

Unusually low general tax cap will lead to flat or lower property tax revenues available to local governments and school districts for 2016-2017.

The Department of Taxation has published the preliminary general tax cap table for use by county officials to forecast the amount of property taxes that must be abated in each county. The tax cap provides property owners relief from rising property values by capping the amount of property taxes which can be assessed.

General Tax Cap

For all property except residential property, State law provides a formula that takes the greater of: 1) twice the consumer price index ("CPI") percent change in the prior year; or 2) the rolling percentage average change of assessed value over a ten year period for each county. If the greater of these two calculations is more than zero and less than 8%, the greater of these two calculations is the General Tax Cap for that county. The law provides a floor of zero so that if the CPI or average growth is negative, then the general abatement percentage cap cannot fall below zero.

Residential Tax Cap

State law also provides that the residential property tax cap is 3%. However, if the General Tax Cap is less than 3%, then the residential Tax Cap must be reduced to equal the General Tax Cap.

Tax Cap Applicability for 2016-2017

Applying the statutory tax cap rules to the current forecast year, in 2015, the annual average percentage change in the CPI published by the federal Bureau of Labor Statistics was unusually low at .1% (one-tenth of one percent). At the same time, the rolling percentage average change of assessed value for several counties over a ten-year period was lower due to the effects of many years during the recession when assessed values were dropping. Accordingly, the General Tax Cap for nine counties in the State is less than 3% and, therefore, the Residential Tax Cap will be reduced to the same level as the general Tax Cap in those 9 counties. The result is flat or lower property tax revenue available to local governments and school districts for the 2016-2017 fiscal year.