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dealt with that at all.

American University President Richard Berendzen, chairman of a mayoral commission exploring the city's troubled finances, said the administration's budget does not include any "major surgery," and in effect postpones

trict's immense financial problems.

The dimensions of those problems could be seen in the administration budget documents submitted to the council this week, as well as the audit of the city's 1989

See DISTRICT, B7, Col. 2



BY LARRY MORRIS—THE WASHINGTON POST
Design for a new hotel on Wisconsin Avenue NW.

Like Drug Tests Nation for a Hospital

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an obligation to their patients, much like a pilot for the passengers on a plane. We ought to be willing to accept some limitations."

Johns Hopkins's decision is a radical departure for the medical profession. Two years ago, the American Medical Association, which represents about 300,000 physicians, adopted a resolution opposing random drug testing because of concerns about confidentiality, accuracy and the potential for litigation.

"The AMA believes in the principle of privacy," said M. Roy Schwarz, vice president for medical education and science. "But we do recognize there are exceptions . . . when there is a threat to the welfare of others."

See HOPKINS, B3, Col. 5

Md. Limits Increase Of Home Assessments

Schaefer Says Law Answers 'Absolute Need'

By Fern Shen
Washington Post Staff Writer

ANNAPOLIS, Feb. 9—Maryland Gov. William Donald Schaefer signed a bill today that limits increases in property assessments to 15 percent, a politically popular measure pushed through the General Assembly by a wave of taxpayer complaints.

Surrounded by legislators and officials from Montgomery County, where soaring assessments have galvanized a vigorous taxpayers' movement this year, Schaefer said the tax limit helps to solve "an absolute need."

People say "we must have more schools, we must have more roads . . . and yet there is a feeling everywhere I go that people are concerned about taxation," Schaefer said, as he, Sen. President Thomas V. Mike Miller (D-Prince George's) and House Speaker R. Clayton Mitchell Jr. (D-Kent) signed the emergency bill.

Increases in residential assessments are currently limited to 15 percent a year, although that protection was due to expire in July for any property owner with an income of more than \$70,000. In reaction to taxpayer complaints, lawmakers approved the legislation signed today to extend the 15 percent limit for all property owners for a year. Legislators proposing the change vowed to seek a more permanent solution to the problem.

Although Schaefer sympathized with the local officials who surrounded him at today's bill signing, he couldn't resist returning to a favorite theme: the myopia of those who plead for costly programs, yet are loath to pay for them with higher taxes.

"People come to my office" and say "school construction is a good program, roads are a good program," Schaefer said. "The most difficult thing now is balancing our minimal budget with the continuing demands people make on the government."

Wealthy Montgomery County led the charge to have the 15 percent limit extended because residents there have experienced some of the most dramatic increases in assessments anywhere in the state.

"Nobody anticipated the chaos caused by the real estate market of 1987-1989," Montgomery County Executive Sidney Kramer told leg-

See TAXES, B5, Col. 1

Impact Fee Bill for P.G. Supported

Delegates Decide To Back Measure

By Richard Tapscott
Washington Post Staff Writer

ANNAPOLIS, Feb. 9—Prince George's County delegates voted narrowly today to support a bill authorizing the county to charge developers special fees to offset road improvements needed because of growth.

The bill, approved on a 12 to 10 vote, could eventually give the county an additional \$5 million annually to increase the capacity of roads in fast-growing areas, such as Laurel, Greenbelt, Bowie and Kettering. It is expected to win quick approval on the House floor and be sent to the Senate.

A similar proposal for the so-called impact fees on new development, which opponents say would increase the cost of houses as developers pass along the fees to buyers, was defeated by the county's senators last year. Supporters say they are more confident this year because of growth guidelines adopted in October by the County Council.

Senate President Thomas V. Mike Miller Jr. (D-Prince George's) said he sees considerable support for impact fees in the Senate, particularly because the council is ensuring that adequate public facilities are available to accommodate growth.

"Impact fees are part of a national trend," Miller said. "They can be useful to protect against urban sprawl, a very valuable planning and development tool."

During today's meeting of the House delegation, county

See IMPACT, B5, Col. 5

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Fairfax Sixth-Grader Brings Loaded Cup to Show and Tell

Md. Limits Assessment Increases to 15%

TAXES, From B1

islators this year. Kramer also was present for yesterday's bill signing.

Schaefer has also proposed eliminating the complex formula now used to figure property taxes and instead have property assessed at its full value, rather than using a state-set percentage.

The bill at the same time would force counties to cut tax rates about 60 percent in the first year, a trade-off that would mean tax payments would remain essentially unchanged.

Schaefer said the program "is not a panacea" but would "simplify the present system and make it more responsive to the needs of the homeowner."

Schaefer also observed that the new approach, eliminating the state-imposed "growth factor," would take some of the political heat off the state by making it clear that local jurisdictions set property tax rates.

The District and Virginia already use the "full cash value" method of assessment that Schaefer is proposing, according to Gene L. Burner, director of the state Department of Assessments and Taxation.

Burner said the new system retains the schedule of the current system, in which property is assessed every three years.

Schaefer is also supporting a bill that allows property owners, if they choose, to pay their property taxes

every six months instead of every year.

The measure, sponsored by Del. Michael Gisriel (D-Baltimore County) is aimed at new homebuyers and would reduce by 50 percent the up-front property taxes demanded of the buyer at the time of settlement.

Meanwhile, a joint committee set up to look for permanent ways to grant tax relief will hold a public hearing in Annapolis on tax issues on Thursday.

Sen. Laurence Levitan (D-Montgomery) said the combined Senate Budget and Taxation Committee and House Ways and Means Committee will hear testimony on a wide range of taxation topics.



WILLIAM DONALD SCHAEFER
... "people are concerned"

P.G. Rehabilitation Bill Backed

IMPACT, From B1

lobbyist Royal Hart said Prince George's needs the power to impose impact fees similar to those used in recent years in Montgomery and Anne Arundel counties and under study in Howard County.

"We want to avoid what we've seen in Fairfax and Montgomery," Hart said. "We want to have the roads in place when they're needed so it won't hold up development."

Del. Joseph F. Vallario Jr. (D-Prince George's) succeeded in pushing through amendments that would limit the county to charging developers for no more than half the cost of road improvements

brought on by their developments, such as new housing subdivisions.

Ultimately, Vallario urged fellow delegates to defeat the proposal entirely, saying, "If you favor affordable housing, vote against this bill."

In another development-related issue, the delegation voted in favor of a bill aimed at helping rehabilitate older neighborhoods of Prince George's County.

The measure would allow the county, within specified districts, to forgo for up to five years the additional property taxes that would result from the higher value of renovated property. The tax break would last for five years or until the property was sold.

Columbia Computer Firm Closed

COMPANY, From B1

bounced. The employees said they also received only partial training and had been put to work collecting fees from new trainees rather than developing software packages.

Several former employees appeared today to testify against Management Systems and held impromptu reunions in the court hall-



CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

(617) 498-9007

ASSESSING DEPARTMENT

Sally Powers, Director
Kevin T. McDevitt, MAA, CRA
Faith D. McDonald, CMA, RMA, MAA, CA-S

MEMORANDUM

TO: Robert W. Healy, City Manager

FROM: James P. Maloney, Asst. City Manager for Fiscal Affairs
Sally Powers, Director of Assessment

SUBJ: Council Order #6, 3/19/90
Re: Limits on Individual Taxpayers' Percentage Increases

DATE: April 19, 1990

The City Council has requested a complete, detailed report on programs in effect in other states which place a limit on the percentage that property taxes can increase in a given year. The reason for increases in taxes is seen as the changes in assessments that occur as the market drives up real estate prices. The Council is also seeking a recommendation as to which of the programs in other states may be appropriate to our situation in Cambridge.

The attached copy of an article published by the National Conference of State Legislatures, How States Limit City and County Property Taxes and Spending, reflects the most comprehensive coverage of the issue of which I am aware. There are six states which impose some type of limit on assessments for property tax purposes. In contrast to our Proposition 2 1/2 which limits the amount by which each City and Town may increase is property tax total levy, in these six states there are limits on increases in individual assessments.

California. The most restrictive state is California, where Proposition 13, approved by the voters in 1978, rolled back assessed values to their 1975-76 levels. The law permits a maximum increase in value of 2% in any year thereafter unless the property changes hands. When this occurs, the property is assessed at full market value and the 2% per year limit goes into effect on this new base. There are also limits on the tax rate and on spending increases in California.

Maryland. Legislation was passed which limits increases in assessed value to 15%. The Maryland legislation, unlike the California legislation, is a temporary, stopgap measure to

be in force until the State overhauls its property tax system. The State provides a credit for any increase above the 15% level, so the tax cap for individuals does not restrict local revenue. The Governor of Maryland is favoring a full market value assessment system. A copy of an article in the Washington Post newspaper is included in the materials accompanying this memo.

Arizona. Assessment increases are limited to 10%, except for purposes of determining taxes to service bonds, levies approved by voters, and special districts.

Iowa. Statewide assessment increases are limited to 4% per year.

New Mexico. Assessment increases are limited to 5% per year.

New York. In New York City and Nassau County only, the assessment of individual property may not increase more than 6% in a single year or more than 20% in a five year period.

In the course of preparing this report I read a number of articles about the theory, history, and equity of the local property tax. All of them that discuss the California law, do so in an unfavorable light. The law intentionally creates an inequitable situation between value and tax levy. It has been estimated that between one-third and one-half of the market value of property in California currently escapes the property tax. This raises two basic questions:

1. Who is being helped?

(a) Homeowners who do not have to move. This includes older people, until a family sized home becomes an unwanted maintenance burden, and the relatively wealthy, who are less at the mercy of regional economies and their job opportunities than paycheck dependent homeowners. Property owners who happened to be underassessed in 1976 are helped more and property owners who happened to be overassessed in 1976 are helped less.

(b) Commercial property owners. Commercial property changes hands at a fractional frequency of residential turnover. Over time, this has resulted in a shifting of the tax burden onto the residential property class.

2. Who is being hurt?

(a) First time homebuyers.

(b) Anyone who has to or would like to move.

