether cities tax homesteads at lower rates than other types of property.

A comparison of \$1 million commercial real estate shows the highest rates were in Detroit, New York City, Chicago, Bridgeport, and Providence, all of which had effective tax rates that were at least three-quarters higher than the average. On the other hand, rates were less than half of the average in Cheyenne, Seattle, Honolulu, Fargo, Billings, and Virginia Beach. (See chart, next page.)

The data has important implications for cities because the property tax is a key part of the package of taxes and public services that affects cities' competitiveness and quality of life.

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## EFFECTIVE PROPERTY TAX RATES ON \$1-MILLION COMMERCIAL PROPERTY

### Highest

Detroit (MI)	<b>4.09%</b>	Why: Low property values
New York (NY)	<b>3.93%</b>	Why: High local government spending,
Chicago (IL)	<b>3.86%</b>	Why: Classification shifts tax to business; High local government spending
Bridgeport (CT)	<b>3.81%</b>	Why: High property tax reliance
Providence (RI)	<b>3.71%</b>	Why: High property tax reliance

### Lowest

Billings (MT)	<b>1.03%</b>	Why: Low local government spending
Fargo (ND)	<b>1.01%</b>	Why: Low local government spending
Honolulu (HI)	<b>.91%</b>	Why: High property values; Low local government spending
Seattle (WA)	<b>0.89%</b>	Why: High property values; Low property tax reliance
Cheyenne (WY)	<b>0.66%</b>	Why: Low property tax reliance

*Note: Analysis includes an additional \$200k in fixtures, office equipment, etc.*