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DC HOMEOWNERS' PROPERTY TAXES REMAIN LOWEST IN THE REGION

By Katie Kerstetter

This week, District homeowners will receive their assessments for 2010 and their property tax bills for 2009. The new assessments are expected to decline modestly, after increasing significantly over the past several years. The new assessments won't impact homeowners' tax bills until next year, because this year's bills are based on last year's assessments. Yet even though 2009's tax bills are based on a period when average assessments were rising, this analysis shows that property tax bills have decreased or risen only moderately for many homeowners in recent years.

DC homeowners continue to enjoy the lowest average property tax bills in the region, largely due to property tax relief policies implemented in recent years. These policies include a Homestead Deduction¹ increase from \$30,000 to \$67,500; a 10 percent cap on annual increases in taxable assessments; and an 11-cent property tax rate cut. The District also adopted a "calculated rate" provision that decreases the tax rate if property tax collections reach a certain target.

As a result of these measures, most DC homeowners have seen their tax bills fall — or increase only modestly — over the past four years.

- **In 2008, DC homeowners paid lower property taxes on average than homeowners in surrounding counties.** Among homes with an average sales price of \$500,000, DC homeowners paid an average tax of \$2,725, compared to \$3,504 in Montgomery County, \$4,752 in PG County, and over \$4,400 in Arlington and Fairfax counties. (2008 is the most recent year for which comparable data are available.)
- **More than one-third of all District homeowners have lower property taxes in 2009 than they did in 2005.** An additional 38 percent of DC homeowners have seen their tax bills grow less than five percent per year since 2005.
- **DC's homeowner property tax rate is lower than most neighboring counties.** Only Arlington County, with a property tax rate of \$0.848 per \$100 of assessed value, is lower than the District's rate of \$0.85 per \$100 of assessed value. On average, DC's property taxes are lower than Arlington's, however, because Arlington does not have a Homestead Deduction or property tax cap. Moreover, Arlington County's property tax rate is expected to rise this year, which would make DC's rate the lowest in the region.

¹ The Homestead Deduction lowers the amount of the home's assessment that is used to calculate a home's real property tax.

- **Taxable assessments remain much lower than full assessments for many homeowners.** In 2009, the typical DC homeowner’s taxable assessment — the assessment to which the tax rate is applied — is only 54 percent of the full assessed value of the home.

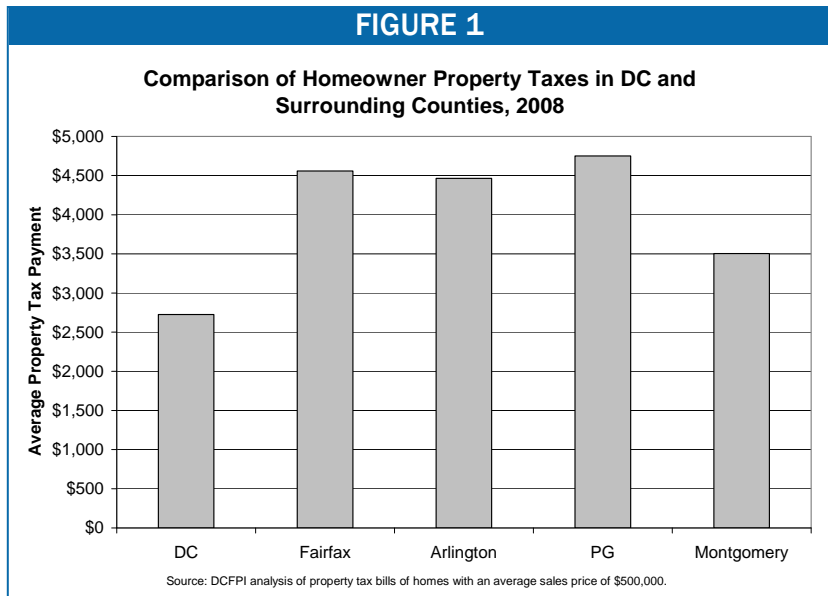
The District’s property tax relief has provided significant benefits to homeowners across DC; additional, broad-based tax relief does not appear to be needed. Future property tax relief should focus on low-income renters and homeowners. To this end, the DC Council recently introduced legislation to improve the District’s Homeowner and Renter Property Tax Credit, also known as Schedule H. This credit provides assistance to households with high property tax bills relative to their income.² However, the credit’s income eligibility level and maximum benefit have not been changed in nearly 30 years, and complex eligibility rules contribute to a participation rate of just 19 percent.