The above tax limit programs are not comparable or applicable to the Cambridge situation because of the legal and economic structure of Massachusetts municipal finance. The practice of 100% valuation in Cambridge is by mandate of the States's constitution. A constitutional amendment would be required to

tamper with the practice of 100% valuation. The attached article by Jane Malme entitled Massachusetts "Home Rule" gives a detailed history of the requirement of 100% cash value assessments. With the exceptions of California and New York, properties in the above states are assessed at a fraction of market value.

In most of the above listed states, local property assessments are tapped into by a variety of local governments, usually including a municipality, a county, a school district, and special districts. In Massachusetts, an all-inclusive city or town budget is the driving force behind the property tax bill. The portion of the budget which is to be paid for by the property tax levy is divided by the total assessed value of the City or Town to calculate results the equalized tax rate. In municipalities where the local government has not elected the classification option, everyone's tax bill is calculated at this point by multiplying the tax rate times the assessed value of each property.

In municipalities such as Cambridge which do elect classification, the levy is divided disproportionately between residential and commercial property owners, to the benefit of the residential property owners.

Massachusetts has some of the most progressive and complicated legislation concerning local taxes of any State in the Union. By allowing classification, residential property owners are taxed at a markedly lower rate than commercial property owners. The allowance of the 20% residential exemption favors lower valued residential properties over higher valued properties: owners of property valued higher than \$464,000 actually pay higher taxes in Cambridge than would be the case if there were no residential exemption.

There are also relief programs in existence as well as some pending legislation to liberalize one of these programs which deserve attention and support. Tax reductions, which are tied to the amount of tax increase from one year to the next, are currently available to:

- veterans
- surviving spouses and taxpayers over 70 years old
- elderly taxpayers with limited assets and income
- the legally blind

Most of the relief programs take the form of a reduction in the actual tax bill.

There is also a tax deferral program for taxpayers over 65 years old who have an annual income of \$20,000 or less. People who qualify do not have to pay property taxes until they sell the property. At that time the deferred taxes and interest at the rate of 8% will be recovered by the City. This is the only relief program whose cost is not reflected in a higher tax rate.

There is currently a Bill in Committee on Beacon Hill (House Bill 2392) which will reduce the minimum age requirement for tax deferral to 55.

The Finance Department is strongly opposed to any program to offer tax relief indiscriminately on the basis of change in home assessment alone. Such a program would tend to reward the wealthiest taxpayers and those who enjoyed underassessment in previous tax years. Therefore, the first step toward approaching the State Legislature with expanded tax relief programs should be to identify whom the City wants to benefit (at the expense of taxpayers who do not qualify for relief programs). The final attachment to this report, entitled CITY OF CAMBRIDGE TAX RELIEF EXEMPTIONS, explains in detail each of the tax exemptions currently allowed by state law. The dollar amount shown for each exemption can be doubled so long as this does not result in a lower tax amount than was paid the previous year.

The one homeowner group for whom there is virtually no tax relief program is non-elderly people with limited incomes.

HOW STATES LIMIT CITY AND COUNTY
PROPERTY TAXES AND SPENDING

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March 1989

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The National Conference of State Legislatures serves the country's 7,461 state lawmakers and their staffs.

NCSL was created in January 1975 from the merger of three organizations that served or represented state legislatures. NCSL is a nonpartisan organization with three objectives:

- To improve the quality and effectiveness of state legislatures;
- To foster interstate communication and cooperation;
- To ensure states a strong, cohesive voice in the federal system.

The Conference has offices in Denver, Colorado, and Washington, D.C.

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TABLE OF CONTENTS

| | | |
|------|---|----|
| | Executive Summary | v |
| | Introduction | 1 |
| I. | How Do States Limit Local Government Spending or Taxes? | 3 |
| | Sketch of how local finances work | 3 |
| | Kinds of limitations. | 3 |
| | Description of limits | 7 |
| II. | How Restrictive Are These Limitations? | 11 |
| | Level of growth allowed | 11 |
| | Exemptions. | 17 |
| | Override provisions. | 19 |
| | Detail. | 19 |
| III. | What Are the Major Ways of Exceeding These Limitations? | 24 |
| IV. | Were There Any Major Changes Made Concerning Local Government Limitations in the Last Five Years? | 26 |
| V. | Perspectives for Considering Limitations | 26 |
| | Notes. | 30 |

APPENDIX

| | | |
|----|---|----|
| A. | Description of All Limitations Imposed on Local Governments. | 32 |
|----|---|----|

LIST OF TABLES

| | <u>Page</u> |
|--|-------------|
| 1. Summary: Limits on Local Governments. | 8 |
| 2. Restrictions on Local Government Tax and Expenditure Powers. | 9 |
| 3. Limits on Property Tax Revenue Increases | 13 |
| 4. Property Tax Rollbacks | 14 |
| 5. Limits on General Revenue Increases. | 15 |
| 6. Limits on Local Government Expenditures. | 15 |
| 7. Limitations on Assessment Increases. | 18 |
| 8. Subjective Assessment of Limitations' Degree of Restrictiveness According to Legislative Staff. | 21 |
| 9. Approximate Number of Local Governments at Ceiling Set by Limitation. | 22 |
| 10. Voter-Approved Overrides of Limitations. | 23 |
| 11. Major Ways of Exceeding the Limitations. | 25 |
| 12. Changes Made in Limitations in Past Five Years. | 27 |

Executive Summary

This report comprehensively summarizes state-imposed limitations on municipal and county property taxes and spending. It provides greater detail about how those limitations operate than previously has been available at the national level.

Forty-three states limit local expenditures or taxes in some way.

Property tax rate limits are the most common type of limitation, but they are not the primary focus of this report. Aside from Proposition 13 in California and Proposition 2 1/2 in Massachusetts, most recent activity has dealt with other kinds of limitations.

Fifteen states limit property tax revenue increases, three states limit local spending increases, and 12 states require that tax rates be rolled back when assessments are increased as a result of revaluation of property. In addition, two states limit general revenue increases (i.e., more than only property tax revenue), and six states limit assessment increases.

Sixteen states have full disclosure or truth-in-taxation provisions in effect. These provisions attempt to increase citizen awareness of potential property tax increases, but they are more flexible than other kinds of limitations.

The restrictiveness of these limitations varies considerably, depending on factors such as the rate of growth allowed, the nature of the limit, exemptions permitted, override provisions, and the degree of detail incorporated in the limit. Most localities are constrained by a limitation in some states, while in other states few if any localities are affected by limitations at all.

Most of the recent changes in limitations have made them less restrictive.

Limitations can have important effects that ought to be reviewed carefully from time to time to assure that they are operating as intended when they were enacted.

This report provides a comprehensive national survey of the limits states impose on municipal and county property taxes and expenditures. States restrict the ability of cities and counties to raise and spend revenue in widely varying ways. Although California's Proposition 13 and Massachusetts' Proposition 2 1/2 have garnered the most publicity, they are not typical of the limitations in other states. There has not been much information available nationally to describe how limitations work and how restrictive they are. This report fills part of this information gap by providing the most detailed description available about those limits. It is intended to stimulate further analysis of the role of limits in a system of state-local relations.

This report draws upon a survey conducted by the National Conference of State Legislatures of legislative tax staff as well as state affiliates of the National League of Cities and the National Association of Counties. It took as its starting point information published by the U.S. Advisory Commission on Intergovernmental Relations (ACIR), which has been widely used as the best available description of state restrictions on local government tax and spending powers.¹ While that information has considerable value, it is not detailed enough to distinguish among various limitations according to how restrictive they are. It makes no distinction, for example, between a limitation that allows property tax revenue to grow 2 percent per year and one allowing 6 percent growth. This report goes beyond that information by providing a considerable amount of additional detail.²

The primary focus of this report is *How do states limit local government taxes or spending?* Three other questions are also discussed:

- o How restrictive are the limitations?
- o What are the major ways of exceeding these limitations?
- o What were the major changes in local government limitations in the last five years?

Some important limitations are beyond the scope of this report. First, states limit local ability to impose income taxes and sales taxes. Some states do not allow them at all, while others restrict the rates that may be imposed. Because restrictions on those taxes have been adequately described elsewhere,³ this report focuses on limitations on property taxes and spending. Second, although states often impose limits on school district taxes or spending, *this report deals only with city and county limitations* because the limits imposed on school districts usually are unrelated to those on cities and counties, and time limitations preclude describing them.

While this report goes beyond previous studies by providing a greater degree of detail than has been available in a national survey, it does not by any means provide an exhaustive description of limitations. Normally, a large number of details have important effects on the restrictiveness of limitations, such as how much of the local budget is exempt. An important issue for further study is the role of referenda in limiting local tax increases. Missouri, for example, requires that voters approve any tax rate increase or new tax. Ohio local governments also must receive voter approval for nearly all tax increases. Arizona's limit on municipal spending increases is so restrictive that many cities have successfully sought voter approval to exceed it, but in other states voter approval of overrides has been obtained much less easily.

1. How do states limit local government spending or taxes?

Sketch of how local finances work

To understand the operation of limitations, it is necessary to be familiar with how local governments are financed. The property tax is the mainstay of local revenue in most states. A taxpayer's property tax bill is determined by multiplying a property's assessed value by a tax rate. The tax rate is the sum of separate rates imposed by various local governments, usually including a municipality, a county, a school district, and special districts. The property's assessed value is generally a fraction of its market value.

The tax rate often is referred to as the millage rate. Since a mill is equal to one-thousandth of a dollar, a tax rate of 10 mills is equivalent to a 1 percent tax rate on assessed valuation.

A city or county's property tax revenue may increase from year to year for any of three reasons--an increase in the assessed value of existing property, new additions to the tax roll because of new construction, and a tax rate increase. Additional nonproperty tax revenue may result from increased state or federal aid, higher revenue from nonproperty taxes such as those on sales or income, or increased revenue from charges and miscellaneous sources.

Kinds of limitations

Six major types of limits on taxes and expenditures imposed on local governments may be distinguished: tax rate limits, revenue limits, property tax rollbacks, spending limits, assessment limits, and truth-in-taxation provisions.

