



# New Jersey Land Conservation Rally

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March 19, 2011  
Tim Evans • New Jersey Future



# Median Real Estate Tax Bill (2009)

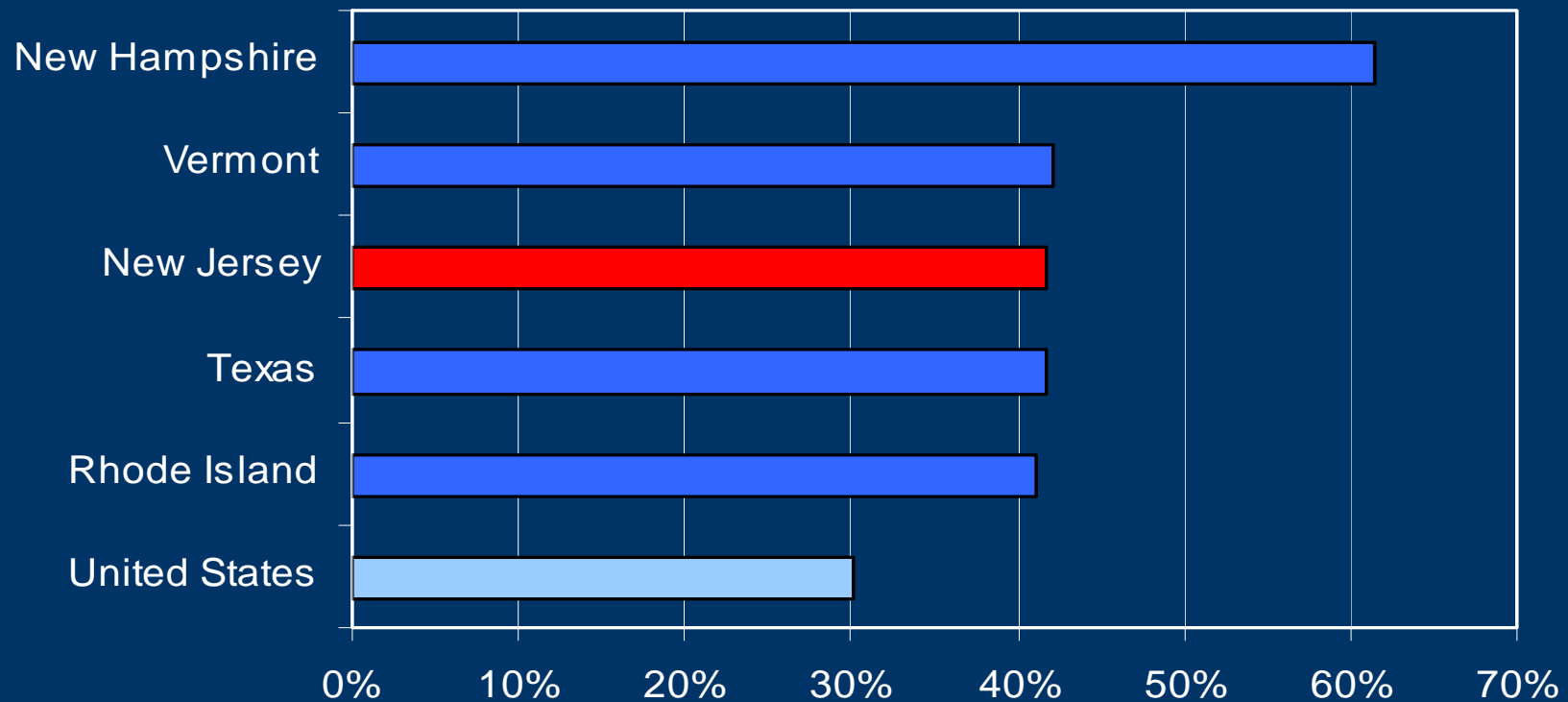
New Jersey	6,579
Connecticut	4,738
New Hampshire	4,636
New York	3,755
Rhode Island	3,618
United States	1,917