This report highlights property tax trends for DC homeowners, including detailed data on property taxes at the neighborhood level.

The District Continues to Have the Region’s Lowest Homeowner Property Taxes

In 2008, DC again had the lowest homeowner property taxes in the region for homes with an average sales price of \$500,000. (Analyses of homeowners’ property tax bills in 2007 and 2006 also found that the District’s tax bills were the smallest.³)

Figure 1 compares 2008 property taxes in DC and surrounding counties for homes of similar values. Property sales records from four counties and the District were used to select samples of 50 homes with average sales prices of \$500,000.⁴ In each sample, homeowners’ property tax bills were averaged to estimate the typical property tax payment in each jurisdiction.



² For more information about Schedule H, see: Clark, Lindsay, “Property Tax Relief for DC’s Lowest-Income Residents: Improvements Needed in DC’s ‘Schedule H’ Credit,” DC Fiscal Policy Institute, April, 8, 2008, <http://dcfpi.org/?p=152>.

³ See: Lazere, Ed and Alexandra Gajdeczka, “Taxes on DC Families Are Now the Lowest in the Washington Region,” DC Fiscal Policy Institute, September 20, 2006, <http://dcfpi.org/?p=41> and Kerstetter, Katie, “Good Deal for DC Homeowners: Property Taxes Are Lowest in the Region,” DC Fiscal Policy Institute, February 27, 2008, <http://dcfpi.org/?p=136>.

⁴ The sample includes homes that were sold between January 1, 2008 and June 30, 2008.

DC homeowners paid lower taxes on average than homeowners in Maryland’s Montgomery and Prince George’s counties and Virginia’s Arlington and Fairfax counties. For homes with an average sales price of \$500,000, DC homeowners paid an average tax of \$2,725, compared to \$3,504 for homeowners in Montgomery County and \$4,752 in Prince George’s County. The average tax bill was \$4,559 in Fairfax County and \$4,466 in Arlington County.

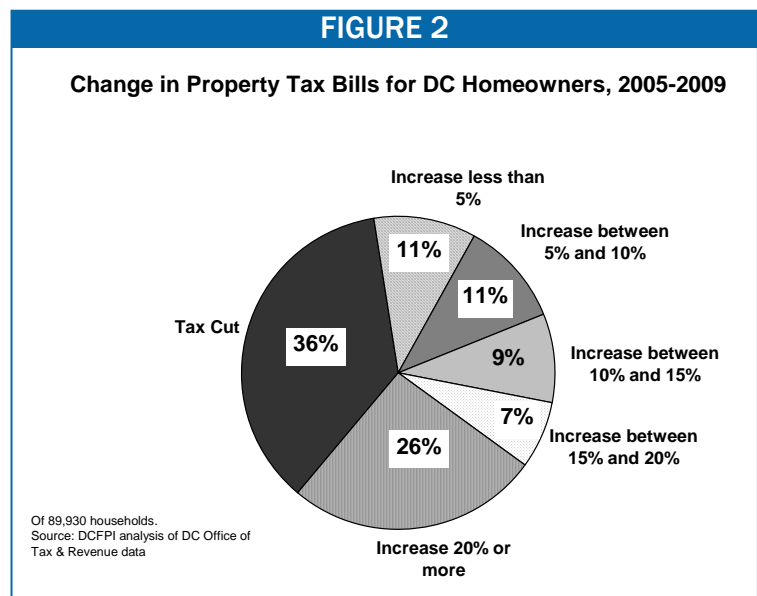
Property tax bills vary greatly among different neighborhoods in DC. The typical homeowner tax bill in 2009 is \$522 in Anacostia; \$975 in Brookland; \$1,630 in Columbia Heights; \$3,301 in Cleveland Park; and \$6,232 in Georgetown. The median tax is less than \$2,000 in half of all neighborhoods. (See Table 2.)

