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GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-249808

May 21, 1993

The Honorable Edward M. Kennedy
United States Senate

The Honorable Orrin G. Hatch
United States Senate

The Honorable Nancy Landon Kassebaum
United States Senate

149812

The Honorable Howard M. Metzenbaum

The Honorable Claiborne Pell
United States Senate

Dear Senators:

Property tax abatements granted to business by state and/or local governments are a common economic development tool in the United States. You asked us to determine the nature and extent of these abatements and their impact on public school funding. We briefed Senator Metzenbaum's staff on March 18, 1993, on the results of our assessment. Enclosed are our briefing charts with explanatory narrative that the Senator's staff requested.

We found that the true impact of property tax abatements on public school funding is unclear and debatable. Thirty-two states offer property tax abatements to businesses. However, data needed to assess the impact of such abatements on school funding was not widely available. Data that were available indicate that tax abatements have little potential for widespread impact on public school funding. Furthermore, over half of the states that offered property tax abatements to businesses protect schools against possible adverse impacts of abatements through means such as payments in lieu of taxes or not allowing abatement of school property taxes. Nonetheless, the true effect of abatements on school funding may depend more on whether business and economic growth would have occurred without abatements.

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If you or your staff have any questions concerning the information enclosed, please contact me on (202) 512-7225.

Sincerely,

Gregory J. McDonald
Director, Human Services,
Policy, and Management Issues

Enclosure

GAO Human Resources Division

Nature and Extent of Tax Abatements in the United States

May 1993

GAO

Objectives

- Determine the nature and extent of tax abatements in the United States
- Determine the impact of tax abatements on public school funds

OBJECTIVES

States and/or communities abate property taxes to attract or retain businesses. Such abatements may reduce the property tax revenues that otherwise would go directly to fund public schools. For example, in 1990, property taxes made up 30 percent ($62 billion) of public school funds. Concern about how this practice affects public education led Senators Metzenbaum, Kassebaum, Kennedy, Pell, and Hatch to ask GAO to study the nature and extent of business property tax abatements and their impact on public school funding in the United States.

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Overall Conclusion

Impact on school funding is unclear and debatable:

- Few states maintain data,
- Economic circumstances and tax policies vary, and
- Difficult to determine if business growth would have occurred without tax abatements

OVERALL CONCLUSION

The impact of property tax abatements on public school funding is unclear and debatable. Although many states offered property tax abatements in 1992, few states maintained property tax data necessary to assess the extent of tax abatements in the United States. Even among states where detailed data were available, the impact of abatements, positive or negative, was uncertain. In the states we visited[1], about three percent or less of school revenue, on average, was foregone due to property tax abatements granted to businesses.

The complexity of assessing the true impact on school district funding is largely due to varying tax policies and practices among states, local governments, and school districts. For example, in 1992, seven states offering tax abatements prohibited the abatement of school district taxes. Five states allowed school districts the option of not participating. Two other states authorized their local governments to request a payment in lieu of taxes for the school districts. And, 11 states provided no school district funding protection. Also, some school districts relied heavily on property taxes for funding, while others relied more on state assistance. In addition, some school districts supplemented their property tax revenues through income tax, sales tax, or utility tax revenues. Furthermore, abatement programs vary among states. Some states abate 100 percent of the tax on business property improvements, while other states abate only a portion of the tax. In the latter states, school districts receive some new property tax revenue generated by the new or expanding business.

Even if data were collected and analyzed at the local government level, the affect of abatements would still be uncertain. Community leaders grant abatements with the intent of attracting businesses and jobs that they believe would not have come to their community otherwise. The true affect of abatements on school funding may depend on whether business growth would have occurred without abatements.

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[1] Louisiana, Michigan, New York, and Ohio

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Tax Abatements Defined

- Temporary exemption of property tax granted by a governmental authority
- Offered to a business that renovates, expands, or builds in the government's jurisdiction
- Existing tax liability unaffected

TAX ABATEMENTS DEFINED

Property tax abatements are a temporary suspension, for a set period, usually five to 10 years, of all or some of the tax on property owned by a business. Local government authorities grant abatements, except in Louisiana and Missouri where the state grants them. Tax abatements do not permanently exempt a business from paying property taxes. After an abatement expires, the business begins paying the full amount of all property taxes levied.

