

## **What the Census Bureau's American Community Survey Tells Us About Residential Property Taxes**

In the sections of his PowerPoint presentations devoted to the proposed property tax cap, Governor Andrew Cuomo frequently cites Tax Foundation calculations and rankings of data related to residential property taxes. The Tax Foundation's calculations and rankings, in turn, are based on data from the U.S. Census Bureau's American Community Survey (ACS).

The ACS is a survey of households that is conducted annually by the Census Bureau. This annual survey has, in effect, replaced what used to be the "long form" of the decennial census. The ACS began in 2000 in 31 test sites around the country. It was expanded in 2002 to cover most areas with a population of 250,000 or more, and selected areas of 65,000 or more; in 2005 to cover most areas with a population of 65,000 or more; and in 2007 to cover virtually all areas in the United States with populations of 65,000 or more. The Census Bureau has also pooled the survey results for three-year periods beginning with the 2005 through 2007 period and publishes the results for these three-year periods for geographic areas of 20,000 or more. And, most recently, the Census Bureau has pooled the survey results for the five years from 2005 through 2009, and published the results for virtually all geographic areas including those not included in the 1-year estimates and 3-year estimates previously published.

For its calculations and rankings, the Tax Foundation utilizes three statistical estimates published by Census Bureau on the basis of the American Community Survey responses of home-owning households:

- (a) Median real estate tax paid on owner-occupied housing units;
- (b) Median value of owner-occupied housing units; and
- (c) Median household income of the households that live in owner-occupied housing units.

The Tax Foundation then calculates two additional estimates:

- (d) "Taxes as a Percent of Home Value" by dividing (a) by (b); and
- (e) "Taxes as Percent of Income" by dividing (a) by (c).<sup>1</sup>

Some users of the Tax Foundation's calculations refer to data elements (d) and (e) as median effective tax rates. This, however, is not the case. As the Tax Foundation explains in its "Frequently Asked Questions about the Tax Foundation's Property Tax Statistics" (<http://interactive.taxfoundation.org/propertytax/FAQ.html>): "...the two statistics that are calculated by the Tax Foundation (tax as a percentage of home value and tax as a percentage of homeowner income) are not exact median statistics themselves given that it's possible for one with a higher income to pay smaller real estate taxes than a lower income person..." Not only is this possible but it is quite common; and, even more common is the fact that higher income households, on average, pay a smaller percentage of their income in property taxes than do lower income households.

Fortunately, this variation can be explored and analyzed since the Census Bureau, in addition to publishing its estimates of the median values of variables like real estate taxes

paid, also makes what is called “microdata” available for public use. “The Public Use Microdata Sample files, or PUMS, are a sample of the actual responses to the American Community Survey and include most population and housing characteristics. These files provide users with the flexibility to prepare customized tabulations and can be used for detailed research and analysis. (These) files have been edited to protect the confidentiality of all individuals and of all individual households.”<sup>2</sup>

While comparing the Census Bureau’s estimate of median real estate taxes paid by New York’s home-owning households to the median income of those households allows the Tax Foundation to calculate its “taxes as a percent of income” estimate of 5.02% for 2009,<sup>3</sup> an analysis of the microdata made available by the Census Bureau allows us to see how much variation there is around this 5.02% figure. And our analysis of that data confirms that hundreds of thousands of New Yorkers are paying double-digit percentages of their income in property taxes.

In our analysis of the Census Bureau’s American Community Survey microdata for 2009 we focused on the 2.1 million home-owning households in New York State that (a) met the 5-year residency requirements of the middle-class Circuit Breaker bills introduced Senator Little and Assemblywoman Galef, and by Senator Krueger and Assemblyman Engelbright, and (b) had incomes of \$100,000 or less. Overall, 32% of these 2.1 million households reported paying more than ten percent of their income in property taxes. That’s over 675,000 households.

Not surprisingly, the lower the income range, the greater the percentage of households in the double-digit property tax category.

In the \$50,000 to \$100,000 income range, 18 percent of the households meeting the 5-year residency requirement paid more than ten percent of their income in property taxes.

In the \$25,000 to \$50,000 income range this percentage was 35 percent. This represented about 220,000 households.

In the \$25,000 and less income range, 64 percent or almost two-thirds of the home-owning households paid more than ten percent of their income in property taxes. This represented over 270,000 households. And about 170,000 of these households had property tax bills that represented 20 percent or more of their income.

It is these households, that are paying such an inordinate share of their income in property taxes, that are most in danger of being forced out of their homes. A cap on the growth in property tax levies does not address the problems that these families face. A targeted middle class Circuit Breaker does.

## ENDNOTES

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<sup>1</sup> The Tax Foundation also does rankings of both states and counties based on each of these two calculated variables and on the basis of the Census Bureau data on median real estate taxes. These calculations and rankings are available on the Tax Foundation's website for states for the 1-year ACS data for each of the six years from 2004 through 2009; and for counties for the 1-year ACS data for each of the five years from 2005 through 2009, for the 3-year ACS data for each of the three 3-year periods for which the Census Bureau has made the results of this pooled data available (2005 through 2007, 2006 through 2008, and 2007 through 2009).

<sup>2</sup> [http://factfinder.census.gov/home/en/acs\\_pums\\_2009\\_1yr.html](http://factfinder.census.gov/home/en/acs_pums_2009_1yr.html). More information on the ACS microdata is available at:  
[http://www.census.gov/acs/www/data\\_documentation/public\\_use\\_microdata\\_sample/](http://www.census.gov/acs/www/data_documentation/public_use_microdata_sample/)

<sup>3</sup> <http://www.taxfoundation.org/taxdata/show/1913.html>. For 2009, New York State, according to the Tax Foundation's calculations, had the sixth highest "taxes as a percent of income" (5.02%) after New Jersey (7.45%), New Hampshire (6.34%), Vermont (5.55%), Connecticut (5.51%), and Illinois (5.11%). These measures provide a good example of the selective use of the Tax Foundation's calculations in Governor Cuomo's PowerPoint presentations. The version of "The People First Campaign" PowerPoint presentation that is posted on the Governor's website at <http://governor.ny.gov/sites/default/files/PeopleFirstTourPowerPoint-5103pmfinal.pdf> asserts New York's property taxes are the "highest in the nation" and cites a number of Tax Foundation calculations to "prove" that point. But the Governor's presentation conveniently omits the fact that the Tax Foundation ranks New York State 6<sup>th</sup> in terms of "taxes as a percent of income;" 4<sup>th</sup> in terms of "median property taxes paid on homes;" and 17<sup>th</sup> in terms of "taxes as a percent of home value." But whether New York has the highest property taxes in the country or the 4<sup>th</sup> or 6<sup>th</sup> or 17<sup>th</sup> highest misses the essential problem with the property tax system – that hundreds of thousands of New York families are paying inordinate portions of their incomes in property taxes.