



TAX YOUR CHILDREN?

California's Prop 13 makes no sense for Wyoming

Wyoming's public schools are funded primarily by property taxes. Most property tax revenues come from extracted minerals; the rest comes from residential, commercial and industrial properties.

In the late 1980s, the Legislature took on the difficult task of reforming Wyoming's antiquated and inconsistent system of basing residential property taxes on 1967 replacement value. Legislators chose a new system based on fair market value. They subsequently funded training and computerization needed to develop consistency among the counties in applying the new system.

The fair market value system makes sense and usually engenders controversy only when property values are rising and consequently taxes go up, too. Despite complaints during the last rising market, fewer than 1% of Wyoming homeowners appealed their home values.

Some have suggested that Wyoming switch to an "acquisition-cost" system like California's Proposition 13. Under an acquisition-cost system, property taxes are based on the value of the home at the time of purchase, and remain the same until the next sale, or are allowed to increase only by a set percentage.

It's true that California's Proposition 13 has decreased the average property tax bill. But what you haven't heard is the rest of the story: taxpayers also must pay a myriad of other school district assessments, special district fees, etc. Families actually are paying more than they did before. The effects are far-reaching.

If one look at the quagmire that constitutes California's education funding is not enough to persuade you that an acquisition-based system is a bad idea, then let's look at the specific impacts that changing to an acquisition-based system would bring to Wyoming.

First and foremost, acquisition-based property tax systems have a track record of negative effects on local governments. The property tax base is eroded due to limits in increases. This also restricts control for local decision-making over spending. With

property tax revenues essentially frozen, local governments would be forced to turn to the state for money even more than they do already. The demand for services in Wyoming certainly is not going down!

An additional difficulty for local and state governments would be losing the predictability of revenues from residential properties, because tax revenues would be related to how many properties changed hands during the previous year. Using fair market value enhances predictability because policymakers simply can look at market trends.

Changing to an acquisition-based system also would change tax “incidence,” or who pays how much in taxes. If residential property taxes go down, then either spending has to go down or some other group of taxpayers – businesses or the mineral industries – has to pick up the slack.

Finally – and most pointedly for Wyoming families – changing to an acquisition-based system shifts property tax payments from long-time property owners to new ones. And who is the new homeowner? Maybe your neighbor, who moved to Wyoming to get a better job, or maybe your kids, trying to make a go at raising their families in their home state. Maybe it’s you.

The foundation to any well balanced and fair tax system is to impose equal and uniform liabilities upon similarly situated taxpayers. An acquisition-based system is nothing of the sort. Homeowners with similar home values may have wildly different tax bills.

The good news is that Wyoming offers property tax relief for those truly burdened by their property tax bills. Qualifying homeowners may apply for property tax rebates based on household income. In addition, counties may adopt property tax deferral programs to allow property tax payments to be put off until the sale of a house after the death of the homeowner.

If needed, Wyoming also could consider adoption of a “circuit-breaker” form of property tax reduction, which limits increases in property taxes to a certain percentage of the homeowner’s income. Circuit breakers allow people to stay in their homes despite events – for example, a death in the family or the loss of a job – that disconnect household income from home values.

Our legislators frequently rely on the adage, “If it ain’t broke, don’t fix it.” While our system of taxing residential properties always can use some fine-tuning, it works. Let’s don’t fix it by breaking our schools or burdening our children with high tax bills!

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