To qualify for a property tax abatement, a business is usually required to invest in property improvements. Improvements may include new construction on vacant land, expansion of an existing facility, or renovation of an obsolete facility. Some states also require that the business create jobs. The amount of investment and number of jobs required vary among states.

A property tax abatement usually applies only to the increase in property value caused by new property improvements. A business' property tax liability prior to an abatement is generally unaffected by the abatement. For example, a business owns an existing facility valued at $500,000. The business decides to expand this facility and receives an abatement from the local government on the expansion which is valued at $250,000. After the expansion, the property, including the previously existing facility and the expanded portion of the facility, is now valued at $750,000 dollars. Only the $250,000 in increased property value caused by the expansion is eligible for the abatement. The previous property value of $500,000 is taxed at the full rate.

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gencies

sited four states and ten
ommunities

METHODOLOGY

To determine which states have historically granted property tax abatements to business, we surveyed state tax commission or state community development officials. To obtain data showing the extent to which each state abated business property taxes we requested each state to provide documents showing property value and tax data including the number and dollar amount of abatements currently in affect. We also requested legislative data on the types of abatement programs offered and copies of the statutes governing abatements. Thirty-five states responded to our request:

-- 6 states offered property tax abatements and provided property value and/or tax data, legislative, and descriptive data.

-- 17 states offered property tax abatements and provided legislative and/or other data describing the states' property tax abatement programs, but did not provide property value or tax data.

-- 12 states verified for us that they did not offer property tax abatements.

Of the remaining 15 states, nine states offered property tax abatements but did not respond to our request for data, and six states did not offer property tax abatements and did not respond to our request to verify this information. GAO did not independently verify data provided by states.

Property taxes that fund schools were usually levied by local governments and data pertaining to school property tax levies were generally maintained at the local government level. Many state officials told us that the state did not maintain or monitor property tax data. Of the six states that provided property value and tax data, three also provided school funding data.

To determine the potential impact of property tax abatements on communities and school districts, we conducted case studies in four states, and 10 communities and their respective school districts. The states were Louisiana, Michigan, New York, and Ohio. The 10 communities were Gonzales, Alexandria, and New Orleans, Louisiana; Battle Creek, Romulus, and Royal Oak, Michigan; Albany, New York City, and Schenectady, New York; and Mentor, Ohio.

We selected our case study locations based on the availability of data and to explore a range of tax abatement policies and approaches to school funding. For example, in Louisiana businesses pay 94 percent of all property taxes collected. New York provides school districts the option of not participating in abatements. Ohio imposed few restrictions on communities offering abatements. And, Michigan's school funding formula held some school districts harmless from abatements, while others could be affected.

From these states, local governments, and school districts, we obtained detailed data related to property values and overall property taxes, school millage rates and property taxes levied, business property tax abatements, and residential and other tax exempt property values. We also obtained state, local government, and school district officials' perspectives on property tax abatements granted to businesses within their jurisdiction.