Over One-Third of DC Homeowners Are Paying Less in Property Taxes in 2009 than in 2005

The median property assessment for DC homeowners in 2009 was \$432,720. This is a slight decrease from the median assessment of \$435,350 in 2008 and a 60 percent increase over the 2005 median assessment of \$270,000. The newest assessments (for 2010) are expected to decrease modestly.

During the period when assessments were rising, many homeowners saw their taxes fall or increase only slightly due to the property tax reduction policies implemented since 2005.⁵

- About 32,500 DC homeowners (36 percent of all homeowners) have lower property tax bills in 2009 than they had in 2005. (See Figure 2).
- An additional 38 percent of DC homeowners have 2009 property tax bills that increased less than 20 percent over their 2005 bills.
- Slightly more than one-fourth of DC homeowners’ property taxes have increased 20 percent or more since 2005. Many of these homeowners purchased homes in the past several years and did not qualify for the 10 percent cap in their first year of ownership.
- In 34 of 56 DC neighborhoods, the median 2009 tax bill is lower than the 2005 tax bill or has increased no more than five percent per year since 2005. (See Table 2.)



⁵ DC homeowners’ property taxes likely will increase moderately next year, even with lower assessments, as a result of DC’s property tax cap provision. This provision limits taxable assessments from rising more than 10 percent. When a home’s taxable assessment is well below its full assessment — as is the case for most DC homes — the cap provision allows the taxable assessment to “catch up” with the full assessment in years when assessments are decreasing or rising only modestly.

DC Has One of the Lowest Homeowner Property Tax Rates in the Region

DC's homeowner property tax rate is lower than the rates of most surrounding counties (Table 1). Only Arlington County's property tax rate of \$0.848 per \$100 of assessed value is lower than the District's rate of \$0.85 per \$100 of assessed value. However, Arlington homeowners do not receive a Homestead Deduction or benefit from a taxable assessment cap like DC homeowners. As a result, Arlington homeowners' property taxes are higher than those of District homeowners, despite the lower rate. Moreover, Arlington County officials are likely to propose increasing the property tax rate to as much as 87.8 cents this year to address its budget shortfall.⁶

TABLE 1 Comparison of Regional Homeowner Property Tax Rates		
	2008 Rate ¹	2009 Rate
Arlington County	\$0.818	\$0.848
DC	\$0.85	\$0.85
Fairfax County	\$0.89	\$0.92
Montgomery County ²	\$0.961-\$2.104	\$0.967-\$2.827
Prince George's County	\$1.565-\$2.283	\$1.545-\$2.392

¹ Rates per \$100 of assessed value.
² Range takes into account variation in Municipal District Tax and Special Service Area taxes.

Many DC Homeowners' Taxable Assessments Are Well Below Full Assessments

Each year, DC homes are assessed to estimate their value for tax purposes. The assessed value is known as the "full assessment." The District has adopted several policies, including increases to its Homestead Deduction and a property tax cap, which lower the full assessment or limit the amount that it can grow each year. These policies mean that a homeowner's taxable assessment — the amount subject to the property tax — can be much lower than its full assessment.

