

# Report: State Policies That Reduce Property Tax Burdens

## Overview

U.S. states use a combination of exemptions, caps, freezes, and credits to reduce property tax burdens on homeowners. These policies aim to protect vulnerable populations (especially seniors), stabilize tax bills, and prevent sharp increases driven by rising property values. This report summarizes key mechanisms and compares how selected states.

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## 1. Age-Based Exemptions and Targeted Relief

Many states provide enhanced benefits to senior homeowners, often tied to school taxes.

- **Texas:** Seniors (65+) receive a large homestead exemption of \$65,000 and a **freeze on school property taxes**, preventing further increases.
- **South Carolina:** Seniors are **fully exempt from school operating taxes**, removing a major portion of their bill.
- **New York:** Enhanced exemptions (e.g., STAR) reduce **school tax liability**, especially for seniors.
- **Virginia:**
  - Relief is primarily **local-option**, meaning counties and cities design their own programs.
  - Common approaches include **full or partial exemption for seniors (65+) and disabled residents**, typically based on income and net worth limits.
  - Some jurisdictions offer **tax freezes or deferrals** for qualifying seniors.

Unlike Texas or South Carolina, Virginia does not have a uniform statewide school-tax exemption; relief varies significantly by locality.

**Key takeaway:** States differ in their level of centralization—some provide statewide benefits (Texas), while others (Virginia) delegate relief to local governments.

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## 2. Assessment Caps (Limiting Growth in Taxable Value)

Assessment caps restrict how quickly a property's taxable value can increase.

- **California (Proposition 13):** Caps annual increases at **2%**, reset upon sale.
- **Florida:** Caps increase up to **3% annually** for homesteads.
- **Texas:** Caps increase up to **10% annually**.
- **Virginia:**
  - **No statewide assessment cap** exists.
  - Property is generally assessed at **fair market value**, which can rise with market conditions.
  - Some localities may smooth assessments or reassess periodically, but there is no uniform cap.

**Key takeaway:** Virginia relies more on **means-tested relief programs** than structural caps on value growth.

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## 3. Assessment Freezes (Locking in Value or Tax Levels)

- **Texas:** Freezes **school tax amounts** for seniors.
- **Northeast states (e.g., Illinois, New Jersey):** Offer income-based freezes.
- **Virginia:**
  - Some localities offer **tax freezes for seniors and disabled residents** (income- and asset-qualified).
  - Others provide **deferrals instead of freezes**, allowing taxes to accrue and be paid later.

**Key takeaway:** Virginia uses **localized, eligibility-based freezes**, rather than broad automatic protections.

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## 4. Tax Bill Caps (Limiting Annual Increases)

- **New York:** Caps local property tax levy growth at **~2% annually**.
- **Massachusetts (Proposition 2½):** Limits growth to **2.5% per year**.
- **Virginia:**

- No strict statewide cap on annual property tax increases.
- However, local governments must **publicly advertise effective tax rate increases** when rising assessments would increase revenues (a transparency mechanism rather than a hard cap).

**Key takeaway:** Virginia emphasizes **transparency and local control**, rather than strict statewide limits.

## 5. Combined Policy Approaches

- **California:** Strong **assessment cap (2%) + tax rate limits** → highly predictable taxes.
- **Texas:** Mix of **exemptions, caps, and senior freezes** → strong targeted relief.
- **Florida:** **3% cap + homestead exemption** → balanced approach.
- **Virginia:**
  - Relies on **local-option exemptions, freezes, and deferrals**
  - Lacks statewide caps but provides flexibility for targeted relief
  - Results vary significantly depending on the county or city.

## Comparative Summary

Policy Tool	Strongest States	Virginia Approach	Impact
Senior school-tax exemptions	Texas, South Carolina	Limited; varies locally	Less uniform relief
Tight assessment caps (2–3%)	California, Florida	None statewide	More exposure to market increases
Moderate caps (5–10%)	Texas, Arizona	None	Higher variability in tax base
Assessment freezes	Texas, Northeast states	Local, income-based	Targeted but inconsistent
Tax levy caps (~2–3%)	New York, Massachusetts	None statewide	Relies on local decisions

## **Conclusion**

States use different strategies to reduce property tax burdens:

- **Structural protections** (e.g., California, Florida) rely on caps to ensure predictable growth
- **Targeted relief systems** (e.g., Texas) combine exemptions and freezes for vulnerable groups
- **Locally driven systems** (e.g., Virginia) provide flexibility but result in uneven benefits

Virginia stands out for its **decentralized, means-tested approach**, which can effectively target relief but lacks the broad, automatic protections seen in states with strict caps or statewide exemptions.