xtent of Tax Abatements in
e United States

2 of 50 states offer
batements

21 states protect school
unding

1 states allow abatements
o directly affect schools

8 states do not offer tax
abatements

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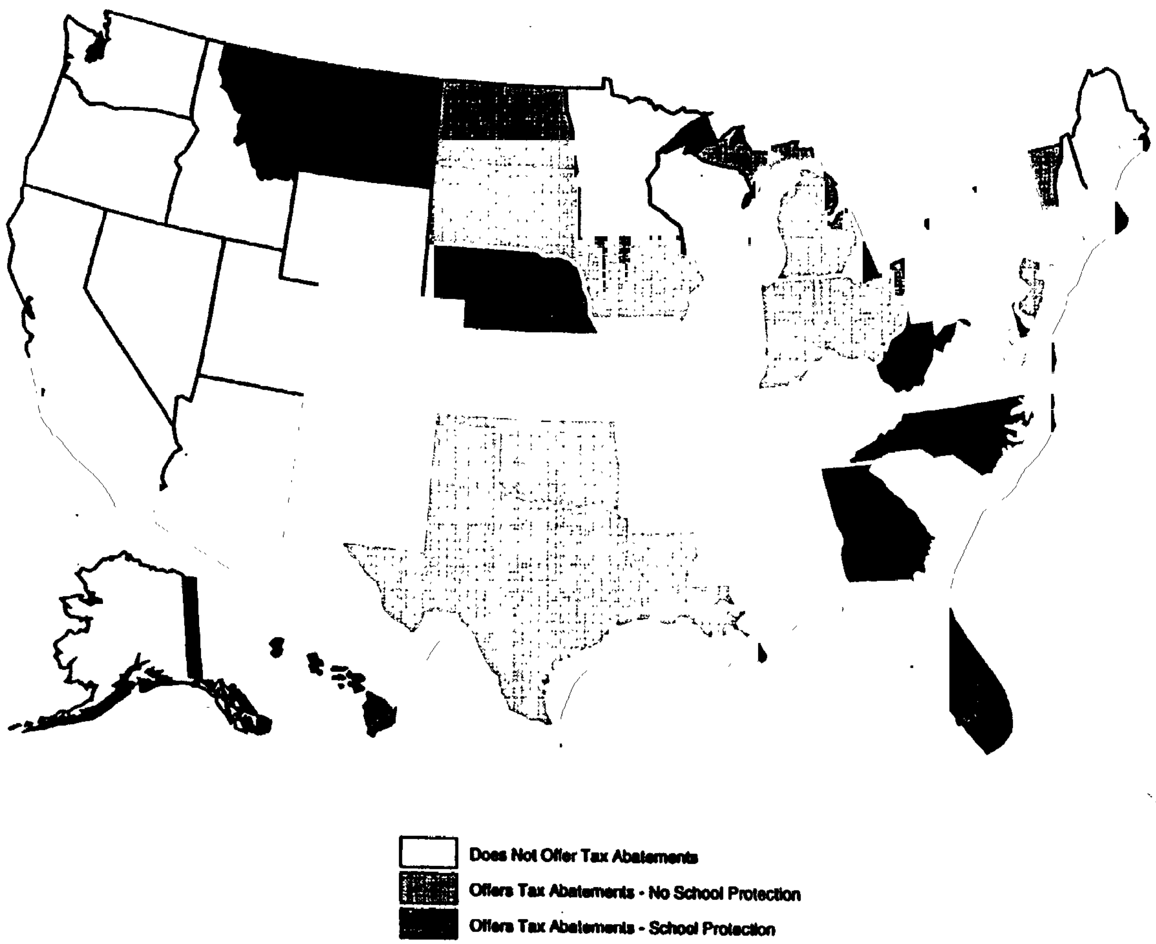
Extent of Tax Abatements in the United States



EXTENT OF TAX ABATEMENTS IN THE UNITED STATES

Nationwide, 32 states offered some type of property tax abatement directly to businesses in 1992. These abatement programs included enterprise zones, standard abatements, and industrial development bonds. Enterprise zones provide property tax exemptions to businesses that agree to locate in an economically depressed area designated by the local community or the state government. A standard abatement generally includes a temporary exemption of property tax if the business agrees to renovate, rehabilitate, or build a new facility. Some states also require that the business create new jobs.

Industrial development bonds, also called industrial revenue bonds, are a form of low-interest loan. In many states, the local government or a specially designated authority purchases property, vacant or improved, which it leases to a business. The lease may include an option to own, but is generally designed to provide low rent to new businesses. Taxes are not levied on the property because it is owned by the local government or a government designated authority. However, some states require the lessee to make a payment in lieu of taxes to the local taxing authorities, including school districts[2].

Of the 32 states that offered property tax abatements to businesses, in 1992, 21 states had some means of protecting school revenue from property tax abatements:

-- 5 states allowed school districts the option of not participating in property tax abatements,

-- 7 states did not allow abatement of school district property tax,

-- 2 states gave local governments authority to request a payment in lieu of taxes for the school district,

-- 7 states' school districts were dependent schools funded through appropriations from general funds at the state, county, or city level. The school districts did not levy property taxes. As a result, school revenues were not directly affected by foregone property taxes.