- A *tax rate limit* (or a millage limit) restricts the millage rate or nominal tax rate, that is, the amount of property tax that may be imposed per dollar of assessed valuation.
- A *revenue limit* restricts the percentage increase of revenue from one year to the next. It usually applies to property tax revenue, but it also may apply to other kinds of revenue. When applied to the property tax, it sometimes has been referred to as a "levy limit." This term can be misleading, however, because tax rates are also referred to as levies. When a revenue limit applies to more than just property tax revenue, it is a "general revenue limit." Revenue limits generally apply to taxes on existing property but not to taxes derived from new construction.⁴
- A *revenue rollback* limit goes into effect only when property is revalued. It requires that the tax rate be reduced, usually to prevent any increase in revenue. In some cases, however, some increase in revenue is allowed. The following illustration shows how such a rollback operates. Suppose that initially the property tax base of a jurisdiction is \$100 million and the tax rate is 1 percent, generating \$1 million of tax revenue. If revaluation increases the tax base to \$120 million, the tax rate would be rolled back to 0.8333 percent, which would hold revenue constant at \$1 million. As with a revenue limit, growth resulting from new construction is not subject to a rollback.
- A *spending limit* or expenditure limit sets a maximum on the percentage increase in local spending from one year to the next.
- An *assessment limit* restricts the percentage increase of the assessed valuation of existing property. Assessment limits do not actually restrict local revenue in some cases. Since tax revenue

is equal to assessed valuation multiplied by the tax rate, when an assessment limit is combined with a tax rate limit, their combined effect is a revenue limit. If, however, a tax rate limit is not combined with an assessment limit, the assessment limit will not of itself restrict local revenue.

- A *truth-in-taxation limit*, also referred to as "full disclosure," requires special notification to taxpayers of proposed tax increases through advertisements and/or the mail as well as special public hearings. Some of these limits also entail rollbacks of property tax revenue.

Limits on revenue, spending, rollback, and assessments usually do not apply to new construction.

Revenue and spending limits may be based either on a specific integer number (e.g., 6 percent per year) or on an economic statistic (e.g., the inflation rate).

The six part typology of limitations differs from the usual categorization of limitations in that it distinguishes between property tax revenue limits and rollbacks, which generally are considered together. Property tax revenue limitations allow property tax revenue to grow at a certain rate per year; such limits have an ongoing restrictive effect. By contrast, a rollback limitation applies only when property is revalued and requires that the tax rate be rolled back to prevent local governments from receiving a "windfall" because of inflation of property values.

This report focuses on revenue and spending limits rather than rate limits. Revenue and spending limits warrant greater study than rate limits for three reasons. First, most of the limitations imposed on localities in

the 1970s and 1980s--with two major exceptions discussed below--have dealt with revenue and spending rather than with rates.⁵ Second, rate limits are generally not as restrictive for local governments as revenue and spending limits, although there are important exceptions to this generalization. Third, the complex interaction of rate limits and assessment levels makes the practical restrictiveness of rate limits vary from jurisdiction to jurisdiction within a state. Their actual degree of restrictiveness defies broad generalization. For example, if two cities are subject to the same rate limit and one city has much higher assessed valuation per capita, the limit will be much more restrictive for the city with the lower level of property assessments. In comparing tax rate limits, one must know about assessment practices, which often are at variance from what is prescribed by law (i.e., assessments are often lower than they should be).

Although in most states revenue and rollback limitations are the most important ones imposed on cities and counties, two rate limits warrant special attention because of their severity and celebrity. California's Proposition 13 and Massachusetts' Proposition 2 1/2 restricted the property tax rate to 1 percent and 2.5 percent, respectively. Both of these measures also had other restrictive features. In particular, Proposition 13 limited the annual growth of assessed valuation to 2 percent unless a property was sold (at which point the assessment could rise to equal market value), and Proposition 2 1/2 limited property tax revenue increases to 2 1/2 percent per year. Unlike the limits imposed elsewhere that restricted the increase of revenue or spending, these two limitations actually resulted in large reductions in tax revenue. In both cases, the state government was able to replace much of the lost property tax revenue by increasing state aid to local governments.

Description of limits

This report contains three tables that describe the limitations imposed by states in various ways. Table 1 shows the states imposing each kind of limitation as of January 1989, grouping the states by kind of limitation. Table 2 presents this information in a different fashion, showing the kinds of limitations in each state by region. The Appendix provides a fuller description of how each state limits local taxes or spending. Tables 1 and 2 show the following:

- Forty-three states have some type of limit on local government expenditures or taxes. The seven states without limits are Connecticut, Georgia, Maine, New Hampshire, South Carolina, Vermont, and Wisconsin. In addition, Hawaii and Virginia have only truth-in-taxation provisions in effect.
- Limits on property tax rates are imposed in 30 states, making them the most common type of limitation. Ten states either limit only property tax rates or else limit property tax rates and require full disclosure--Alabama, Nebraska, North Carolina, Oklahoma, Pennsylvania, South Dakota, Texas, Utah, West Virginia, and Wyoming.⁶
- The next most common limitation is on property tax revenue in 15 states. As noted above, this tabulation does not include the revenue rollback limits that are imposed in 12 states. If they are included, there are 27 states with revenue limitations.
- Only three states--Arizona, California, and New Jersey--have some form of limit on spending increases.⁷ The New Jersey limit applies

Table 1

Summary: Limits on Local Governments

No Limits on Local Governments: (7 states) Connecticut, Georgia, Maine, New Hampshire, South Carolina, Vermont, and Wisconsin. In addition, Hawaii and Virginia have only full disclosure limits, which are not as binding as other types of limitations.

Property Tax Rate Limits: (30 states) Alabama, Alaska, Arkansas, California, Florida, Idaho, Illinois, Iowa, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Texas, Utah, Washington, West Virginia, Wyoming

Property Tax Revenue Limits: (15 states) Alaska, Arizona, Colorado, Idaho, Illinois, Indiana, Massachusetts, Mississippi, Nevada, New Jersey (counties), New Mexico, North Dakota, Oregon, Rhode Island (cities), Washington

Revenue Rollback Limits: (12 states) Arkansas, Delaware, Florida, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Ohio, Texas, Virginia

Assessment Increase Limits: (6 states) Arizona, California, Iowa, Maryland, New Mexico, New York

General Revenue Limits: (2 states) Minnesota (property tax plus state aid), Nevada (property tax plus sales tax)

Expenditure Limits: (3 states) Arizona, California, New Jersey (cities only)

Full Disclosure or Truth-in-Taxation: (16 states) Colorado, Delaware (counties only), Florida, Hawaii, Illinois, Iowa, Kentucky, Maryland, Michigan, Minnesota, Montana (cities only), Rhode Island, Tennessee, Texas, Utah, Virginia

Source: NCSL survey of state and local officials, August 1988.

Table 2

Restrictions on Local Government Tax and Expenditure Powers

| Region | No Limits | Property Tax Rate Limits | Property Tax Revenue Limits | Revenue Rollbacks | General Revenue Limits | Expenditure Limits | Limits on Assessment | Full Dis-closure |
|------------------------|-----------|--------------------------|-----------------------------|-------------------|------------------------|--------------------|----------------------|------------------|
| New England | | | | | | | | |
| Connecticut | X | | | | | | | |
| Maine | X | | | | | | | |
| Massachusetts | | X | X | | | | | |
| New Hampshire | X | | | | | | | |
| Rhode Island | | | M | | | | | |
| Vermont | X | | | | | | | X |
| Middle Atlantic | | | | | | | | |
| Delaware | | | | X | | | | C |
| Maryland | | | | | | | X | X |
| New Jersey | | | C | | | M | | |
| New York | | X | | | | | X ^a | |
| Pennsylvania | | X | | | | | | |
| Great Lakes | | | | | | | | |
| Illinois | | X | X | | | | | X |
| Indiana | | | X | | | | | |
| Michigan | | X | | X | | | | X |
| Ohio | | X | | X | | | | |
| Wisconsin | X | | | | | | | |
| Plains | | | | | | | | |
| Iowa | | X | | | | | X | X |
| Kansas | | | | X | | | | |
| Minnesota | | X | | | X | | | X |
| Missouri | | X | | X | | | | |
| Nebraska | | X | | | | | | |
| North Dakota | | X | X | | | | | |
| South Dakota | | X | | | | | | |
| Southeast | | | | | | | | |
| Alabama | | X | | | | | | |
| Arkansas | | X | | X | | | | |
| Florida | | X | | X | | | | X |
| Georgia | X | | | | | | | |
| Kentucky | | X | | X | | | | X |
| Louisiana | | X | | X | | | | |
| Mississippi | | X | X | | | | | |
| North Carolina | | X | | | | | | |
| South Carolina | X | | | | | | | |
| Tennessee | | | | | | | | X |
| Virginia | | | | X | | | | X |
| West Virginia | | X | | | | | | |
| Southwest | | | | | | | | |
| Arizona | | | X | | | X | X | |
| New Mexico | | X | X | | | | X | |
| Oklahoma | | X | | | | | | |
| Texas | | X | | X | | | | X |
| Rocky Mountain | | | | | | | | |
| Colorado | | | X | | | | | X |
| Idaho | | X | X | | | | | |
| Montana | | X | | X | | | | M |
| Utah | | X | | | | | | X |
| Wyoming | | X | | | | | | |
| Far West | | | | | | | | |
| Alaska | | X | X | | | | | |
| California | | X | | | | | | |
| Hawaii | | | | | | X | X | X |
| Nevada | | | X | | X | | | |
| Oregon | | | X | | | | | |
| Washington | | X | X | | | | | |
| U.S. Total | 7 | 30 | 15 | 12 | 2 | 3 | 6 | 16 |

C: Counties Only M: Municipalities Only ^a Selected Cities Only

Source: NCSL survey of legislative fiscal officers, municipal leagues, and associations of counties. August 1988.

to cities but not counties, which are subject to a revenue limit. The California and Arizona limitations are fundamentally different in their treatment of nontax revenue. Although California's limit is technically on local appropriations, it is actually only on *appropriations from tax proceeds*. Thus, spending paid for by user fees is not limited, unless the fees exceed the cost of providing the service (in which case they are considered to be taxes). In contrast, Arizona's spending limit applies to outlays financed by user fees as well as taxes; it does, however, exempt spending from such sources as federal aid and gifts.