- The median taxable assessment for DC homeowners in 2009 (\$233,240)⁷ equals 54 percent of a typical home's full taxable assessment (\$432,720). This represents an increase from 2008 when the median taxable assessment was 51 percent of the full assessment; however, it is still lower than 2005, when the median taxable assessment equaled 60 percent of the full assessment.
- These findings suggest that large numbers of DC homes continue to be assessed for tax purposes well below their full value. In 2009, one-fifth of all homes had taxable assessments below 32 percent of their full value, and two-fifths of all homes had taxable assessments below 45 percent of their full value. (See Table 4.)
- Homeowners throughout the District benefit from low taxable assessments. In 2009, some 24 of 56 neighborhoods had median taxable assessments that fell below 50 percent of the median full assessment. An additional 10 neighborhoods had typical taxable assessments between 50 and 65 percent of the full assessment.

⁶ Scott McCaffrey, "Manager Proposes \$930 Million Budget, County Board Advertises 87.8-Cent Real Estate Rate, Higher Than Carlee Sought," *Arlington Sun Gazette*, February 26, 2009, p. 1.

⁷ The taxable assessment reflects the effects of the Homestead Deduction and the 10 percent cap.

Across the District, Homeowners Benefit from Property Tax Relief

DC's property tax office divides the District into neighborhoods for assessment purposes. There are 56 neighborhoods that include a sizeable number of homeowners. (See Figure 3 for a map of these neighborhoods.) An analysis of DC property tax and assessment data shows that the recent property tax relief measures have helped homeowners throughout the District.

Property Tax Bills

In 2009, the median tax bill for DC homeowners is \$1,794 (see Table 2). Across District neighborhoods, the median homeowner property tax bill ranges from \$316 in Marshall Heights to \$16,598 in Massachusetts Avenue Heights.

- In 16 of 56 neighborhoods, the typical 2009 property tax bill is less than \$1,000.
- In 12 neighborhoods, the median is between \$1,000 and \$2,000. This means that in half of DC neighborhoods, the typical property tax bill is less than \$2,000.
- In four neighborhoods, the typical tax bill is between \$2,000 and \$3,000, and it is between \$3,000 and \$4,000 in nine neighborhoods.
- In 15 of 56 neighborhoods, the median homeowner property tax bill is higher than \$4,000.

Changes in Property Tax Bills Since 2005

In most DC neighborhoods, the typical 2009 tax bill for homeowners will not increase more than 20 percent over 2005 levels.

- In 10 of 56 neighborhoods, the median tax bill in 2009 will be lower than in 2005.
- 21 neighborhoods will see increases of less than 20 percent, or less than 5 percent per year.
- In 15 neighborhoods, the 2009 median tax bill will be 20 to 25 percent higher than the typical tax bill in 2005, and in 10 neighborhoods, the median tax bill will increase by more than 25 percent over 2005.

Taxable Assessments

Median taxable assessments in DC neighborhoods range widely, from a low of \$48,053 in Marshall Heights to a high of \$1,950,000 in Massachusetts Avenue Heights. (See Table 3).

- The median taxable assessment in 2009 is less than \$200,000 in 22 of 56 DC neighborhoods.
- The median taxable assessment is between \$200,000 and \$400,000 in 12 neighborhoods and between \$400,000 and \$500,000 in another seven neighborhoods.
- The median taxable assessment is above \$500,000 in 15 neighborhoods.