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[2] All states except Wyoming offered industrial revenue bonds in 1991. However, 39 states did not exempt the receiving business from paying property tax on the land and improvements. GAO did not include these states in the calculation of states offering property tax abatements unless the state also abated property tax under a different program.

School district revenues could have been affected by property tax abatements in the remaining 11 states.

Aside from property tax abatements, eight of the 50 states had tax increment financing programs, in 1992. Six of the eight states also had property tax abatement programs, while two states--Minnesota and Nevada--did not. Tax increment financing has the ability to affect school funding. However, it is not an abatement given to business. Instead, tax increment financing is an instrument used by local governments to finance infrastructure improvements. Tax increment financing authorities (TIFAs), established by local governments, freeze property tax revenues for school districts and other receivers of property tax revenue at a given point in time. Thereafter, any increase in property tax revenue is diverted for use in creating or improving a community's infrastructure, e.g., roads and sewers. We did not evaluate the impact of tax increment financing on school funding since businesses are not directly involved.

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Nature of Tax Abatements in Louisiana

- Amount: 100 percent
- Length: 10 years
- Who Qualifies: Manufacturers

NATURE OF PROPERTY TAX ABATEMENTS IN LOUISIANA

Louisiana offers a 10 year, 100 percent property tax exemption to new or expanding manufacturers that agree to create or retain jobs in the state. The business must also agree to purchase all materials necessary for construction or renovation in the state of Louisiana, unless the business can justify purchasing materials elsewhere.

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Business Property Abated in Louisiana

- $3.3 billion in assessed property value, or
- 18 percent of total state taxable property value

EXTENT OF BUSINESS PROPERTY ABATED IN LOUISIANA

In 1991, Louisiana's total taxable property value was $18.6 billion[3]. About $3.3 billion, or 18 percent, of this total was business property exempt from property tax under the state's 10-year abatement program.

Louisiana assesses business property improvements at 15 percent of market value. Business property under abatement in Louisiana had a full market value of about $22 billion in 1991. See appendix I for comparison to other case study states.

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[3] This amount does not include exempt property owned by the federal government, churches, charities, cemeteries, residents, and other tax exempt property owners.

chool Revenues Forgone in ouisiana

102 million in school
operty taxes, or

0 percent of school revenue

EXTENT OF LOUISIANA SCHOOLS' REVENUE FOREGONE TO ABATEMENTS

Property tax made up 15 percent of statewide school district revenues in fiscal year 1991. The remaining 85 percent of school revenue came from other sources including, local sales tax (19 percent), state assistance (57 percent), and federal assistance (10 percent). See appendix I for comparison to other case study states.

We estimate that business property tax abatements in Louisiana reduced statewide school property tax revenues about $102 million in 1991. This revenue foregone due to abatements equaled about 3.0 percent of Louisiana's total school revenue of about $3.3 billion.

We based our estimate on the value of business property abated within each parish times the corresponding parish's school millage rate.

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Other Exempt Property in Louisiana

- Federal: $363 million
- Residential: $4 billion
- Other Property: Unknown (churches, charities, cemetaries, etc.)

OTHER EXEMPT PROPERTY IN LOUISIANA

Other non-business property also was exempt from property tax in Louisiana. Property such as federal land[4], most residential homesteads, churches, non-profit charitable organizations, cemeteries, and non-profit hospitals, were completely exempt from school property tax. For example, residential homestead property valued at $4.2 billion[5], national forest property valued at $243 million, and England Air Base property valued at $120 million were exempt from property tax in Louisiana, in 1991. Louisiana does not record property value for churches, cemeteries, and non-profit charities.

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[4] Some federal land, such as national parks and forests, entitle local governments to receive payments in lieu of taxes to alleviate the fiscal burden that results from the presence of certain tax exempt federal property. We do not have data on payments in lieu of taxes nor on other federal payments to local governments, such as impact aid.

