Title: 2016's Property Taxes by State: Ask the Experts
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Do people consider property taxes when deciding where to move? Should they?

Yes, but not nearly as much as they should. Higher taxes will generally have the biggest impact on buyers with the least disposable income, as they can greatly affect their ability to qualify for a mortgage in the first place and can have an enormous effect on their monthly payment with future tax increases. Interestingly, it is these buyers who often underestimate the importance of property taxes even though they would be the most affected by them. On the contrary, buyers with a high disposable income will generally carefully consider the level of real estate taxes before moving to a particular community, even though they are far less affected by it. In addition, while higher property taxes are often theoretically associated with a higher level of services, better schools and other amenities, this is not always the case. Indeed, states and cities with the highest property tax rates in the country may simultaneously have some of the worst schools in the country, etc. It is my opinion that every buyer should consider property taxes, understand how they would influence their financial condition/liability, and investigate the kind and quality of services they would receive in return for paying higher (or lower) property taxes.

Should nonprofits pay property taxes?

Yes, but it should depend on the type and size of the nonprofit. Since real estate tax is the main source of local government funding and covers numerous services provided to local communities, businesses, and individuals, exempting too many properties from paying real estate taxes can cost a lot of money and place an excessive burden on the rest of the community. All nonprofits consume services provided by the local government and while nonprofits formed for purely charitable purposes should be exempt from real estate taxes, in my opinion, sizable nonprofits like colleges and universities, hospitals, and other similarly situated organizations should pay for services they consume, though potentially at a lower rate. Some states already utilize payments in lieu of taxes which are voluntary payments by nonprofits, but I feel that going the real estate tax route would provide a much easier and more uniform approach.

Should more types of property be subject to property taxes? If yes, what types?

Probably not; several things need to be considered. First, in general, land value appreciates with time (ignoring the major real estate market collapses). Therefore, since the real estate tax is an "ad valorem" or according to value tax (tax based on the value of the property), the amount of tax collected should go up with time. On the contrary, most personal property (with some exceptions, like art) actually depreciates with time and thus wouldn't provide significant tax income for any extended period of time. In addition, while transfers of real estate are simple to track through the recording office, most personal property is not and therefore it would be virtually impossible to track and collect taxes on it. Alternatively, we could consider collecting property taxes on intellectual property (patents, trademarks, and copyrights), especially since intellectual property now represents the major source of wealth in the United States. That said, I don't want to embark on a major policy debate on this topic, so I would exempt intellectual property for now.

Should certain groups of people be exempt from property taxes or be taxed at a lower rate?

This question may result in as many opinions as the number of people asked. Most local governments already provide some exemptions for homeowners and senior citizens. One alternative would be to include a provision that would phase out these exemptions at a higher income or property value level. This is strictly a policy decision that would require weighing many factors.

Methodology

In order to identify the states with the highest and lowest property taxes, WalletHub's analysts compared the 50 states and the District of Columbia using U.S. Census Bureau data to determine real-estate property tax rates and by applying assumptions based on national car sales to determine vehicle property tax rates.

For real-estate property tax rates, we divided the "median real-estate tax payment" by the "median home price" in each state. We then used the resulting rates to obtain the dollar amount paid as real-estate tax on a house worth $175,700, the median value for a home in the U.S., according to the Census Bureau.

For vehicle property tax rates, we examined data pertaining to cities and counties constituting at least 50 percent of a given state's population and extrapolated this to the state level using weighted averages based on population size. For each state, we assumed all residents own the same vehicle: a 2016 Toyota Camry LE four-door sedan — 2015's highest-selling car — valued at $23,070.

Please note that Georgia formerly imposed vehicle property tax but replaced it in 2013 with a one-time tax imposed on a vehicle's fair market value.

Source: Data used to create these rankings were collected from the U.S. Census Bureau and each state's Department of Motor Vehicles.

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