*Data source: 2009 American Community Survey*



# Over-Reliance on Property Tax

Percent of Total State and Local Tax Revenue Derived  
From Property Tax



*Data source: U.S. Bureau of the Census, 2007 Census of Government Finance*



# Basic Property Tax Facts

- Schools represent the bulk of local government expenditures
- Residential development doesn't pay for itself, unless it's age-restricted
  - RESULT: Nobody wants kids
- Wealthy residents demand fewer services than poorer ones
  - RESULT: Large lots encouraged; multi-family housing discouraged
- Commercial development does pay for itself
  - RESULT: Every municipality wants to be Teterboro

# Over-Reliance on Property Tax :

## Why Is This a Land-Use Issue?

- Incentive to zone out children [keep school costs down]
- Large-lot/exclusionary zoning [keep out people who can't pay their own way]
- Competition for commercial development (the “ratables chase”) [generate revenue without school costs - every municipality wants to be Teterboro]

# Is It Really a Property Tax Problem?

Many of the land-use side effects of the property tax system are actually more properly ascribed to NJ's **fragmented system of local governance**

From a land-use perspective, tax reform might better be accomplished by increasing the geographic size of the units of competition:

- Tax base sharing
- Municipal consolidation
- Regional school districts

# 3 Big Counties, Similar Populations, Dissimilar School Systems

	2008 population	number of municipalities	number of school districts	munis per school district
Bergen County NJ	889,915	70	75	0.933
Montgomery County PA	778,452	62	23	2.696*
Montgomery County MD	953,685	19*	1	NA

- Three school districts in Montgomery County PA contain at least one municipality in another county; counting these additional munis brings the muni/district ratio close to 3:1.
- Only one in six residents of Montgomery County MD lives in an incorporated municipality.