[5] Louisiana's homestead residential property tax exemption exempts the first $75,000 in value of each residence. The value above $75,000 is assessed at 10 percent of market value. About 84 percent of Louisiana residents were exempt from property tax in 1991.

ature of Tax Abatements in ichigan

nount:
0 percent new construction
00 percent rehabilitation

ength: 12 years

'ho Qualifies: Manufacturers
ipecial enterprise zone for
3enton Harbor

NATURE OF TAX ABATEMENTS IN MICHIGAN

Michigan offered two types of property tax abatements, in 1992: 1) a 50 percent abatement for new facilities, and 2) a 100 percent abatement for rehabilitation of an existing facility. Both tax abatements were:

- -- a maximum of 12 years in length;
- -- for manufacturers only;
- -- for personal and real property; and
- -- granted at the local level.

Michigan also offered property tax abatements within the state's only enterprise zone. The enterprise zone encompasses the entire city of Benton Harbor--considered by state officials as the most distressed city in Michigan. Enterprise zone property tax abatements are available to all businesses within the zone and provide a 60 percent tax abatement for 10 years on personal and real property.

Commercial tax abatements were available in Michigan up until 1985. These abatements, also granted at the local level, were provided to service and retail businesses. Michigan discontinued this program because legislators believed that those types of businesses (e.g., hotel, motel) would locate in Michigan without tax incentives. The program ended on December 31, 1985. Abatements granted before then remain in effect for up to 12 years. The last of these will expire in 1997.

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Business Property Abated in Michigan

- $5.2 billion assessed property value, or
- 3.1 percent of total state property value

EXTENT OF BUSINESS PROPERTY ABATED IN MICHIGAN

In 1992, Michigan's total property value, including exempt property, was $166 billion. About $5.2 billion, or 3.1 percent, of this total was business property exempt from property tax under the state's 12 year tax abatement program.

Michigan assesses property at 50 percent of current market value. Therefore, the $5.2 billion in assessed business property value equaled about $10.3 billion at full market value. For a comparison to other states see appendix I.

;hool Revenues Forgone in ichigan

79 million in school
operty taxes, or

percent of school revenues

EXTENT OF MICHIGAN'S SCHOOL REVENUES FOREGONE TO TAX ABATEMENTS

Property tax made up about 60 percent of statewide school district revenues in fiscal year 1991. The remaining 40 percent of school revenue came from other sources including state assistance (35.4 percent), and federal assistance (4.5 percent). See appendix I for a comparison to other case study states.

We estimate that, in 1992, $179 million in school property taxes were abated for businesses in Michigan. Michigan officials could not provide local level property tax abatement data, therefore, we based this estimate on Michigan's average school property tax levy of 34.6 mills times the abated business property value of $5.2 billion. Revenue foregone due to abatements was about 2.0 percent of Michigan's total school revenue of $8.8 billion in 1992.

The actual amount of school property taxes foregone from businesses receiving property tax abatements in Michigan may vary depending on:

1) each school district's actual millage rate, and

2) the value of business property under abatement within the district.

Millage rates ranged from 8.2 mills to 47.12 mills in 1992. Data were not available at the state level on business property value abated in each school district.

Tax abatements can only reduce school funding in wealthier school districts in Michigan. State aid to schools in Michigan protects poorer school districts from potential foregone property tax caused by abatements by providing a guaranteed funding floor. Only school districts with local revenues above the funding floor can be affected by property tax abatements.

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Other Exempt Property in Michigan

- $37.6 billion in property value, or
- 22.7 percent of total property value

EXTENT OF OTHER EXEMPT PROPERTY IN MICHIGAN

In Michigan, about $37.6 billion, or 22.7 percent, of non-business property value was exempted from tax in 1991. These exempt properties included those owned by the U. S. Government[6], state and local government, public education, hospitals, charitable institutions, selected non-profit organizations, cemeteries, and utilities. No residential properties were exempted from property tax. Michigan does not offer a property tax homestead exemption; instead, the state provides property tax credits against the income tax.

