

AN ALTERNATIVE TAX APPRAISAL TECHNIQUE

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the Faculty of the Graduate School
University of Texas at El Paso

In Partial Fulfillment
of the Requirements for the Degree
Master of Arts

by
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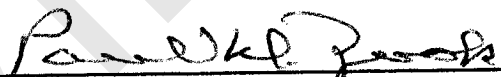
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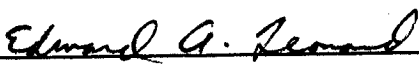
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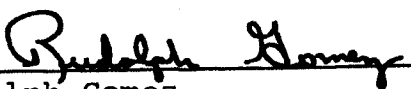
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CHAPTER I

INTRODUCTION AND STATEMENT OF THE PROBLEM

INTRODUCTION

The property tax has been the major source of revenue for local units of government since colonial times,¹ and yet it is probably the most widely criticized tax in America.² The criticism has been voiced at the national, state and local level with most of the complaints centered on the inaccuracy and inconsistency of the appraisals.

On the national level both major candidates for the Presidency found it desirable to comment on the inequities of the property tax during their 1972 campaigns.³ Two Congressional committees have held hearings in the last year to

¹Dick Netzer, Economics of the Property Tax (Washington: The Brookings Institution, 1966), p. 3.

²Texas Research League, The Texas Property Tax: Background for Revision (Austin, Texas: Texas Research League, 1973), p. 4.

³El Paso (Texas) Times, March 12, 1972, p. 14B and Editorial, El Paso (Texas) Times, June 17, 1972, p. 4A.

hear expert witness after expert witness testify to the gross inequities of this tax.⁴

At the state level, two major studies in Texas indicate that the property tax as administered is grossly inequitable. In 1966 the Texas Research League conducted a study involving the tax offices which administered about 80 percent of the property tax in Texas. The League found that, "In practice property tax assessing in Texas makes a mockery of the Constitutional guarantees that 'Taxation shall be equal and uniform.'"⁵

In 1966-67 Charles R. Bartell conducted a state-wide study of the school tax assessments for the Committee on Public School Education. Bartell found that properties were assessed at rates as low as 2.1 percent of sale price and at rates as high as 89 percent of sale price. He found that in at least one school district the assessing procedures had been established by the W.P.A. in 1933 and had not been improved since. In another school district, he found all brick houses assessed at \$1,000 while all frame houses were

⁴U. S. Congress, Senate, Committee on Government Operations, Property Taxes, Hearings 92nd Cong., 2nd Sess. (Washington: Government Printing Office, 1973); and U. S. Congress, Senate, Subcommittee on Intergovernmental Relations of the Committee on Government Operations, Property Tax Relief and Reform Act of 1973, Hearings 93rd Cong., 1st Sess. (Washington: Government Printing Office, 1973).

⁵Texas Research League, op. cit., p. 7.

assessed at \$500 regardless of size, age or condition. In summary, he states, "In most of the districts, assessments are not equalized; there is no semblance of uniformity."⁶ Although these studies were six and eight years old, they were still considered the two most important studies done on a state-wide basis as late as 1973 for these findings were presented to the Legislative Property Tax Committee of the Texas Legislature and witnesses called before this committee testified that the inequities still existed.⁷

A study conducted by the Montana Board of Equalization showed that 35 out of 49 counties did not meet the state's minimum standard for accuracy with regard to single family residences. For other classes of property, 48 of 49 counties were rated below the minimum acceptable level of accuracy.⁸

At the local level, El Paso County Judge, Udell Moore, believes that the county needs a thorough tax equalization study. He further believes the property tax is probably regressive.⁹ A study conducted by this writer indicated

⁶ Ibid, pp. 8-9.

⁷ Statement of Aaron Brenner, Subcommittee Member, Texas Property Tax Committee, Constitutional Revision Commission, personal interview, August 3, 1974.

⁸ U. S. Congress, Senate, op. cit., pp. 259-260.

⁹ El Paso (Texas) Herald Post, June 27, 1974, p. 1, Col. 6.

that the appraisals conducted by the City of El Paso are both inaccurate and inconsistent, and that the tax tended to be regressive.¹⁰ Other cities have experienced a great deal of local turmoil over their property taxes.¹¹ The problem with the inaccuracy and inconsistency of tax appraisals has led to research to find new and better ways of appraising the large number of properties comprising a typical tax roll. The leading innovation in this area has been the use of multiple regression analysis as an appraisal tool.

This paper seeks to demonstrate that the City of El Paso could improve appraisal accuracy, and, therefore, tax equity by using regression analysis. The use of regression analysis would require data not currently used by the City of El Paso. This paper will demonstrate that at least one source of readily available data exists.

The balance of this chapter will be concerned with the present tax appraisal process and the development of regression analysis as an appraisal tool.

¹⁰D. T. Toner, "Bias in the Tax Appraisals of Single Family Residences in El Paso, Texas" (Unpublished paper, University of Texas at El Paso, 1974).

¹¹U. S. Congress, Senate, op. cit., pp. 121-159, 420-454.