- Only two states have a general revenue limit--Minnesota and Nevada. Minnesota's limit applies to the sum of property tax revenue and state aid. Nevada limits the sum of revenue from the property tax and the sales tax. Maryland has been classified in the past as imposing a general revenue limit, but that is not accurate. Maryland limits the annual statewide increase of total assessments to 6 percent and provides a credit that prevents individual tax increases of more than 15 percent.⁸ Neither of these limits directly restricts revenue, since there is no limitation on tax rates. Revenue increases may be restrained indirectly because the 6 percent assessment limit inhibits large revenue windfalls that could occur without increasing the tax rate.
- Six states--Arizona, California, Iowa, Maryland, New Mexico, and New York--limit assessment increases in some manner. The New York limit applies only in New York City and Nassau County.

- Sixteen states have full disclosure or truth-in-taxation provisions in effect--Colorado, Delaware (on counties only), Florida, Hawaii, Illinois, Iowa, Kentucky, Maryland, Michigan, Minnesota, Montana (on cities only), Rhode Island, Tennessee, Texas, Utah, and Virginia.
- Most states limit local governments by more than one method. In those states, it may be that one type of limitation is much more important than the others. For example, in Massachusetts all local governments now have a property tax rate below 2.5 percent because revenue increases have been limited to 2.5 percent per year since 1980, thereby requiring lower tax rates because property values have been growing faster than 2.5 percent per year. When Proposition 2 1/2 first went into effect, however, the 2.5 percent tax rate was its most important feature.

2. How restrictive are these limitations?

There is no uniform method for comparing the restrictiveness of the limitations. Determining the limitations' restrictiveness depends on design features such as (1) the permissible level of growth of taxes or spending, (2) exemptions, (3) override provisions, and (4) the degree of detail incorporated in the limit.

Level of growth allowed

The growth permitted by a limit obviously has an important effect on its restrictiveness. A limit that permits only a 2.5 percent annual increase in revenue (as in Massachusetts) is more restrictive than one that allows a 5.5 percent increase (as in Colorado). A limit that incorporates a fixed number

is less flexible than one that is sensitive to economic conditions, such as those tied to the inflation rate or the growth rate of personal income. A majority of local limits are based on a fixed number.

The severity of the 15 property tax revenue limits, 12 revenue rollback limits, and two general revenue limits varies considerably, as Tables 3, 4, and 5 show. Mississippi has the least restrictive property tax revenue limit, allowing property tax revenue increases of up to 10 percent per year. In 11 states, the limit on property tax revenue increases is between 5 and 8 percent. Arizona, Massachusetts, and North Dakota limit the property tax revenue increase to less than 5 percent.

While most of the revenue rollbacks eliminate any increase in revenue when property is revalued, the Michigan and Missouri rollbacks are not as restrictive. Michigan, for example, permits revenue to grow at the inflation rate. The revenue rollbacks that are part of truth-in-taxation provisions are not as restrictive as those that stand alone. The truth-in-taxation rollbacks prevent an automatic increase in revenue without an explicit vote to increase revenue, but the governing board of the city or county may enact a tax rate that does increase revenue after truth-in-taxation procedures (such as publicizing the proposed budget and holding a special public hearing) have been held. In contrast, most other revenue rollbacks prevent any increase in property tax revenue when property is revalued.

The spending and general revenue limitations also differ in their severity, as Tables 5 and 6 indicate. New Jersey permits county expenditures to grow 5 percent per year. This limit is much less restrictive when inflation is 4 percent, as it was in some recent years,

Table 3

Limits on Property Tax Revenue Increases

Normally tax revenue from newly constructed property is not considered in calculating the limitation. In other words, revenue can grow at the stated rate plus new construction.

Summary

8 percent or higher: (1 state) Mississippi

5-7.9 percent: (10 states) Colorado, Idaho, Indiana, New Jersey, Nevada, New Mexico, North Dakota, Oregon, Rhode Island, Washington

Under 5 percent: (3 states) Arizona, Massachusetts, North Dakota

Other: (1 state) Alaska

State by State Description

Alaska: Limited to (1) no more than \$100 a year for each person residing within the municipal boundaries; or (2) no more than the product of 225 percent of the average per capita full and true value of the property in the state multiplied by the number of residents of the taxing municipality.

Arizona: Increases limited to 2 percent.

Colorado: Increases for statutory municipalities and counties are limited to 5.5 percent annually; state limit does not apply to home-rule municipalities.

Idaho: Increases limited to 5 percent based on the highest level of the preceding 3 years or a 5 percent increase in the operating tax rate, whichever is higher.

Illinois: Increases limited to 5 percent except in home-rule districts.

Indiana: Increases limited to 5 percent in most cases but may be limited up to 10 percent in very high growth areas.

Massachusetts: Increases limited to 2.5 percent.

Mississippi: Increases limited to 10 percent.

Nevada: Increases limited to 6 percent.

New Jersey: Increases for counties are limited to 5 percent.

New Mexico: Increases limited to 5 percent.

North Dakota: Increases limited to 5 percent.

Oregon: Increases limited to 6 percent.

Rhode Island: City increases limited to 5.5 percent.

Washington: Increases limited to 6 percent (from the highest level of the preceding 3 years).

Note: Property tax rollbacks, which are counted as revenue limitations by ACIR, are considered separately in this report because they operate in a different way than limitations that restrict the growth of property tax revenue annually. Rollbacks apply only when property is revalued. See Table 4 for a description of property tax rollbacks.

Source: NCSL survey of state and local officials, August 1988.

Table 4

Property Tax Rollbacks

Unless otherwise indicated, property tax rollbacks require that the tax rate be reduced to avoid an increase in assessments when property is revalued.

Arkansas

Delaware

Florida: Property tax rollbacks are part of the truth-in-taxation process.

Kansas

Kentucky: A 4 percent revenue increase is permitted.

Louisiana

Michigan: Rollback occurs only when assessed valuation increases by more than the inflation rate. Tax rate is lowered so that property tax revenue will not increase by more than the inflation rate.

Missouri: Rollback does not avoid an increase in property tax revenue, but rather allows a 5 percent increase in revenue as a result of reassessment.

Montana

Ohio

Texas: Property tax rollbacks are part of the truth-in-taxation process. If the new tax rate produces a revenue increase of more than 8 percent, voters may petition for a referendum to reduce the revenue increase to 8 percent.

Virginia: Property tax rollbacks are part of the truth-in-taxation process.

Source: NCSL survey of state and local officials, August 1988.

Table 5

Limits on General Revenue Increases

Minnesota: The sum of property tax revenue and state aid is allowed to increase 4 percent in 1989 and 3 percent in later years.

Nevada: The revenue limit applies to the sum of revenue from the property tax and the sales tax. The limit from the previous year is multiplied by a growth factor (new property on the tax roll) and an inflation factor (Consumer Price Index). There are also limits on fees for permits, licenses, and service charges. Fees are allowed to increase no more than the growth factor plus 80 percent of the inflation factor.

Source: NCSL survey of state and local officials, August 1988.

Table 6

Limits on Local Government Expenditures

Arizona: Spending is allowed to increase by the percentage increase in population and inflation as measured by gross national product (GNP) implicit price deflator.

California: The expenditure limit is equal to the sum of (a) population growth and (b) *either* the rate of inflation *or* the growth rate of per capita personal income, whichever is less.

New Jersey: Cities only are limited to 5 percent increase.

Source: NCSL survey of state and local officials, August 1988.

than when inflation was more than 10 percent in 1979 and 1980. California's limit is the most severe in the nation, since it restricts spending growth to the sum of (a) population growth and (b) either the rate of inflation or the growth rate of per capita personal income, whichever is less. This limit tends to make inflation-adjusted per capita spending decrease over time, since spending growth cannot exceed inflation and will fall short of it in some years. Nevada's general revenue limitation and Arizona's spending cap are not quite as severe, since they allow per capita growth in proportion to the inflation rate.

The truth-in-taxation and assessment increase limitations do not by themselves restrict revenue growth directly. Truth-in-taxation provisions are much less restrictive than more direct forms of limitations. Such provisions place some hurdles in the way of tax increases by attempting to promote a higher level of citizen input into the process of setting the tax rate, but they do not prevent increases per se. The effectiveness of full disclosure or truth-in-taxation provisions may depend on how they are structured. Florida's TRIM (Truth in Millage) program, for example, has evolved substantially over time, and its latest version may be more effective than earlier ones. For example, initially it relied heavily on newspaper advertisements and public hearings as a means of increasing public input, but in later versions individualized notices have been sent to taxpayers before the budget is enacted.⁹

The truth-in-taxation provisions in two states provide a process by which voters may override budget decisions of city and county governing boards under certain conditions. In Kentucky, voters may petition for a referendum if property tax revenue increases more than 4 percent. In Texas, property tax increases of more than 8 percent are subject to referendum if

10 percent of qualified voters sign petitions. If successful, the referendum rolls back the increase to 8 percent.

Although limitations on assessment increases do not restrict revenue by themselves, when they are combined with tax rate limits they effectively can restrict property tax revenue growth. For example, if assessment increases are limited to 4 percent and a jurisdiction already is imposing the maximum tax rate permitted, its revenue effectively is limited to 4 percent growth. In some cases, these limits have had other objectives besides holding down total tax increases. One of the limit's effects when applied to different classes of property, as in Iowa, is to maintain the proportionate relationship among those classes.¹⁰ Table 7 summarizes the provisions of assessment limitations.

Exemptions

Public expenditures regarded as relatively "uncontrollable" frequently are exempted from a limit. Tort liability costs, for example, frequently are exempted, as is debt service. If debt service is not exempt, the ability of the local government to pay off its bonds may be impaired, which can seriously interfere with a government's ability to finance itself. In some cases, certain social service costs are exempted because they may result from mandates imposed by higher levels of government. When those costs are exempt, the effectiveness of a limit in holding down overall tax increases can be undermined, since social services are one of the main growth areas in county budgets.

Many limitations have such broad exemptions that they are not very restrictive. In Kansas, for example, a limitation on property tax revenue increases was rather strict when it was first imposed in 1971, but gradually

Multiple classes of districts ??