TABLE 2
Median Homeowner Property Tax by Neighborhood, 2005-2009

	Median Property Tax					Change 2005 to 2009	Change 2008 to 2009
	2005	2006	2007	2008	2009		
Total	\$1,394	\$1,329	\$1,449	\$1,639	\$1,794	29%	9%
16th Street Heights	\$1,418	\$1,348	\$1,434	\$1,591	\$1,685	19%	6%
American University Park	\$3,620	\$3,751	\$3,957	\$4,270	\$4,679	29%	10%
Anacostia	\$613	\$452	\$482	\$527	\$522	-15%	-1%
Barry Farms	\$532	\$350	\$374	\$451	\$494	-7%	9%
Berkley	\$7,374	\$6,963	\$7,334	\$7,813	\$8,555	16%	9%
Brentwood	\$611	\$501	\$540	\$512	\$512	-16%	1%
Brightwood	\$1,115	\$1,022	\$1,083	\$1,214	\$1,275	14%	0%
Brookland	\$890	\$802	\$849	\$950	\$975	10%	5%
Burleith	\$4,338	\$4,347	\$4,608	\$5,046	\$5,334	23%	3%
Capitol Hill	\$3,064	\$2,785	\$2,966	\$3,226	\$3,557	16%	10%
Central	\$1,792	\$1,919	\$2,410	\$2,485	\$2,670	49%	7%
Chevy Chase	\$3,865	\$3,922	\$4,144	\$4,507	\$4,960	28%	10%
Chillum	\$1,113	\$1,014	\$1,074	\$1,210	\$1,231	11%	2%
Cleveland Park	\$2,945	\$2,894	\$3,197	\$3,270	\$3,301	12%	1%
Colonial Village	\$3,191	\$3,282	\$3,467	\$3,828	\$4,179	31%	9%
Columbia Heights	\$1,324	\$1,151	\$1,239	\$1,486	\$1,630	23%	10%
Congress Heights	\$586	\$434	\$468	\$498	\$489	-17%	-2%
Crestwood	\$4,109	\$3,775	\$3,980	\$4,314	\$4,778	16%	11%
Deanwood	\$465	\$341	\$365	\$426	\$437	-6%	3%
Eckington	\$1,344	\$1,169	\$1,249	\$1,457	\$1,547	15%	6%
Foggy Bottom	\$1,319	\$1,249	\$1,369	\$1,620	\$1,738	32%	7%
Forest Hills	\$2,574	\$2,804	\$3,068	\$3,062	\$3,147	22%	3%
Fort Dupont Park	\$611	\$520	\$556	\$563	\$564	-8%	0%
Fort Lincoln	\$785	\$714	\$751	\$902	\$1,014	29%	12%
Foxhall	\$3,673	\$3,395	\$3,612	\$4,071	\$4,490	22%	10%
Garfield	\$3,305	\$3,163	\$3,347	\$3,565	\$3,657	11%	3%
Georgetown	\$5,218	\$5,009	\$5,347	\$5,772	\$6,232	19%	8%
Glover Park	\$1,984	\$1,923	\$2,087	\$2,354	\$2,482	25%	5%
Hawthorne	\$3,361	\$3,408	\$3,598	\$3,823	\$4,149	23%	9%
Hillcrest	\$931	\$874	\$991	\$986	\$1,038	12%	5%
Kalorama	\$3,039	\$2,963	\$3,210	\$3,396	\$3,517	16%	4%
Kent	\$5,891	\$5,671	\$5,978	\$6,368	\$7,035	19%	10%
Ledriot Park	\$1,525	\$1,381	\$1,473	\$1,607	\$1,748	15%	9%
Lily Ponds	\$572	\$439	\$462	\$516	\$499	-13%	-3%
Marshall Heights	\$464	\$325	\$349	\$331	\$316	-32%	-5%
Mass. Ave. Heights	\$13,627	\$13,181	\$13,868	\$15,107	\$16,598	22%	10%
Michigan Park	\$987	\$912	\$965	\$1,118	\$1,202	22%	7%
Mount Pleasant	\$2,760	\$2,532	\$2,707	\$2,964	\$3,157	14%	7%
North Cleveland Park	\$3,879	\$3,907	\$4,111	\$4,405	\$4,862	25%	10%
Observatory Circle	\$2,581	\$2,412	\$2,594	\$2,909	\$3,206	24%	10%
Old City I	\$1,417	\$1,293	\$1,404	\$1,610	\$1,751	24%	9%
Old City II	\$1,785	\$1,958	\$2,133	\$2,468	\$2,626	47%	6%

TABLE 2 (continued)