[6] Some federal land, such as national parks and forests, entitle local governments to receive payments in lieu of taxes to alleviate the fiscal burden that results from the presence of certain tax exempt federal property. We do not have data on payments in lieu of taxes nor on other federal payments to local governments, such as impact aid.

ature of Tax Abatements in
ew York

nount: 50 percent (less 5
rcent annually)

ngth: 10 years

ho qualifies: All business

NATURE OF PROPERTY TAX ABATEMENTS IN NEW YORK

New York State statutes give local communities, except New York City, the option of participating in the state's property tax abatement program. If a community decides to participate, it must grant an abatement to all businesses that invest more than $10,000 on construction or rehabilitation within the community. The abatement cannot exceed 50 percent of the normal property tax on new investment and the abatement expires within a maximum of 10 years. The amount of abatement must decrease 5 percent annually until the abatement expires.

School districts may choose not to participate in the abatement program by filing a notice of nonparticipation with the state. If a school district chooses to participate, the district may select to provide the maximum abatement or it may select a reduced amount. In 1991, 55 percent of New York's school districts participated in their local government's abatement program. Only two school districts selected a reduced abatement amount.

Abatements granted by New York City are governed by a different section of the state's statute and differ from the statewide program. Abatements are granted by the city's Industrial and Commercial Incentive Program (ICIP) board. Abatements granted to industrial businesses can extend for up to 22 years. A 100 percent abatement is granted for the first 13 years. The amount of abatement decreases by 10 percent every year after for up to nine years. Abatements granted to commercial businesses may extend for 12 years. A 100 percent abatement is granted for up to eight years with an annual decrease of 20 percent over the remaining four years.

School districts in New York City are not directly affected by property tax abatements because they do not levy property tax for revenue. They receive their funding as an appropriation from the city's general revenue funds.

The state of New York also has an enterprise zone program. The economic development zone program is targeted to economically blighted areas. Businesses that locate within an economic development zone receive a 100 percent abatement for up to seven years, 75 percent in year eight, 50 percent in year nine, and 25 percent in year 10.

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Business Property Abated in New York

- $8.4 billion in assessed property value, or
- 1 percent of total state property value

EXTENT OF BUSINESS PROPERTY ABATED IN NEW YORK STATE

In 1990, New York's total taxable property value was $1.1 trillion[7]. About $8.4 billion, or .79 percent, of this total was business property exempt from property tax under the state's 10 year abatement program, the New York City program, and the economic development zone program.

The state's property value assessment for business and residential property is set at the local level. State officials could not provide a statewide average assessment rate. However, assessment rates for the three communities we visited in New York were 50 percent of market value in 1990. All three communities raised their assessment to 100 percent of market value in 1992.

[7] The $1.1 trillion in property value included exempt property owned by businesses, the federal, state, and local governments, churches, charities, cemeteries, residents, school districts, etc. which totaled $275 billion in 1990.

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School Revenues Forgone in New York

- Less than 1 percent of school revenue sources
- Dollar amounts not available

EXTENT OF NEW YORK SCHOOLS' REVENUE FOREGONE TO ABATEMENTS

Property tax provided about 53 percent of statewide school revenue in New York in fiscal year 1991. The remaining 47 percent came from other sources including state assistance (42 percent), and federal assistance (5 percent). See appendix I for a comparison to other case study states.

School property tax revenue and millage data were not available from New York State. However, on average statewide, a fraction of one percent of revenue would have been foregone due to the 10 year tax abatement program. Business property value under abatement represented about one percent of school districts' property tax revenue sources, in 1990[8]. However, since only about half (53 percent) of school districts' revenues came from property tax, less than one percent of school district revenues, statewide, could have been property tax foregone due to businesses receiving abatements. The actual amount foregone may be even less, because 45 percent of the state's school districts did not participate in the state's abatement program. In addition, about half of the $8.4 billion in property value under abatement was in New York City where the schools do not rely on property taxes for revenue.

The percentage of revenue foregone can vary from school district to school district due to differing millage rates and the portion of school revenue derived from property tax. However, school districts have the option of not participating in the 10 year abatement program. At any time, a school district may opt out of the program by notifying the state in writing. All abatements granted previous to a school district's decision not to participate, however, must be honored.