# Over-Reliance on Property Tax : The Consequences

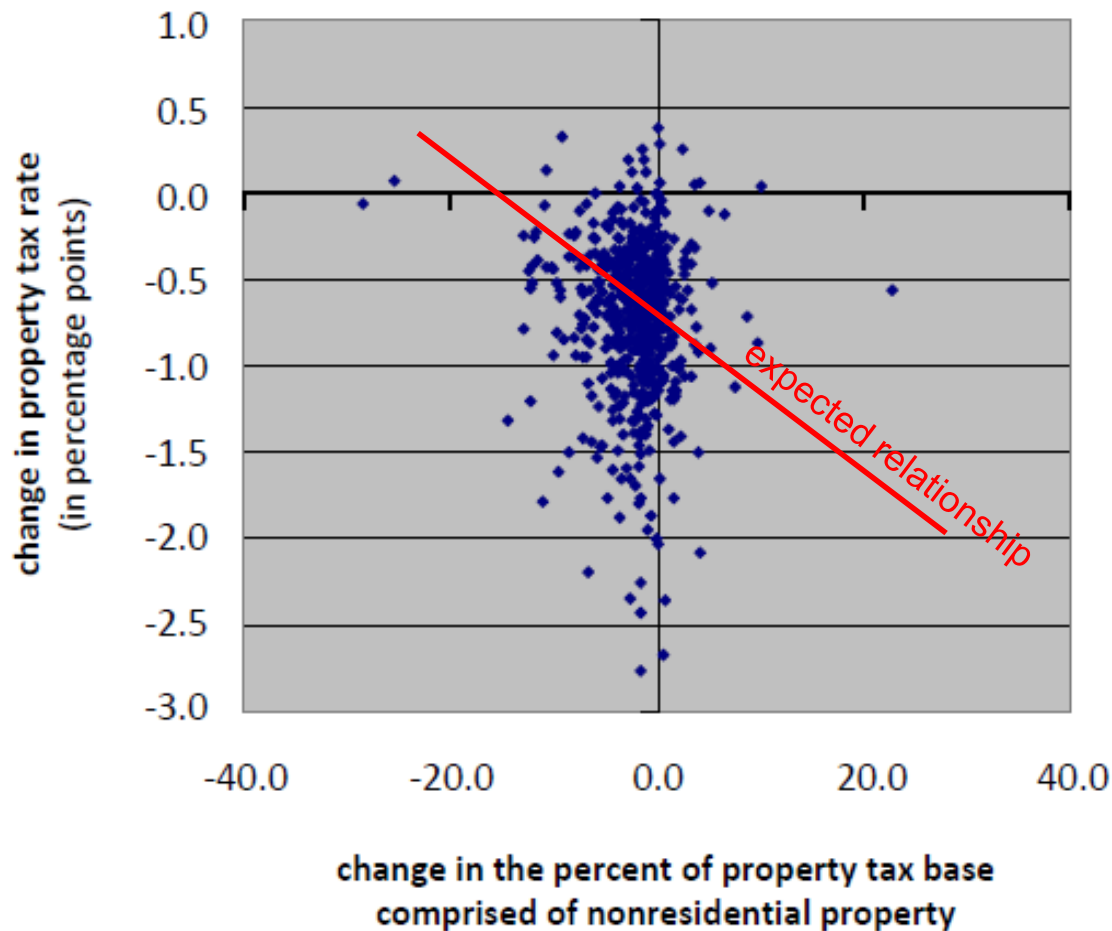
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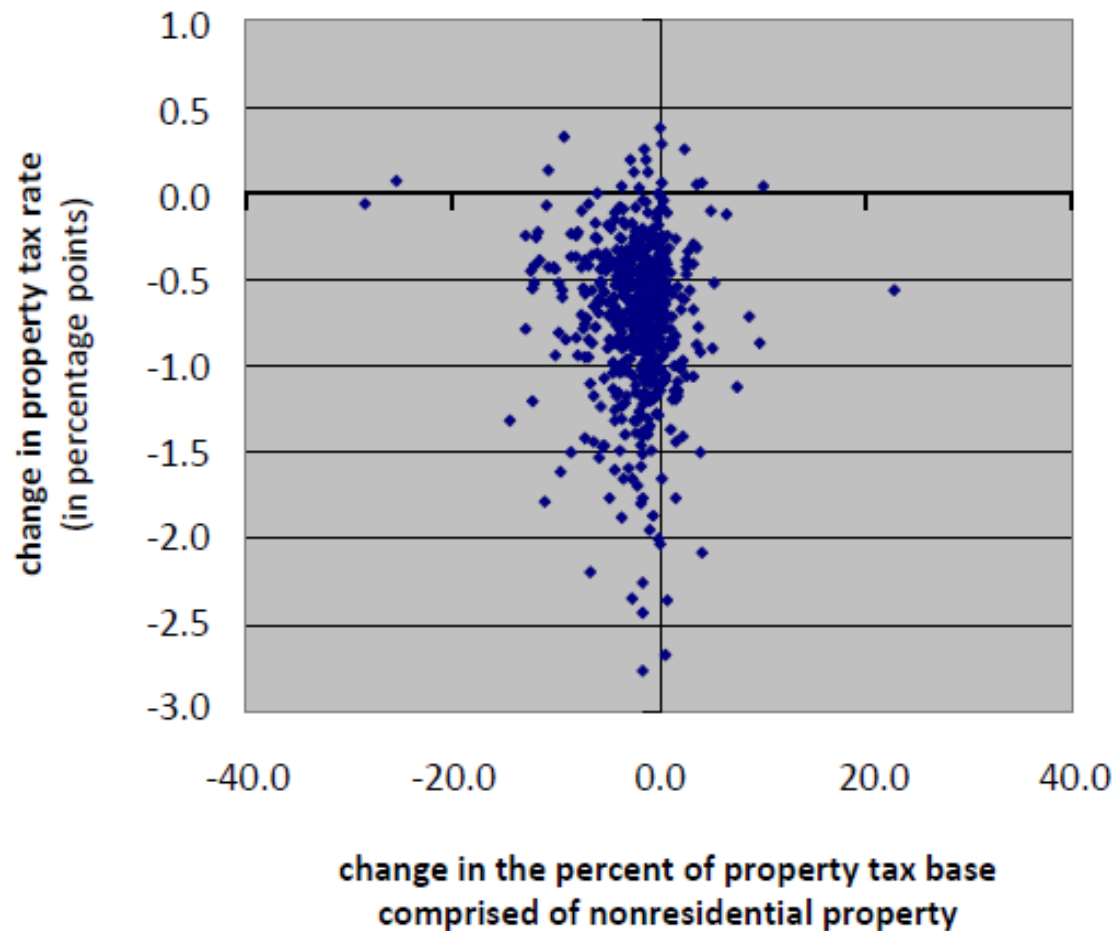
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**Figure 1. Change in Property Tax Rate vs. Change in Non-Residential Percentage of Total Property Tax Base, 1998 to 2006**



