



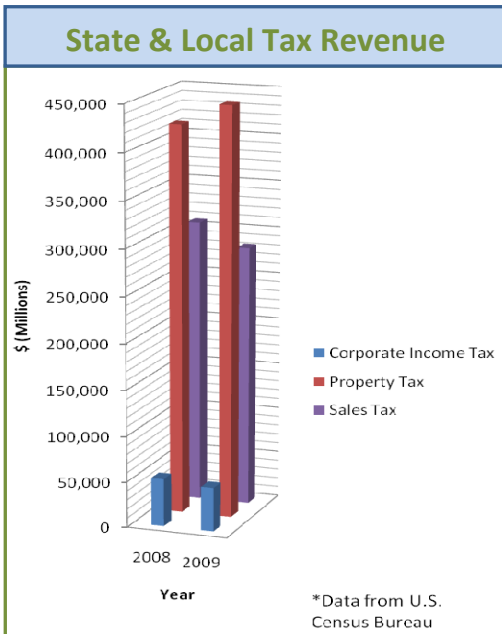
# True Insight

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## 2009 Snapshot: Property Tax Liabilities Growing Disproportionately

The changing composition of state and local tax warrants more attention. As the economy constricted in 2009, state and local tax receipts declined from 9.25% of Gross Domestic Product in 2008 to 8.8% in 2009. According to the U.S. Government Accountability Offices (GAO) report to Congress on State and Local Governments' Fiscal Outlook (GAO-10-358, FY 2009), while most sources of state and local tax receipts decreased, property tax receipts increased. In 2009, corporate state income tax accounted for approximately 10% of all state and local tax receipts while property tax accounted for more than a third of all state and local receipts totaling approximately 34%.



While businesses have closely monitored their state income tax liability, property taxes have subtly grown during a time in which most other sources of state and local tax receipts have fallen. In a climate where real property values have plunged, property taxes at the state and local level increased as a percentage of total state and local tax receipts from approximately 30% in 2008 to 34% in 2009, an increase of over 10%, while corporate income tax receipts remained rather constant around 10% of total tax receipts. The unexpected increase of property tax has two main causes: (1) the property tax assessment process lags behind in valuing actual market value, and (2) it is administratively difficult for local governments to re-assess numerous properties whose values have fluctuated so much in a short period of time. As a result, property tax payers are potentially paying more than their fair share.

During a time where state and local budget shortfalls are commonplace, property tax assessors have little motivation to act quickly in ensuring property tax assessment values reflect market value. Property tax payers should ask themselves:

**"Am I focused on the right state and local tax?"**

If you have any questions or for further information, please contact us.

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