Median Homeowner Property Tax by Neighborhood, 2005-2009

	Median Property Tax					Change 2005 to 2009	Change 2008 to 2009
	2005	2006	2007	2008	2009		
Palisades	\$3,742	\$3,508	\$3,706	\$4,041	\$4,479	20%	11%
Petworth	\$915	\$784	\$830	\$927	\$960	5%	4%
R. L. A. NE	\$392	\$211	\$222	\$956	\$753	92%	-21%
R. L. A. SW	\$1,027	\$1,199	\$1,300	\$1,340	\$1,452	41%	8%
Randle Heights	\$640	\$536	\$604	\$634	\$642	0%	1%
Riggs Park	\$892	\$767	\$819	\$871	\$891	0%	2%
Shepherd Park	\$2,521	\$2,476	\$2,612	\$2,794	\$3,045	21%	9%
Spring Valley	\$8,179	\$7,930	\$8,364	\$8,980	\$9,821	20%	9%
Takoma Park	\$897	\$779	\$822	\$905	\$944	5%	4%
Trinidad	\$581	\$473	\$506	\$489	\$480	-17%	-2%
Wakefield	\$2,152	\$2,154	\$2,288	\$2,540	\$2,737	27%	8%
Wesley Heights	\$2,693	\$2,484	\$2,641	\$2,911	\$3,234	20%	11%
Woodley	\$7,955	\$7,295	\$7,693	\$8,231	\$8,862	11%	8%
Woodridge	\$854	\$727	\$771	\$866	\$907	6%	5%

Source: DCFPI analysis of DC Office of Tax and Revenue data

TABLE 3
Taxable Home Assessments in 2009 by Neighborhood

	Number of Homes	Median Taxable Assessment	Distribution of Homes by Taxable Assessment			
			Under \$250,000	\$250,000 to \$500,000	\$500,000 to \$750,000	\$750,000 or more
Total	97,551	\$233,240	53%	25%	12%	11%
16th Street Heights	1,598	\$226,785	55%	33%	10%	2%
American University Park	2,147	\$574,054	1%	29%	54%	17%
Anacostia	943	\$72,947	98%	2%	0%	0%
Barry Farms	340	\$61,531	99%	1%	0%	0%
Berkley	588	\$1,041,252	2%	8%	17%	73%
Brentwood	434	\$81,639	98%	2%	0%	0%
Brightwood	3,159	\$195,428	72%	26%	2%	0%
Brookland	4,223	\$139,808	86%	14%	1%	0%
Burleith	491	\$651,540	0%	29%	33%	38%
Capitol Hill	2,529	\$446,488	14%	44%	28%	14%
Central	2,490	\$321,017	33%	46%	13%	8%
Chevy Chase	4,578	\$610,318	5%	21%	49%	26%
Chillum	691	\$192,678	78%	21%	1%	0%
Cleveland Park	1,962	\$426,510	24%	30%	14%	33%
Colonial Village	547	\$546,037	0%	40%	44%	17%
Columbia Heights	4,766	\$204,757	62%	32%	5%	1%
Congress Heights	2,291	\$67,176	99%	1%	0%	0%
Crestwood	693	\$629,768	1%	23%	48%	28%
Deanwood	3,270	\$72,982	97%	3%	0%	0%
Eckington	1,266	\$195,500	68%	31%	1%	0%
Foggy Bottom	509	\$216,470	55%	21%	17%	8%
Forest Hills	1,600	\$402,126	30%	26%	10%	34%
Fort Dupont Park	2,235	\$83,184	98%	2%	0%	0%
Fort Lincoln	461	\$119,601	80%	20%	0%	0%
Foxhall	271	\$554,207	0%	39%	43%	18%
Garfield	868	\$499,200	27%	23%	19%	31%
Georgetown	2,345	\$793,212	9%	18%	20%	53%
Glover Park	1,249	\$316,090	38%	38%	20%	4%
Hawthorne	288	\$535,464	0%	38%	49%	13%
Hillcrest	2,515	\$191,323	81%	18%	1%	0%
Kalorama	2,003	\$430,470	26%	33%	12%	29%
Kent	727	\$861,280	1%	11%	26%	62%
Ledriot Park	1,029	\$226,941	58%	36%	6%	0%
Lily Ponds	907	\$71,762	99%	1%	0%	0%
Marshall Heights	606	\$48,053	99%	1%	0%	0%
Mass. Ave. Heights	150	\$1,952,676	0%	0%	3%	97%
Michigan Park	785	\$210,133	78%	22%	0%	0%
Mount Pleasant	2,562	\$391,860	21%	50%	23%	6%
North Cleveland Park	725	\$596,211	2%	23%	53%	22%
Observatory Circle	949	\$441,637	28%	28%	15%	29%
Old City I	8,790	\$225,185	56%	33%	9%	2%