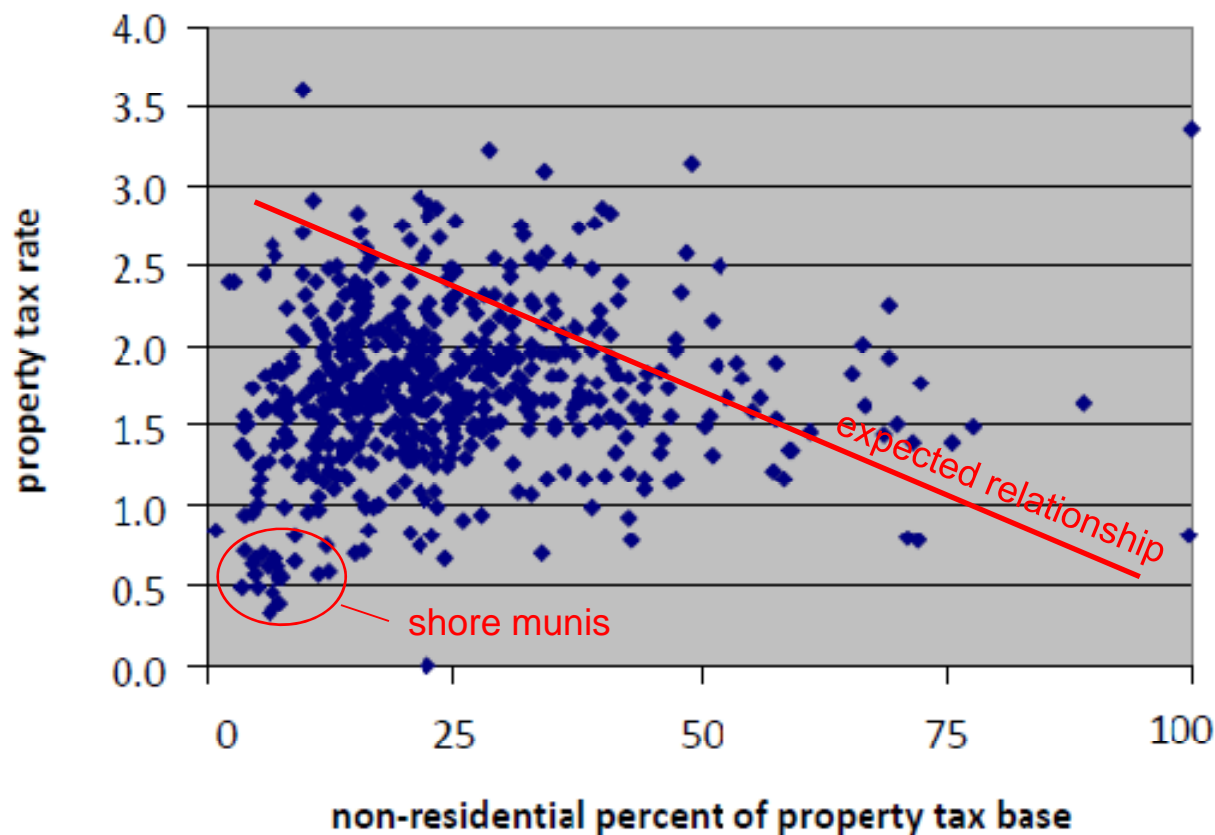
While most municipalities saw their property tax rates decline between 1998 and 2006, there is no evidence that they systematically declined any faster among municipalities that increased the non-residential proportion of their tax base over the same time period.