Table 7

Limitations on Assessment Increases

how is assessing done?

Arizona: Assessment increases are limited to 10 percent, except for purposes of determining taxes to service bonds, levies approved by voters, and special districts. This limitation does not apply to mines and timber (Class I property), utilities (Class II property), or railroads (Class VII property). This limit affects taxes for individual parcels of property, but it generally does not restrict local revenue because other state-imposed limits are more restrictive.

California: Assessment increases are limited to 2 percent per year except when a property is sold, at which time the assessment rises to market value. This limit does restrict local revenue because the tax rate is limited to 1 percent by Proposition 13.

Iowa: Statewide assessment increases for various classes of property are limited to 4 percent per year. The limitation is applied separately to residential, agricultural, and commercial property. This limit restricts local revenue only when a city or county is at its tax rate limit. *tax rates are limited*

Maryland: The statewide increase of total assessed valuation is limited to 6 percent per year. In addition, assessed value of individual residential property cannot increase more than 15 percent per year. The state provides a credit for any increase above that level. Neither of these limits restricts local revenue.

New Mexico: *how are assessments done? what are tax rate limits?* Assessment increases are limited to 5 percent per year.

New York: In New York City and Nassau County, the assessment of individual property may not increase more than 6 percent in a single year or more than 20 percent in a 5-year period.

Source: NCSL survey of state and local officials, August 1988.

assessment levels ?

the legislature granted more and more exemptions. Eventually a court ruled that there were so many exemptions that a home-rule locality did not have to consider itself bound by the limit.

Override provisions

Another factor influencing the restrictiveness of a limit is the provisions for overriding it. In some cases, no override is permitted under any circumstances. More frequently, states allow a majority of local voters to override a limit. Colorado permits the 5.5 percent revenue limit to be exceeded when truth-in-taxation provisions are followed. The least stringent method of overriding a limit is to require that a super-majority of the local governing board vote in favor of it.

Two other features of overrides differ among states. One is the number of years that the limit may be suspended by a single override referendum. The most restrictive practice is to require annual renewal of the override, but usually it remains in effect for a longer period, such as four years. In addition, some states may require a super-majority for an override.

Detail

The degree of detail incorporated into a limitation also is important in determining how restrictive it is. For example, at one time, Iowa imposed detailed tax rate limitations on a large number of separate city and county funds. When these limitations were consolidated, their restrictiveness was reduced, even though the new overall tax rate limit was not higher than the sum of the previous specific tax rate limits. By reducing the degree of detail included in the limitations, the state made them more flexible and hence easier for cities and counties to comply with.

To provide a rough indication of the severity of each state's limitations on local governments, NCSL asked the legislative tax staff participating in its survey to categorize the degree of restrictiveness of those limits. With 32 of the 41 states imposing some kind of limitation responding, limitations in 12 states were considered very restrictive, those in 16 states were classified as fairly restrictive, and those in four states as not restrictive. Table 8 summarizes the responses from each state. It is important to note that these responses are subjective and that different respondents in the same state might have provided different answers.

A more objective way to assess the restrictiveness of limitations is to determine how many counties and municipalities in each state are at the maximum level set by the limit. Table 9 shows the approximate number of counties and municipalities at the limit for the 15 states where this information was obtained. It demonstrates that restrictiveness varies widely, with no local governments close to the ceiling in Alabama, relatively few at the ceiling in Florida, Nevada, and South Dakota, and a large majority at the limit in Indiana, Ohio, and Oregon.

Another method of considering restrictiveness is to determine how many local governments have received voter approval to exceed the limitation. Table 10 reports the number of local governments that have received voter approval to exceed the limitations in eight states. Relatively few of the local governments in a majority of these states have received voter approval to exceed their limitations. This is not true, however, in Arizona, where more than 40 out of 83 cities have received voter approval to exceed the state-imposed spending limit, and most of the other cities have not attempted an override. The high success rate in Arizona probably relates to the tightness of the 2 percent spending limit. The same is true in Ohio

Table 8

Subjective Assessment of Limitations' Degree of Restrictiveness
According to Legislative Staff

Very Restrictive: (12 states) Arizona, California, Florida, Indiana, Louisiana, Massachusetts, Missouri, Montana, Nevada, North Dakota, Utah, Washington

Fairly Restrictive: (16 states) Colorado, Idaho, Illinois, Kansas, Kentucky, Maryland, Michigan, Mississippi, Nebraska, New Jersey, New Mexico, New York, Ohio, Oregon, Rhode Island, Texas

Not Restrictive: (4 states) Alabama, Alaska, Arkansas, and North Carolina

No Response: (9 states) Delaware, Iowa, Minnesota, Oklahoma, Pennsylvania, South Dakota, Tennessee, West Virginia, Wyoming

Note: No response was possible in the nine states that do not impose limitations--Connecticut, Georgia, Hawaii, Maine, New Hampshire, South Carolina, Vermont, Virginia, and Wisconsin.

Source: NCSL survey of state and local officials, August 1988.

Table 9

Approximate Number of Local Governments at Ceiling
Set by Limitation

| | |
|---------------|---|
| Alabama | No local governments are close to ceiling. |
| California | For FY1987-88 14 counties out of 58 were within 10 percent of ceiling. |
| Florida | In 1988, 8 counties out of 67 were at the limit. No cities out of 393 were at the limit. |
| Idaho | Almost all cities and counties are at the revenue limit ceiling. |
| Indiana | 75 percent of cities and towns are at the ceiling. |
| Iowa | 64 out of 99 counties are at the ceiling. 391 out of 953 cities are at the ceiling. |
| Louisiana | 90-95 percent of counties are at the ceiling. |
| Massachusetts | 40 out of 351 cities or towns have excess capacity, and 122 other cities or towns have less than 1 percent excess capacity. |
| Minnesota | In 1987, 62 cities out of 129 are at 99 percent and over of levy limit. |
| Montana | At least 50 percent or better are at the limit. |
| Nevada | 2 out of 17 cities are at the limit. 4 out of 17 counties are at the limit. |
| Ohio | Almost all cities and counties are at the property tax limit. |
| Oregon | 35 out of 36 counties are at the property tax limit. Almost all cities are at the limit. |
| Pennsylvania | 75 percent of the cities and counties are at or over the limit. |
| South Dakota | 13 out of 310 municipalities and 8 out of 66 counties are at the limit. |

Note: The other states did not respond to this question.

Source: NCSL survey of state and local officials, August 1988.

Table 10

Voter-Approved Overrides of Limitations

| | |
|---------------|---|
| Arizona | More than 40 out of 83 cities have received voter approval to exceed the spending limit (most of the others have not sought an override). |
| California | 3 counties--Alameda, Riverside, Santa Barbara--approved increases. Four counties also rejected increases. |
| Idaho | Only three cities and counties have raised revenue limits since 1978. One reason cited is that a 2/3 voter approval is required. |
| Massachusetts | 202 out of 351 cities voted on overrides, of which 147 have been approved. |
| Montana | No units of local governments have received voter approval to go above the limit. |
| Nevada | 9 cities and counties have received voter approval to go above the limit. |
| New Mexico | 6 out of 122 cities and 5 out of 33 counties have received voter approval to raise the limits. |
| South Dakota | 3 cities were able to receive voter approval to go above the limit. |

Source: NCSL survey of state and local officials, August 1988.

(which is not included in this table), where approval has been obtained in a large number of cases to exceed its rate limits, which together with a rollback provision are extremely restrictive.

The indications of the restrictiveness of limitations in this report are highly fragmentary, but they suggest how an extensive study could provide a more complete picture of the severity of these limitations. A comprehensive study should analyze the characteristics of the local governments that have been affected most by the limitations; for example, are the local governments relatively high or low income? Are they rapidly growing or not? Both theory and anecdotal evidence suggest that poor communities tend to be affected most adversely by tax rate limits, and fast-growing cities and counties will be most restricted by limitations on revenue and spending increases.

A good evaluation of the restrictiveness of limitations must consider how they are designed--the level of growth allowed, exemptions, and override provisions. Research that fails to distinguish among different kinds of limitations cannot provide much useful information.¹¹

3. What are the major ways of exceeding these limitations?

Table 11 examines the most important methods allowed to exceed the limitations. The most common override mechanism is by going to the voters, which is reported to be possible in 23 states. Other methods used to exceed the limitations include home rule (four states), appeal to a state agency (one state), constitutional amendment (one state), court order (one state), earmarking the increase in revenue for a specific project (one state), and public hearings (one state). In one state, the limitation reportedly is not enforced.

4. Were there any major changes made concerning local government limitations in the last five years?

In the past five years, 12 states made their maximum revenue limits less restrictive while three states made them more restrictive. Iowa, South Dakota, and Utah passed local government limitation reform packages. Maryland will begin imposing an income criterion for property tax credits. Several other states had minor changes. Table 12 describes how states have altered their limitations in the last five years.

Perspectives for considering limitations

States ought to reconsider limitations on local government revenue and spending periodically. Such limits can have a serious effect in preventing local governments from meeting the needs of their citizens. As part of a comprehensive review of state-local relations, NCSL's Task Force on State-Local Relations has recommended that states consider whether the limitations that they impose on local governments prevent cities and counties from at least keeping their resources in line with inflation.

Limitations can play an integral role as part of a program to restructure local revenue systems. Some states have combined limitations with the provision of new revenue sources such as increased state aid or permission to impose local sales and income taxes. When limits are combined with such alternative revenues, they can help provide property tax relief.¹²

There are, however, situations in which limitations may have undesirable consequences. For example,

- If other viable revenue sources are not available, limitations can exacerbate local fiscal stress.

Table 12

Changes Made in Limitations in Past Five Years

Arizona Changed the property tax override by voter approval for one to seven years' duration. Allowed counties to establish library districts without voter approval, thereby relaxing the limit, since previously libraries were funded within the limit.

California Amended Proposition 13 to allow local governments to raise their property tax rate to pay off newly issued general obligation bonds. As originally enacted, Proposition 13 did not permit the property tax rate to exceed 1 percent except to pay the interest on previously issued bonds.

Colorado Lowered property tax revenue limit from 7 percent to 5.5 percent.