TABLE 3 (continued)

Taxable Home Assessments in 2008 by Neighborhood						
	Number of Homes	Median Taxable Assessment	Distribution of Homes by Taxable Assessment			
			Under \$250,000	\$250,000 to \$500,000	\$500,000 to \$750,000	\$750,000 or more
Old City II	8,723	\$314,600	36%	42%	14%	8%
Palisades	840	\$564,684	14%	27%	33%	27%
Petworth	4,206	\$132,486	86%	14%	0%	0%
R. L. A. NE	14	\$88,567	79%	21%	0%	0%
R. L. A. SW	1,350	\$183,854	65%	27%	7%	0%
Randle Heights	1,556	\$87,156	97%	3%	0%	0%
Riggs Park	2,257	\$134,375	96%	4%	0%	0%
Shepherd Park	871	\$391,085	3%	77%	18%	2%
Spring Valley	797	\$1,173,298	1%	2%	9%	89%
Takoma Park	599	\$149,308	86%	14%	0%	0%
Trinidad	1,357	\$71,732	95%	5%	0%	0%
Wakefield	672	\$365,274	36%	27%	21%	17%
Wesley Heights	1,432	\$437,208	34%	24%	14%	28%
Woodley	185	\$1,058,560	0%	1%	5%	94%
Woodridge	2,107	\$134,479	88%	12%	1%	0%

Source: DCFPI analysis of DC Office of Tax and Revenue data

TABLE 4
Taxable Assessment as Percentage of Full Assessment by Neighborhood, 2009

	Taxable Assessment as Percentage of Full Assessment (Neighborhood Median)
Total	54%
16th Street Heights	42%
American University Park	70%
Anacostia	33%
Barry Farms	38%
Berkley	81%
Brentwood	32%
Brightwood	46%
Brookland	39%
Burleith	80%
Capitol Hill	61%
Central	73%
Chevy Chase	74%
Chillum	48%
Cleveland Park	76%
Colonial Village	66%
Columbia Heights	46%
Congress Heights	30%
Crestwood	74%
Deanwood	32%
Eckington	48%
Foggy Bottom	59%
Forest Hills	76%
Fort Dupont Park	35%
Fort Lincoln	47%
Foxhall	72%
Garfield	81%
Georgetown	73%
Glover Park	57%
Hawthorne	65%
Hillcrest	50%
Kalorama	75%
Kent	81%
Ledroit Park	47%
Lily Ponds	32%
Marshall Heights	25%
Mass. Ave. Heights	81%
Michigan Park	51%
Mount Pleasant	61%
North Cleveland Park	75%
Observatory Circle	73%
Old City I	49%
Old City II	67%

TABLE 4 (continued)

Taxable Assessment as Percentage of Full Assessment by Neighborhood, 2008	
	Taxable Assessment as Percentage of Full Assessment (Neighborhood Median)
Palisades	72%
Petworth	35%
R. L. A. NE	18%
R. L. A. SW	53%
Randle Heights	35%
Riggs Park	45%
Shepherd Park	60%
Spring Valley	79%
Takoma Park	42%
Trinidad	26%
Wakefield	65%
Wesley Heights	81%
Woodley	88%
Woodridge	37%
Source: DCFPI analysis of DC Office of Tax and Revenue data	

FIGURE 3