**Figure 1. Change in Property Tax Rate vs. Change in Non-Residential Percentage of Total Property Tax Base, 1998 to 2006**



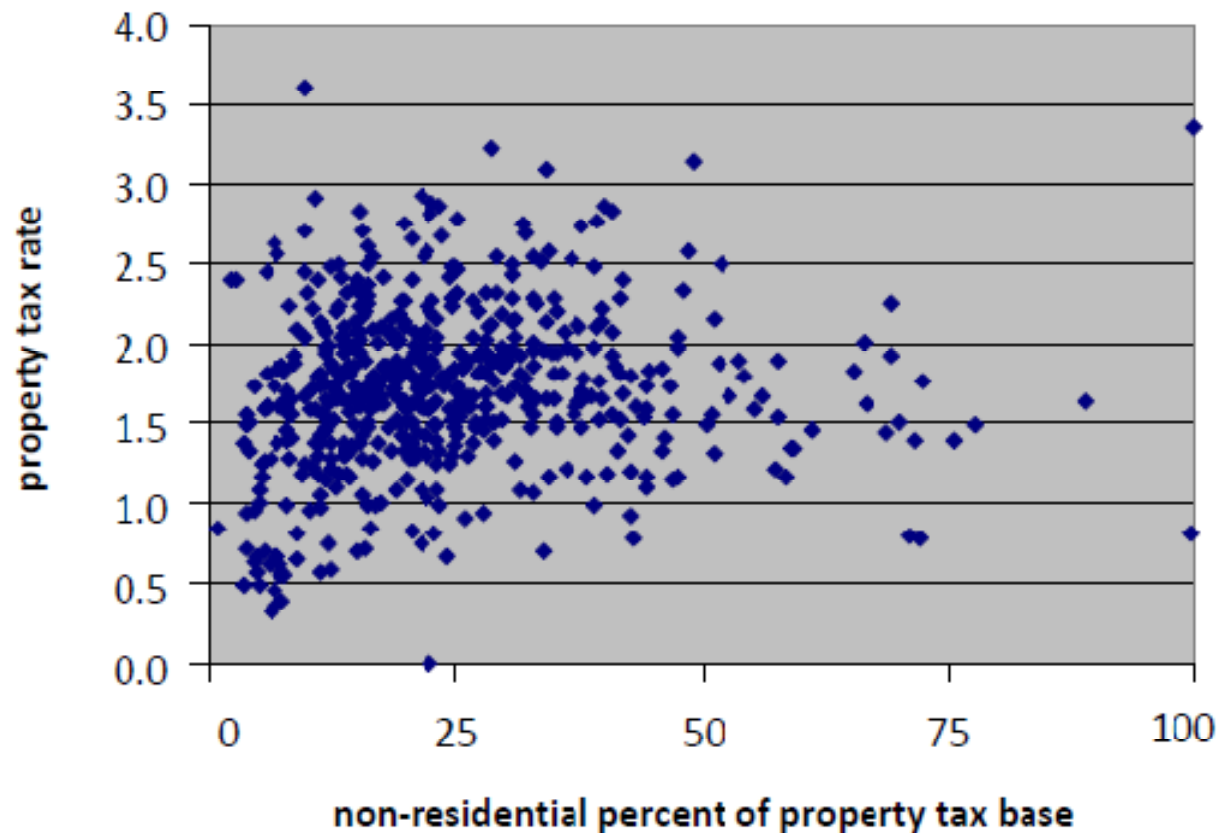
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**Figure 2. Equalized Property Tax Rate vs. Non-Residential Percentage of Total Property Tax Base, 2006**