Idaho Allowed local governments to increase their levy rate by up to 5 percent if that guaranteed more dollars than increasing their total revenue amount by 5 percent. In other words, any growth in tax base can be used to exceed the limit by whatever the percentage of the valuation is.

Indiana Changed property tax revenue limits to a flat 5 percent instead of basing it on changes in assessed valuation. Minor changes in reasons for appeals also were made.

Iowa Reformed the tax rate limits imposed on counties. Previously, there were separate limits on a large number of different funds, one of which was a small general fund. As a result of the reform, many funds were consolidated, resulting in a much larger general fund with a higher limit. The result was to increase the flexibility of county budgeting.

Kansas Previous limitations were suspended when a new law requiring tax rollbacks took effect on January 1, 1989, at the same time as a statewide property reappraisal program began. Courts had ruled that the previous limitations had so many exemptions that they were not uniform, and therefore, home-rule localities did not have to abide by them.

Kentucky Allowed cities to impose a "special property tax" that is outside the current limits if the voters approve. The special property tax revenues may be used only for designated projects, programs, or services.

Maryland Beginning in tax year 1990-91, the local tax credit granted to homeowners whose assessment increased by more than 15 percent will be dependent on an income criterion.

Minnesota Has changed the limitation formula frequently. Formerly made the general revenue limit depend in part on the inflation rate as an alternative to fixed number.

Missouri Allowed jurisdictions to increase fees and charges without voter approval if the increase is necessary to maintain the level of service existing on the date the Hancock amendment was adopted, or to maintain the level of service originally approved by voters after the date of adoption.

Montana An initiative approved by voters in November 1986 prevented any increase in property tax revenue. Ch. 654 Laws of 1987 modifies, interprets, and extends provisions of that initiative. These legislative changes extended the effectiveness of the freeze through December 31, 1989, applied it to all classes of property, and interpreted the freeze to mean that the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit.

Nebraska Allowed the 7 percent revenue growth limitation to sunset.

Nevada Increased the first tier limitation (property tax) from 4.5 percent to 6 percent. Increased the inflation factor in the general revenue limit (combined sales and property taxes) from 80 percent of the CPI to 100 percent of the CPI and allowed several local governments to "catch-up" by allowing a one-time 5 percent increase in the tax revenue base. Also, revenue from net proceeds of mines was eliminated altogether from the revenue limitation formulas.

New Mexico Increased the maximum levy for both municipalities and counties.

New York Approved a constitutional amendment in 1984 eliminating the constitutional tax limit in small city school districts (cities with populations less than 165,000).

North Dakota Changed the percentage rate for the annual growth in dollars that a taxing district may levy. For 1988 it was 5 percent. For 1986 and 1987, it was 3 percent. It has been as high as 7 percent.

Rhode Island Imposed a new limit of 5.5 percent growth on property tax revenue.

South Dakota Created a consolidated tax levy for county government. The consolidation greatly expanded the "general county purpose" tax levy. Approximately 40 separate mill levies were repealed and then the subject was included under the general purpose category.

Utah Eliminated a system of revenue limitations and replaced it with a strong truth-in-taxation process, resulting in a relaxation of the severity of the limits.

Source: NCSL survey of state and local officials, August 1988.

- Limitations may result in higher borrowing costs for cities and counties because financial markets may view them as impairing the ability to service debt.
- Local governments are likely to respond to limitations by creating special districts, privatizing services, and employing user charges instead of taxes. While these policies are appropriate in some situations, they ought to be considered on their own merits and not adopted merely as a way of "doing an end run" around limitations.

The purpose of this report has not been to evaluate limits but rather to describe them. Although it has provided a more detailed description of limitations than previously has been available, it merely represents a start in the direction of describing how they work and suggesting what their effects may be. Any state that does impose limits on local governments should examine their impact from time to time and reconsider their desirability and design. Limitations are an important feature of state-local relations and warrant careful consideration of their design and how they enhance or impede the smooth operation of the federal system.

Notes

The authors appreciate helpful comments by Ron Snell on an earlier draft of this report. The report would not have been possible without the great assistance provided by state and local officials in providing information about their states' limitations.

1. ACIR's annual volume, *Significant Features of Fiscal Federalism*, has included this information in a table, Restrictions on Local Government Tax and Expenditure Powers. See, for example, the 1987 edition, pp. 116-117. This report differs from the table in *Significant Features* not only by providing greater detail but also by correcting some of the errors and omissions in it.

2. The report builds upon an earlier study by Steven Gold, "Results of Local Spending and Revenue Limitations: A Survey," in John M. Quigley, ed., *Perspectives on Local Public Finance and Public Policy* (Greenwich, Conn.: JAI Press, 1983), pp. 109-147.

3. For example, in *Significant Features of Fiscal Federalism, 1989 Edition*, pp. 46-60.

4. Alaska has a different kind of property tax revenue limit, one which restricts the level of the property tax rather than its growth rate. Alaska limits property tax revenue to (1) no more than \$100 a year for each person residing within the municipal boundaries; or (2) no more than the product of 225 percent of the average per capita full and true value of the property in the state multiplied by the number of residents of the taxing municipality.

5. ACIR's table shows the date of adoption of the limitations that it describes.

6. New York also limits assessments in one city and one county.

7. Arkansas has a type of spending limit but not one that restricts spending increases, so it is not included here. It stipulates that a county may not spend more than 90 percent annually of its property tax revenue, with the remaining 10 percent being retained for emergencies.

8. The 15 percent increase for individuals does not apply directly to governments. The 6 percent limit on assessment increases does not prevent assessments from increasing at a higher rate in some jurisdictions, but it tends to reduce the total assessed valuation in the state. For example, if statewide assessments increase 12 percent, all assessment increases will be cut in half to bring the average to 12 percent. This means that a jurisdiction with a 10 percent increase before the limitation will experience only a 5 percent increase after it, and one with a 6 percent pre-limit increase will have a 3 percent increase after the limit is taken into account.

9. Professor Gary Cornia of Brigham Young University maintains that Florida and Utah have a more effective form of truth-in-taxation than other states in that they require that notices be mailed to taxpayers before the local government determines that tax rate. Most other states merely require

newspaper announcements and an additional public hearing, which are not as effective in gaining the attention of taxpayers as an individualized statement of their own tax bills explaining how much taxes are proposed to increase.

10. Iowa, for example, limits the aggregate statewide increase in residential, agricultural, and commercial property to 4 percent for that reason. Oregon adopted similar limits for residential and nonresidential property in the 1970s but has since repealed them.

11. This criticism applies to most of the research that has been done on the effects of limitations, including John Shannon, Michael Bell, and Ronald Fisher, "Recent Experience with Local Tax and Expenditure Control," *National Tax Journal* xxix (September 1976), pp. 276-285.

12. For examples of how limitations may be used in a program to provide property tax relief, see Steven Gold, *Property Tax Relief* (Lexington, Mass.: D.C. Heath, 1979), ch. 8 and 9.

Appendix

Description of All Limitations Imposed on Local Governments

In order to simplify this description of limitations, several common elements are omitted, although they apply in many cases. Unless otherwise stated, limitations apply to both cities and counties. When limits apply to increases in revenue, spending, or assessments, any gain from newly constructed property is generally in addition to the stated limit. In many cases, limits can be approved by voter referendum. Taxes for certain purposes, such as debt service usually are excluded from the limitation.

Alabama Tax rates are limited.

Alaska Tax rates and the total amount of property tax revenue raised are limited. Property tax revenue is limited to (1) no more than \$100 a year for each person residing within the municipal boundaries; or (2) no more than the product of 225 percent of the average per capita full and true value of the property in the state multiplied by the number of residents of the taxing municipality.

Arizona Increases of property tax revenue, spending, and assessments are limited. Property tax revenue increases are limited to 2 percent, and spending increases are limited to population growth plus inflation. Assessment increases are limited to 10 percent, except for voter-approved purposes.

Arkansas Tax rates are limited. Tax revenue is limited following a reassessment of property by rolling back tax rates to prevent a revenue increase.

California The overall property tax rate is limited to 1 percent plus the amount needed to service general obligation bonds. The growth of assessed valuation is limited to 2 percent unless a property was sold (at which point the assessment could rise to equal market value). Spending increases are limited to the sum of (a) population growth and (b) either the rate of inflation or the growth rate of per capita personal income, whichever is less.

Colorado Property tax revenue increases are limited to 5.5 percent, except in home-rule cities and towns. This limit may be exceeded by following truth-in-taxation provisions.

Connecticut No state-imposed limits.

Delaware County property tax revenue is limited following a reassessment of property by rolling back tax rates to prevent a revenue increase.

Florida Tax rates are limited. Truth-in-taxation provisions are in effect.

Georgia No state-imposed limits.

Hawaii No state-imposed limits.

Idaho Property tax revenue increases are limited to 5 percent above the highest level of the previous three years. Tax rates are limited. Truth-in-taxation provisions are in effect.

Illinois Both tax rates and property tax revenue are limited except in home-rule districts. The limit on property tax revenue increases is 5 percent. Truth-in-taxation provisions are in effect.

Indiana Property tax revenue increases generally are limited to 5 percent.

Iowa Tax rates are limited, and the maximum rate limit may not be exceeded even with voter approval. Assessment increases are limited to 4 percent statewide (not including new construction). Truth-in-taxation provisions are in effect.

Kansas Property tax revenue increases are limited following a reassessment of property by rolling back tax rates to prevent a revenue increase.

Kentucky Property tax rates are limited, and the maximum rate limit may not be exceeded even with voter approval. Property tax revenue increases are limited following a reassessment of property by rolling back tax rates to prevent a revenue increase. Subject to the absolute maximum rate limit, local governments may impose a rate that will yield up to a 4 percent increase in revenues. Any part of the rate that gives more than a 4 percent increase is subject to voter recall.

Louisiana Property tax rates are limited. Property tax revenue increases are limited following a reassessment of property by rolling back tax rates to prevent a revenue increase. When rollback occurs, the rate may be increased to previous level with two-thirds vote.

Maine No state-imposed limits, although county budgets require legislative approval.

Maryland Statewide assessed valuation cannot increase more than 6 percent. Truth-in-taxation provisions are in effect. Assessed value of individual residential property cannot increase more than 15 percent. Beginning in tax year 1990-91, there is an income limitation on this credit.