The two school districts we visited in New York chose to participate in their local government's abatement programs. Both communities, Albany and Schenectady, were experiencing economic decline. Schenectady's assistant school district superintendent believed that abatements helped increase the school district's tax base. School district officials in both locations were uncertain whether businesses would have located in their communities without tax abatements.

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[8] New York State reported about $790 billion in taxable property value in 1990. Tax abated business property was valued at $8.4 billion during the same year.

$$\frac{\$8.4 \text{ billion}}{\$790 \text{ billion} + \$8.4 \text{ billion}} = 1.1\%$$

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Other Exempt Property in New York

- Federal: $10 billion
- Residential: $23 billion
- Other Property: $44 billion (churches, charities, cemetaries, etc.)

EXTENT OF OTHER EXEMPT PROPERTY IN NEW YORK STATE

In 1990, $10 billion in property value owned by the United States government was exempt from property tax[9]. During the same year, $23 billion in property value was exempt to residents, $4 billion of which was to senior citizens and $19 billion to veterans of the U.S. military. An additional $44 billion in property was owned by churches, charities, cemeteries, and other private community service organizations, social organizations, and professional societies.

[9] Some federal land, such as national parks and forests, entitle local governments to receive payments in lieu of taxes to alleviate the fiscal burden that results from the presence of certain tax exempt federal property. We do not have data on payments in lieu of taxes nor on other federal payments to local governments, such as impact aid.

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Extent of Tax Abatements in Ohio

- Amounts: 100 percent
- Length: up to
  - 15 years new construction
  - 12 years rehabilitation
- Who qualifies: Manufacturers

NATURE OF TAX ABATEMENTS IN OHIO

Ohio offers two types of property tax abatement programs that can affect school district funding, the: 1) enterprise zone program, and 2) community reinvestment area program. The enterprize zone program provides up to 100 percent abatement on the increased property value due to improvements for up to 10 years. The length and amount of abatement are negotiated at the local level. Enterprise zone abatements are available to any business making an investment that will increase the existing facility's value by at least 10 percent. The state recommends providing these abatements to manufacturers only.

The community reinvestment area program provides a 100 percent property tax abatement for up to 12 years on rehabilitation of an existing facility. The abatement extends up to 15 years for new construction. This abatement is available to manufacturers only. The community reinvestment area program also provides 100 percent abatement for up to 10 years for residential improvements, which constitute approximately half of the abatements granted under this program.

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Business Property Abated in Ohio

- $750 million in assessed property value, or
- Less than 1 percent of total state property value

EXTENT OF BUSINESS PROPERTY ABATED IN OHIO

In 1991, Ohio's total property value including exempt property was about $116 billion. About $750 million[10], or 0.64 percent, of this total was business property exempt from property tax under the state's enterprise zone and community reinvestment area tax abatement programs.

Ohio assesses real property value at 35 percent of full market value. Therefore, the estimated full market value of real business property under abatement equaled approximately $2.1 billion, in 1991. For a comparison to other states see Appendix I.

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[10] The $750 million business property value includes $697 million in property abated under the community reinvestment area program and $53 million abated under the enterprise zone program. The $697 million is real property only and about half was abatements granted to residents. The $53 million includes other business tax abatement programs, the largest of which is the enterprise zone program.

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School Revenues Forgone in Ohio

- $23 million in school property taxes, or
- Less than 1 percent of school revenues

EXTENT OF OHIO'S SCHOOL REVENUE FOREGONE TO TAX ABATEMENTS

Property tax made up 51.1 percent of statewide school district revenues in fiscal year 1991. The remaining 49 percent of school revenue came from other sources including school district income taxes[11] (0.5 percent), state assistance (42.8 percent), and federal assistance (5.6 percent). See appendix I for a comparison to other case study states.