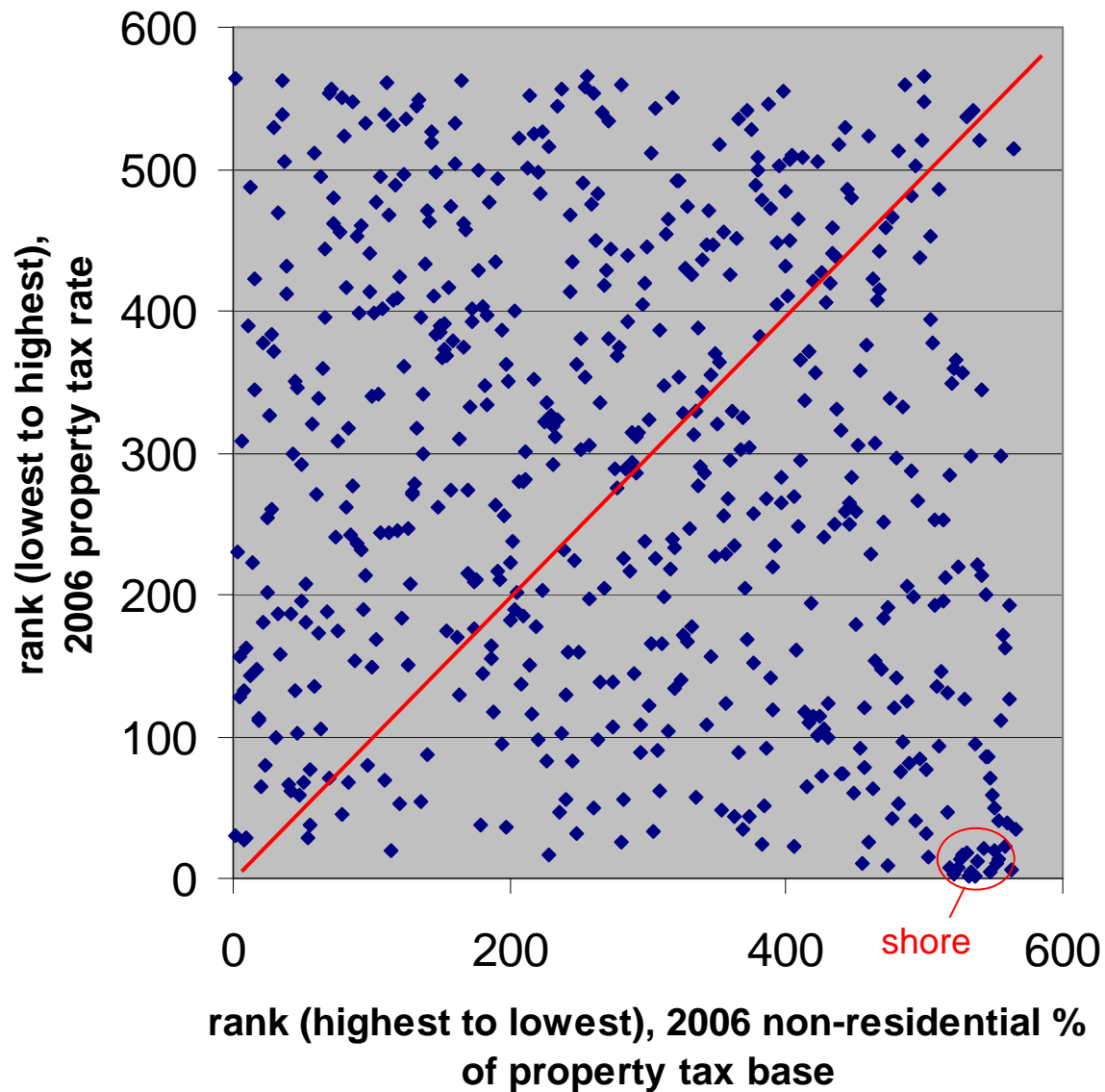


There is no clear indication that a high proportion of non-residential property in a municipality's tax base corresponds to a lower-than-average property tax rate. Conversely, plenty of municipalities illustrate that a low tax rate is possible even with very little commercial property.

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Using ranks rather than actual values, the expected pattern still does not emerge





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