Massachusetts Property tax rate is limited to 2.5 percent. Property tax revenue increases are limited to 2.5 percent per year.

Michigan Property tax rates are limited. Following a reassessment that increases assessed valuation by more than the inflation rate, tax rate is lowered so that property tax revenue will not increase by more than the inflation rate. Truth-in-taxation provisions are in effect.

Minnesota Property tax rates are limited. The sum of property tax revenue and state aid cannot increase more than 4 percent in 1989 and 3 percent in later years. Truth-in-taxation provisions are in effect.

Mississippi Property tax rates are limited. Property tax revenue increases are limited to 10 percent.

Missouri Property tax rates are limited. Following reassessment, millage rates are lowered so that there will be no more than a 5 percent increase in

revenues as a result of reassessment. Voter approval is required for all tax rate increases.

Montana Property tax revenue cannot increase above its 1986 level until at least December 31, 1989. Property tax rates are limited, except with voter approval. Truth-in-taxation provisions are in effect.

Nebraska Property tax rates are limited.

Nevada Property tax revenue increases are limited to 6 percent. Local government general revenue from the sales tax and property tax is allowed to increase by a growth factor (new property on the tax roll) and an inflation factor (Consumer Price Index) as long as the property tax component does not exceed a 6 percent increase.

New Hampshire No state-imposed limits.

New Jersey County property tax revenue increases are limited to 5 percent. City spending increases are limited to 5 percent.

New Mexico Property tax rates are limited. Property tax revenue increases are limited to 5 percent. Assessment increases are limited to 5 percent.

New York Property tax rates are limited to 2 percent for cities and 1.5 percent for counties. Assessment increases are limited in New York City and Nassau County. This limitation is statutory and applies only to "special assessing units," which are assessing units with a population of one million or more (i.e., New York City and Nassau County).

North Carolina Property tax rates are limited.

North Dakota Property tax revenue increases are limited to 5 percent. This limitation may be ignored at the option of the city or county and property tax rate limitations applied instead. If property tax revenue limitations are used, they may be increased by the amount of any authorized but unused property tax rate amounts from prior years.

Ohio Property tax rates are limited to 1 percent of taxable value (0.35 of true value) unless voters approve a higher rate. Property tax revenue is limited when property is revalued by rolling back tax rates to prevent a revenue increase.

Oklahoma Property tax rates are limited.

Oregon Oregon districts have permanent levy authority (called a "tax base") and temporary authority. The permanent authority increases 6 percent a year (if levied). Some districts have no permanent authority at all and others have small amounts. These districts have repeated voter approval of "temporary" authority. Only the permanent authority increases at 6 percent a year.

Pennsylvania Property tax rates are limited except in home-rule jurisdictions.

Rhode Island City property tax revenue increases are limited to 5.5 percent. Truth-in-taxation provisions are in effect for cities.

South Carolina No state-imposed limits.

South Dakota Property tax rates are limited.

Tennessee No state-imposed limits other than truth-in-taxation provisions are in effect.

Texas Property tax rates are limited. Truth-in-taxation provisions are in effect. These provisions require a calculation of a new tax rate following reappraisal. The new tax rate calculated is intended to generate the same revenue as was levied for the previous year. However, once the new tax rate is published, there is no limitation on how much revenue may increase as long as the procedure follows the law. If revenue increases more than 8 percent, voters may petition for a referendum to roll back the increase to 8 percent.

Utah Property tax rates are limited. Truth-in-taxation provisions are in effect.

Vermont No state-imposed limits.

Virginia No state-imposed limits, other than that truth-in-taxation provisions are in effect.

Washington Property tax revenue increases are limited to 6 percent. Property tax rates are limited.

West Virginia Property tax rates are limited.

Wisconsin No state-imposed limits.

Wyoming Property tax rates are limited.

Source: NCSL survey of state and local officials, August 1988.

Massachusetts "Home Rule"

Jane H. Malme

Jane H. Malme is former chief of the Bureau of Local Assessment, Massachusetts Department of Revenue, Boston, Massachusetts.

Modernization of assessment administration in Massachusetts has been effective because it has combined local government control and state oversight to promote uniform standards that can be achieved in accordance with local preferences and customs.

Introduction

The property tax is the major source of revenue for public schools and municipal services in Massachusetts, where local assessors are responsible for valuation, classification, and assessment of taxes on real and personal property. Statewide, the property tax comprises 46 percent of all local revenues.

Massachusetts has a long history of strong and active local government. Open to all registered voters, New England town meetings are still a mainstay of town government. "Home rule" is a cherished and well-protected tradition in Massachusetts, where, for nearly two centuries, local assessors, who are primarily elected, part-time officials, have been solely responsible for valuing property for local taxation in communities that range from a few hundred to 130,000 parcels. The average parcel count is about 3,500.

As property taxes in Massachusetts escalated to the second highest in the nation in the 1960s and 1970s, an increasing number of taxpayers appealed their assessments to the state courts, which found widespread disproportionate assessment. Although cities and towns revalued property infrequently, the state's Supreme Judicial Court had ruled in 1961 that the state constitutional requirement for "proportional assessment" could be achieved only if all property were assessed at 100 percent of full and fair cash value.

The burgeoning appellate case load tested the patience of the court as it attempted to fashion effective remedies for aggrieved taxpayers without causing fiscal chaos in cities and towns that depended heavily on the property tax to fund municipal services. Finally, in 1974, a case came before the state's highest court that enabled the justices to prescribe an administrative remedy to address the lack of uniformity in assessment practices. In the landmark Sudbury decision (*Town of Sudbury v. Commissioner* 366 Mass. 558 [1974]), the Supreme Judicial Court found sufficient statutory authority to hold the Massachusetts Department of Revenue responsible for enforcing the full valuation standard in cities and towns and for requiring municipal assessors to comply with the department's directives.

So began an era of dramatic change in Massachusetts property tax administration in which the courts, legislature, and state and municipal assessing officials have played important roles in bringing about improved assessment practices and equity to local taxpayers. By 1983, virtually all cities and towns, including Boston, had completed revaluations at 100 percent of market value and were on a three-year reassessment cycle that is monitored, reviewed, and certified by the department's Bureau of Local Assessment.

In 1976, median assessment-sale price ratios ranged from below 16 percent to over 85 percent, with the majority at less than 60 percent. Only twenty-seven communities had coefficients of dispersion (CODs) for single-family residences of less than 10.7 percent. Today, all Massachusetts communities satisfy certification standards requiring property to be assessed at 90 percent of market value or better and a COD for single-family residences of 10 percent or less.

What have we learned and what are the ingredients that have produced this great improvement within the Massachusetts administrative structure?

Acknowledgment That the Power to Achieve Results Is Diffused

Although the department received a clear mandate from the court to enforce revaluation, cities and towns retain the full administrative and financial responsibility for assessing functions. The legislature can impede or strengthen the department's authority through appropriations and legislation. Establishing a working relationship with assessors, the Massachusetts Association of Assessing Officers (MAAO), the Massachusetts Municipal Association, and the legislature's taxation committee have enabled the department to avoid an adversarial role, to recognize and address issues of concern to the various constituencies, and to promote cooperation in seeking pragmatic and achievable solutions.

As a result, the legislature incorporated into the legislation a constitutional amendment to classify property according to use. The amendment also gives the department comprehensive regulatory authority coupled with responsibilities for training assessors. Chapter 797 of the Acts of 1979 gives local selectmen and city councils limited ability, at local option, to shift a share of the property tax burden from residential to business taxpayers, thus eliminating a major obstacle to revaluation in communities which had favored homeowners in their assessing practices. But the law requires that locally assessed values be certified at full and fair cash value by the bureau every three years in order for a city or town to retain the right to adopt classified tax rates. The amendment thus enhanced the professional role of assessors, since it separated property valuation from tax policy.

To address the difficulties assessors faced in obtaining local funds for revaluation, bureau staff traveled across the state to support assessors' programs before local appropriating bodies and went to court to enforce municipal funding of revaluation costs when communities turned down assessors' budget requests.

Recognizing the particular practical and political interests of state and local officials has been and continues to be essential to improving assessing practices in Massachusetts.

Establishment of Reasonable Standards Uniformly and Consistently Applied

Lacking clear standards to follow, municipal assessors were often pressured by their local officials to increase revenues and blamed by local taxpayers for raising taxes—a no-win situation. Generally accepted mass appraisal standards and assessment administration procedures, established and supervised by the bureau, have enabled assessors to perform their responsibilities independent of local politics. In developing the standards, Massachusetts officials turned to the International Association of Assessing Officers (IAAO) and to administrators in other states for good assessment principles and practices.

Basic standards for assessing offices are essential, but they must be adaptable to local circumstances. In Massachusetts, local officials determine whether to perform revaluations in-house or to employ consultants. Assessors and consultants may use any generally accepted mass appraisal methods or systems. Documentation required by bureau certification reviewers may be computerized or manual. The department's standards stress results and allow for local differences in the real estate market, and in community size and characteristics.

Extensive Technical Assistance and Training for Assessors and Other Municipal Officials.

Massachusetts assessors are primarily part-time officials. In 1980, 44 percent of them had never taken an appraisal or assessing course. Today all Massachusetts assessors take an introductory assessment course and receive an assessor's manual on assessment law, procedures, and administration. Satisfactory completion of the course, and its examination, result in assessor certification, which is required within two years of election or appointment. The department offers the course without charge at a one-week assessors' school at the University of Massachusetts, and in a series of evening classes in each county. In cooperation with the MAAO, IAAO courses and other workshops and seminars are offered. More assessors are attaining Massachusetts and IAAO designations and are being certified as IAAO instructors.

Technical assistance to assessors by the department takes many forms. The bureau has established two regional offices and a staff of field appraisers to provide guidance and assistance to assessors throughout the three-year certification cycle. Many communities continue to rely on outside consultants for their revaluations. The bureau provides model specifications and reviews revaluation plans and contracts. Guidance is provided in conducting data quality studies, sales analysis, valuation, and administrative procedures. Assessors may consult with the department's attorneys.

