

Property tax increases drive few elderly to move out of their homes

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(PhysOrg.com) -- Few elderly homeowners are forced to move from their homes because of property tax increases, according to a new study from a University of Wisconsin-Madison public affairs researcher and economists at the Wisconsin Department of Revenue.

When pushing for limits on property tax increases, politicians and policymakers often use anecdotal evidence to argue that high or rising property taxes force [homeowners](#), especially the elderly, to sell their homes, according to a study by economist Andrew Reschovsky, a professor in UW-Madison's La Follette School of Public Affairs, and state Department of Revenue economists Rebecca Boldt and Bradley Caruth.

But while property taxes can mean economic hardship for some elderly homeowners who want to stay in their homes, taxes aren't driving them out, the research says.

The study found only a small increase in the probability of moving among older elderly homeowners who experienced large increases in property taxes. In younger households, property taxes had even less of an effect on moving.

Across Wisconsin, only 389 homeowners moved in 2005 because their property taxes grew faster than the median change in property taxes during the previous two years, the study found. Of those 389 homeowners who moved, 85 were older than 79.

"Some homeowners in Wisconsin do face high property taxes relative to their incomes," Reschovsky says. "But most taxpayers who are struggling, even among the elderly, are not picking up and moving because of property taxes. Property taxes are only one part of the cost of living."

However, older elderly homeowners can be more sensitive to large increases in property taxes than younger households, the study shows.

Of all homeowners, one in 1,600 chose to move in 2005 because of an above-average increase in property taxes. But one in 300 older elderly households moved because of larger than average property tax increases.

The study used Wisconsin income tax data from 2002-06 to explore whether property taxes drive residents to move. Income tax returns in Wisconsin include information on the gross amount of property taxes paid by state residents.

The median property tax paid by Wisconsin homeowners was \$2,769 in 2005. Elderly residents have the highest rate of homeownership, and they move less frequently than those in younger households.

Reschovsky, Boldt and Caruth published another study this fall showing that current property tax relief policies in Wisconsin are not well targeted to residents who are most in need of relief from high or rising property tax burdens. While property taxes can cause severe economic hardship for some taxpayers, others have seen low or falling property taxes, that study found.

The collaboration with the La Follette School of Public Affairs has given the department the opportunity to better understand the implications of Wisconsin's tax structure and policies by analyzing its data within a research framework, says Boldt, who researches [income tax](#) policy and

economic trends for the revenue department.

Little research has been done nationally on the effect of property taxes on mobility, especially among the elderly, Reschovsky says.

Wisconsin provides a good case study for addressing this question because property taxes are high compared with other states, Reschovsky says. The study says the ratio of property taxes to personal income in Wisconsin is 26 percent higher than the national average, and only in eight other states do property taxes represent a higher share of personal income.

"The fact that we're a high property tax state suggests to me that if we're not finding an impact of property taxes on elderly migration, it's likely there's even less of an impact in states that have lower property taxes," Reschovsky says.

Although Wisconsin policymakers have put in place several measures intended to lower property taxes, such as providing shared revenue and imposing levy limits on county and municipal governments, these policies are not targeted to those facing the highest property tax burdens, he says.

More information: [www.lafollette.wisc.edu/public ...kingpapers/#2009-026](http://www.lafollette.wisc.edu/public...kingpapers/#2009-026)

Provided by University of Wisconsin-Madison

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