We estimate that, in 1991, $23 million in school property taxes were abated for business in Ohio. We based this estimate on Ohio's average levy of 30.74 mills times the abated business property value of $750 million. Revenue foregone due to abatements was about 0.5 percent of Ohio's total school revenue of $4.5 billion in 1991.
The actual amount of school property taxes foregone from businesses receiving property tax abatement may vary depending on:

1) each school district's actual millage rate, and

2) the value of business property under abatement within the district.

Millage rates ranged from 20.0 mills to 54.66 mills for real property in 1991. Data were not available at the state level on values of business property abated within each school district.

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[11] School districts in Ohio can levy an income tax on residents within their district. Seventy-seven of Ohio's 613 school districts, or 12.6 percent, levied an income tax in 1992, ranging from 0.5 percent to 1.25 percent.

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Other Exempt Property in Ohio

- $15.3 billion in property value, or
- 13.1 percent of total property value

EXTENT OF OTHER EXEMPT PROPERTY IN OHIO

About 13.1 percent or $15.3 billion of property value was exempt, in Ohio, in 1991, for non-business properties. These exempt properties included the federal[12], state, and local governments, educational entities, charitable institutions, churches, cemeteries, and monuments. For example, private charities owned property valued at $1.9 billion, churches owned property valued at $1.9 billion, the U.S. Government owned property valued at $1.2 billion, and property occupied by cemeteries and monuments was valued at $157 million.

[12] Some federal land, such as national parks and forests, entitle local governments to receive payments in lieu of taxes to alleviate the fiscal burden that results from the presence of certain tax exempt federal property. We do not have data on payments in lieu of taxes nor on other federal payments to local governments, such as impact aid.

PROPERTY TAX ABATEMENT STATISTICS BY STATE

	Louisiana	Michigan	New York[1]	Ohio
Maximum Amount of Property Tax Abated	100%	50% New Construction 100% Rehabilitation	50%[2] -5% per year	100%
Maximum Length of Abatement	10 Years	12 Years	10 Years	15 Years
Types of Business that Qualify	Manufacturing	Manufacturing	All	Manufacturing
Total School Revenue Abated by Businesses	$102 mil in 1991	$179 mil in 1992	N/A	$23 mil in 1991
Abatements as a Percentage of All School Revenue	3.0% in 1991	2.0% in 1992	Less than 1%	.5% in 1991
Total Business Property Value Under Abatement	$3.3 bil in 1991	$5.2 bil in 1992	$8.4 bil	$750 mil in 1991
Business Property as a Percent of All Property Value in State (Assessed)	18% in 1991	3.1% in 1992	.79%	.64% in 1991
Federal Government Exempt Property Value	$363 mil in 1991	$3.1 bil in 1991	$10 bil	$1.2 bil
Residential Exempt Property Value	$4.2 bil in 1991	None	$4 bil aged $19 bil veterans	None
Other Exempt Property Value	N/A	$38 bil	$44 bil	$15.3 bil in 1991
Percent of All Property Tax Paid by Business	94%	36%	N/A	50%
Property Assessment Rate for Business Property	15%	50%	Local Level Decision	35% Real 26% Tangible
Property Assessment Rate for Residential Property	10%	50%	Local Level Decision	35% Real 26% Tangible
Schools Receive Payment in Lieu of Taxes	NO	NO	NO	NO
State Protects Schools from Business Property Tax Abatements	NO	NO	Yes[2] At School District's Option	NO
Percent of All School Funding from Local Property Tax	15%	60%[3]	53%[3]	51.1%
Percent of All School Funding from Other Local Taxes	19% Sales Tax	None	None	.5% Income Tax
Percent of All School Funding Provided by State	57%	35%	42%	42.8%
Percent of All School Funding Provided by Federal Government	10%	5%	5%	5.6%

NOTE: All data provided are for fiscal year 1990 unless otherwise indicated.

[1] All statistics for New York pertain to the statewide abatement program, the New York City programs, and the enterprise zone program unless otherwise indicated.

[2] These statistics refer only to the statewide abatement program.

[3] This figure is the entire local level share of school funding statewide. At least 98 percent of local level school funding is from property tax. Other local level sources may include utility taxes, sales tax, income tax, and miscellaneous other taxes.