Recognition of the Taxpayer's Interest and Role in Maintaining High Quality Assessing Practices.

Taxpayers benefit from good assessment practices. Equitable assessments result in fair distribution of the property tax burden. The full-value standard creates uniformity among communities. Frequent revaluation maximizes local revenues by identifying and assessing additions to the tax base. Professional, accountable tax administration raises confidence in government.

Public information and education of taxpayers is essential for orderly completion of a revaluation. All too often, however, government is unresponsive to legitimate questions taxpayers have about the mass appraisal process.

From the beginning, the representatives from the Massachusetts Department of Revenue addressed groups, such as chambers of commerce and professional and public interest organizations to explain the assessor's role.

The state's certification procedures include public disclosure requirements and encourage extensive public relations activities. In cooperation with the MAAO, the department printed a brochure, "You and Your Prop-

erty Taxes," for use and distribution by assessors. The MAAO has established an annual public relations award to encourage and reward local efforts to inform the public about what assessors do and how property is assessed.

Taxpayers can never be taken for granted, and assessing officials, as public servants, who fail to be responsive to taxpayers do so at their peril.

Responsiveness to Changing Needs

Under the financial constraints imposed by Proposition 2½, which limits the amount a community can raise from property taxes, the focus of the department's efforts has changed over the past ten years from the enforcement of full-scale revaluations to supporting and assisting assessors in maintaining their initial investment.

For most Massachusetts communities that used to rely on revaluation companies to perform the required triennial revaluation, the costs were high. Yet most communities had limited options available to reduce costs.

To address this problem, the bureau spearheaded the development of a computer-assisted mass appraisal (CAMA) system and lobbied hard to gain the legislature's funding for the design and development of software that could be offered without charge to local assessors. With the assistance of IAAO consultants and an assessors' advisory committee, the department contracted for the design of a microcomputer-based mass appraisal and tax administration system that provides state-of-the-art tools for local assessors. With training, support, and software provided by the bureau, assessors can maintain and update values and issue tax bills at reasonable cost to their communities.

The CAMA program has been enthusiastically received by assessors because it allows assessors to continue the much-valued "home rule" tradition while improving and modernizing their assessing practices. The number of installations in the first year and a half has exceeded the bureau's goals.

State and local assessing officials now realize that assessors are important contributors to municipal financial management. With the revenue constraints of Proposition 2½, the maintenance of a full tax base and timely completion of valuation activities for tax billing affects the fiscal health of all. The department filed legislation authorizing the local use of estimated tax notices where valuation problems cause delays in tax billing.

As the professionalism and proficiency of assessors improved, the bureau initiated an "accelerated certification review" for communities that would benefit from it. This review program assigns a bureau appraiser to advise assessors and to review assessors' progress through the stages of the revaluation. The review identifies and corrects problem areas early on,

improves documentation, and reduces the time required to complete the valuation and tax rate certification process.

Department personnel also meet regularly with the MAAO Executive Board and its Certification Committee to streamline procedures, cut paperwork, and initiate legislation to meet changing circumstances.

Conclusion

The Massachusetts administrative structure combines local government control with state oversight to promote uniform standards that can be achieved in accordance with local preferences and circumstances. The benefits are many. Assessors are familiar with the local real estate market and property in their community. In addition to being accountable to their taxpayers, their expertise and knowledge are locally and readily accessible to their municipalities. State oversight has helped depoliticize the assessor's office and encourage professionalism. Massachusetts assessors take pride in their work, regularly upgrade their skills and knowledge through education, and cooperate with state officials in modernizing and upgrading assessment practices.

Of course, turning assessing around in Massachusetts took time. It also took testing, hard work, and, at times, compromise. Progress may have been slow and costly in the early years when state and local officials were developing a new relationship and struggling to meet improved standards of performance. In the long run, however, the results are impressive. Massachusetts communities are maintaining full and fair cash valuation. There is greater equity for our taxpayers, a stronger local revenue base for our communities, and a growing recognition that good property tax administration raises public confidence in government. The participation and cooperation of all levels and branches of government in this effort increase the prospects for continuing improvement in assessing practices and strengthen our abilities to meet the inevitable challenges of the future.

CITY OF CAMBRIDGE

TAX RELIEF EXEMPTIONS

- 1 -

EXEMPTIONS:

CLAUSE 17D

Surviving Spouse, Aged Person (Age 70), Minor.

Qualifications:

1) Whole estate must not exceed \$40,000 exclusive of any mortgage interest in any real estate in total estate and exclusive of total value of domicile up to a 3 unit building of which one unit is owner occupied.

2) Applicant over 70 years of age must have occupied property as domicile for five preceding years.

EXEMPTION = \$175.

CLAUSE 22

Veterans having (a) 10% service connected disability (veterans of the Lebanese peace keeping or Granada rescue mission must, in addition to the 10% certificate from Veterans Administration, show receipt of a campaign medal). (b) veterans (honorable) of Spanish War, Philippine Insurrection, Chinese Relief Expedition (c) Purple Heart veterans (d) unremarried surviving spouse of veterans under this clause (e) Natural parents and parents by adoption of those losing their lives in war service.

(f) Unremarried surviving spouse of veterans serving 4-6-17 through 11-11-18 or holders of Victory Medal WWI. (Estate must not exceed \$20,000).

REQUIREMENTS:

1. Must be domiciled in Massachusetts at least six prior to entry into service or resided in Massachusetts five consecutive years next to date of filing.

2. Must own and be domiciled in property as of July 1st.

EXEMPTION = \$175

CLAUSE 22A

Veterans having suffered (a) loss of or loss of use of one foot at or above the ankle (b) loss of or permanent loss of use of one hand at or above wrist (c) loss of sight of one eye (d) veterans having Congressional Medal of Honor (e) veterans awarded Distinguished Service Cross (f) veterans awarded Air Force Cross (g) veterans awarded Navy Cross. RESIDENCY REQUIREMENTS - same as Clause 22.

EXEMPTION = \$350.

CLAUSE 22B

Same as Clause 22A except that loss is considered for two limbs

and both eyes. RESIDENCY REQUIREMENTS - same as Clause 22.

EXEMPTION = \$700.

CLAUSE 22C

Same as clause 22A except disability requires "specially adapted housing." RESIDENCY REQUIREMENTS - same as Clause 22.

EXEMPTION = \$875.

CLAUSE 22D

Unremarried surviving spouse of veterans who lost their lives at Quemoy or Matsu.

REQUIREMENTS:

1. Must be domiciled in Massachusetts for five consecutive years next prior to date of filing.
2. Must own and be domiciled in property as of July 1st.

EXEMPTION = \$175.

CLAUSE 22E

Veterans having 100% disability at least 10% of which is service connected.

REQUIREMENTS:

1. Residency same as Clause 22.
2. Must file certificate every year and must not be employed for any part of previous year.

EXEMPTION = \$525.

PARAPLEGICS

Veterans having suffered (a) paralysis of lower half of body on both sides (b) widows of paraplegics to exemption.

REQUIREMENTS:

1. Residency same as Clause 22.
2. V.A. Certificate stating injury occurred during wartime (for widow - V.A. certificate showing unremarried widow).

EXEMPTION = TOTAL EXEMPTION.

CLAUSE 37A

Legally Blind Person.

1. Must be domiciled in property as of July 1st.
2. Must be 70 years of age on or before June 30th.
3. Must have owned and occupied as domicile in Massachusetts any property for five years.
4. Must have been domiciled in Massachusetts for ten years.
5. Earnings (maximum) Single person - less than \$13,000 prior calendar year. Married person - less than \$15,000 in prior calendar year (also applies to joint owner or tenant in common.) Applicable exclusion may be deducted from earnings.

**CLAUSe 41C
Elderly Persons REQUIREMENTS:**

EXEMPTION = Full, providing that an agreement between the applicant and the city is entered into setting forth the following: (a) taxes are paid prior to sale or transfer of property with interest and charges (b) that the total tax plus interest due does not exceed fifty percent of the owner's share of the full and fair cash value of the property (c) that upon the demise of the applicant, the heirs have priority to said real estate by paying the taxes plus interest due (d) that if the heirs do not pay the taxes in full, such taxes will be recovered from the estate (e) that any joint owner and mortgagee give written approval of this tax deferral agreement.

1. Must be over 65.
2. Must be domiciled in Massachusetts for 10 years prior to July 1st.
3. Must have owned and occupied as domicile in Massachusetts any property for five years.
4. Must be domiciled in property on July 1st.
5. Maximum earnings, all sources; \$20,000.

**CLAUSe 41A--TAX DEFERRAL
REQUIREMENTS:**

EXEMPTION = \$500.

2. Must own and be domiciled in property as of July 1st.

1. Must submit verification of blindness from either the Division of the Blind or a physician.
- REQUIREMENTS:**

6. Whole estate may not be in excess of \$28,000 if single or \$30,000 if married (also applies to joint owner or tenant in common). The value of the domicile, except for any portion of said property which produces income and exceeds two dwelling units, is excluded from the applicant's whole estate (also applies to joint owner or tenant in common).

EXEMPTION = \$500.00.

CLAUSE 42

Unremarried surviving spouse of police or fireman killed in the line of duty.

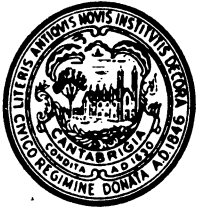
EXEMPTION = TOTAL.

CLAUSE 43

Minor children including adopted children of a police or fireman killed in the line of duty provided that the other parent is deceased.

EXEMPTION = TOTAL.

PLEASE NOTE: The qualification date for all applicants is July 1st. i.e. age, widow/widower, ect.



CITY OF CAMBRIDGE

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

April 30, 1990

To The Honorable, The City Council:

In response to Awaiting Report Item No. 19, relative to limits on individual taxpayers' percentage increases, attached please find a report from James P. Maloney, Assistant City Manager for Fiscal Affairs, as well as Sally Powers, Director of Assessment.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
enclosure

Awaiting Report Item Number 19 regarding limits on individual taxpayers percentage increases.

In City Council,

April 30, 1990

*Referred to the
Finance Committee
on motion of Councilor*

*Quehry
copy sent to Finance Com
5/1/90 DW*