Homestead Exemptions

Homestead exemptions reduce the value of a property for property tax purposes, which then reduces the tax bill once the tax rate is applied. For example, with a 1 percent tax rate, a $20,000 exemption on a $100,000 home would reduce the tax bill from $1,000 (1% x $100,000) to $800 (1% x $80,000).

Fixed-dollar exemptions make the property tax more progressive among homeowners by providing a larger *percentage* tax savings for lower-valued homes. However, homestead exemptions can be expensive, and because they are untargeted, will still leave some homeowners with excessive tax burdens.

Learn More

"How Do States Spell Relief? A National Study of Homestead Exemptions & Property Tax Credits."
Adam H. Langley. April 2015. *Land Lines* magazine.
https://www.lincolninst.edu/publications/articles/how-do-states-spell-relief

Circuit Breakers

Circuit breakers provide households with direct property tax relief that increases as household income declines, for a given property tax bill. Threshold circuit breakers provide a benefit for the portion of a claimant's property tax bill that exceeds a certain percentage of income. For example, with a 5% threshold, a taxpayer would be responsible for the entire tax bill up to 5% of income, while the circuit breaker benefit would offset the tax bill above this threshold.

Circuit breakers are a cost-effective way to target property tax relief to households with the heaviest property tax burdens relative to their incomes, like seniors on fixed incomes, people who lost their job, and low-income homeowners in areas with rising home values. However, circuit breakers often have low participation rates, so effective outreach is critical.

Learn more

"Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers." John H. Bowman, Daphne A. Kenyon, Adam Langley and Bethany P. Paquin. May 2009. Policy Focus Report.
https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-circuit-breakers

Tax Deferrals

Tax deferral programs allow homeowners to postpone payment of their property taxes until the home is sold or the owner dies. The deferred property taxes become a lien against the value of the home. When the home is sold, the deferred property taxes plus interest become due.

Property tax deferrals are typically targeted at low-income seniors and allow people who are housing-rich but income-poor to stay in their homes, without imposing any long-term cost on governments or other taxpayers. However, tax deferral programs have very low participation rates.

Learn More

"Property Tax Deferral: A Proposal to Help Massachusetts Seniors." Center for Retirement Research at Boston College. November 2017.
https://crr.bc.edu/briefs/property-tax-deferral-a-proposal-to-help-massachusetts-seniors/
"Evaluation of the Property Tax Postponement Program." California Legislative Analyst's Office.
October 8, 2018. https://lao.ca.gov/Publications/Detail/3885

Monthly Tax Payments

In the United States, most homeowners pay their property taxes in just one or two large lump sums each year. However, there are two existing models for paying property taxes monthly:

1) *Prepayment programs* allow taxpayers to apply to pay monthly and have the funds accumulate in an escrow account managed by the local tax collector, which are then used to pay off their annual tax bill.
2) *Monthly installments* are used in Milwaukee, Wisconsin, with every tax bill including the option to either pay in full or in monthly installments.

Allowing taxpayers to pay property taxes on a monthly basis can assist households who struggle to save up for large irregular expenses, with minimal administrative costs for governments. However, monthly payments do not actually reduce taxpayers' annual tax liability, so additional tax relief may still be necessary.

Learn More

"Improving the Property Tax by Expanding Options for Monthly Payments." Adam H. Langley. January 2018. Lincoln Institute of Land Policy Working Paper. https://www.lincolninst.edu/publications/working-papers/improving-property-tax-expanding-options-monthly-payments

Information on States' Property Tax Relief Programs

The Lincoln Institute's *Significant Features of the Property Tax* database includes detailed information on states' property tax relief programs as part of the table on Residential Property Tax Relief Programs. There are also "summary tables" on tax relief programs, which describe the key features of each program.
https://www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax/topics/residential-property-tax-relief-programs

Residential Property Tax Relief Programs

— HIDE TABLE DESCRIPTION

Tax reductions for residential property are a common means for states to ease the tax burden on homeowners and renters. Many states have multiple programs, with different levels of benefit available depending on the age, veteran status, and other characteristics of the taxpayer. The most common form of relief is a deduction from assessed value before the property tax rate is applied. Some states also provide tax reductions that are tied to income. The user may narrow the query by selecting applicant eligibility criteria, type of benefit, and whether there is an income ceiling.

Summary tables for 2018 are available for exemptions and credits, circuit breakers, deferrals, and tax freezes.

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