

# **RACIAL DISPARITIES IN PROPERTY VALUATIONS AND REAPPRAISALS**

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XUSANA DAVIS  
EXECUTIVE DIRECTOR OF RACIAL EQUITY  
STATE OF VERMONT  
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## **The High Five**

1. Disparities in Under/Overvaluation
2. Property tax is a big deal
3. Homeownership Gap in VT
4. Demographic implications
5. Upstream factors compound inequities

# Under/Over Valuation



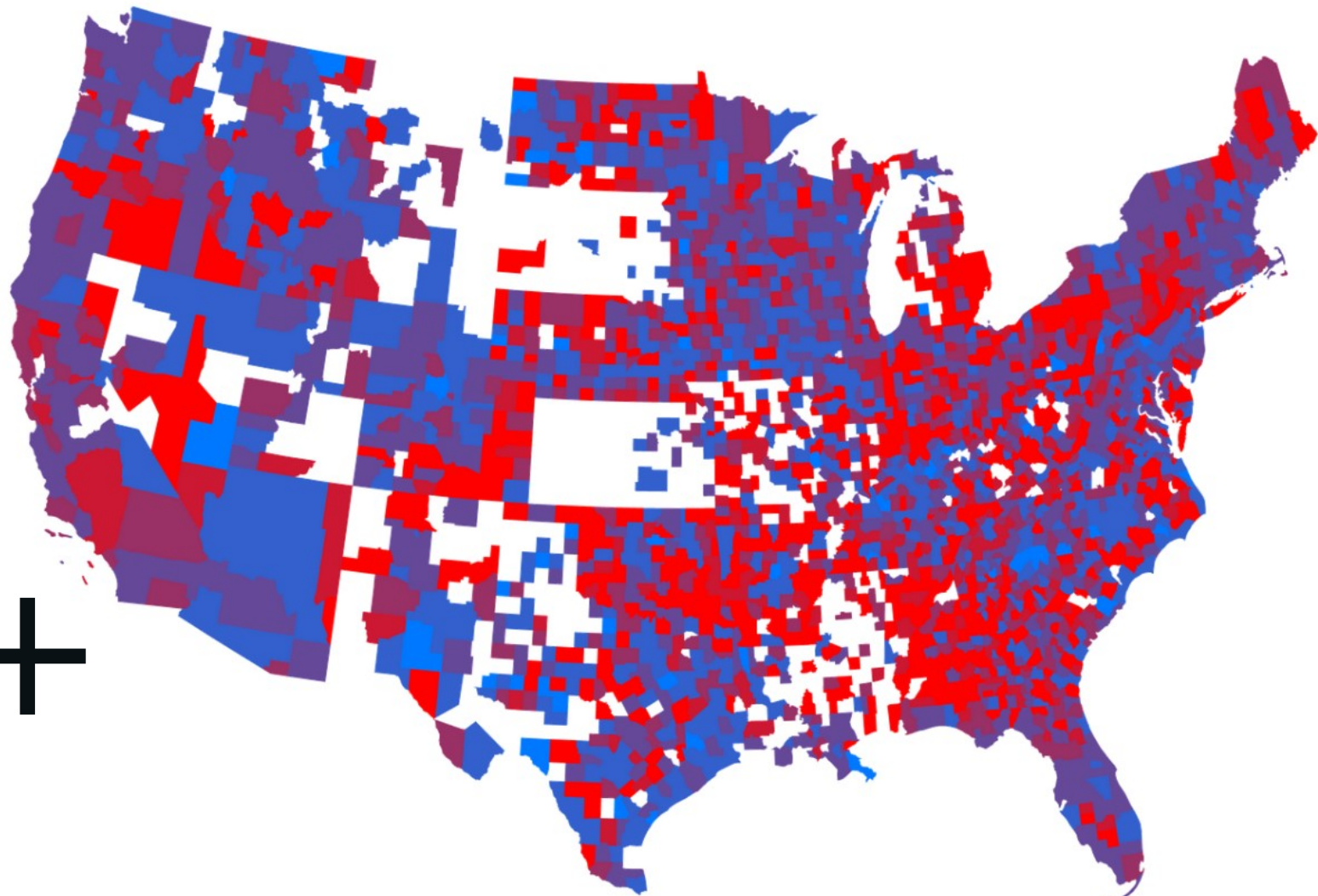
- Nationally, assessors **over**value properties of homeowners of color for tax purposes.
- Nationally, assessors **under**value properties of people of color for resale purposes.
- This difference is most pronounced for Black property owners and is true regardless of socioeconomic status.
- Black sellers are often told to “whitewash” their homes when seeking appraisals.

# Under/Over Valuation

## A National Problem

Data from 2,600 U.S. counties show that, on average, more than 9 of 10 assessed the least expensive homes higher, relative to the market price, than the most expensive. In 24% of counties, the lowest-valued homes were assessed—and hence taxed—more than twice as high in relative terms as the most expensive homes.

Ratio of relative assessment level of bottom decile of sale prices to top decile of sale prices



Data: University of Chicago, Harris School of Public Policy  
Alaska and Hawaii were not included in the study

# Under/Over Valuation



“These inequities are tucked deep inside America’s system for funding its local governments, tilting property taxes in favor of wealthy homeowners **even before any exemptions or abatements**. And they carry a jarring implication: The residential property tax, which raises more than \$500 billion annually to pay for public schools, fire departments, and other local services, is, in effect, racist. That conclusion **carries far-reaching implications** of its own—not only for municipalities’ day-to-day operations but also for roughly \$331 billion in general-obligation bonds that cities, counties, & school districts have guaranteed with property tax revenue...”

Jason Grotto, “How Unfair Property Taxes Keep Black Families From Gaining Wealth”

# Under/Over Valuation

“Policymakers should be aware that **these policies pick winners and losers**. For everyone whose home's assessed value is artificially low, someone else is paying more — a policy that often penalizes younger and lower-income families, and sometimes particularly people of color.”



Jared Walczak, Director of state tax policy, The Tax Foundation

# Under/Over Valuation



## COMPOUNDED EFFECT

Difference in mortgage interest payments (\$743 per year)

Difference in mortgage insurance premiums (\$550 per year)

Difference in property taxes (\$390 per year)

Total: \$13,464 over the life of the loan

Amounts to **\$67,320 in lost retirement savings for Black homeowners.**

Add to this the Black-White income gap (\$25,800)

“If we eliminate these extra costs paid by African Americans, the \$130,000

**Black-White gap in liquid savings at retirement would drop by half.”**

And don't forget: **These estimates are likely understated** because they do not include costs due to delinquencies and defaults that inevitably flow from higher interest, insurance, and tax payments.

# Share of Local Revenue



- In general, property tax is the largest portion of a municipality's revenue.
- At the state level, this generally accounts for about 1% of own-source revenue, but in Vermont in 2019, it accounted for 25% of **own-source revenue, the highest in the U.S.** The next highest were NH and WA at 9%.

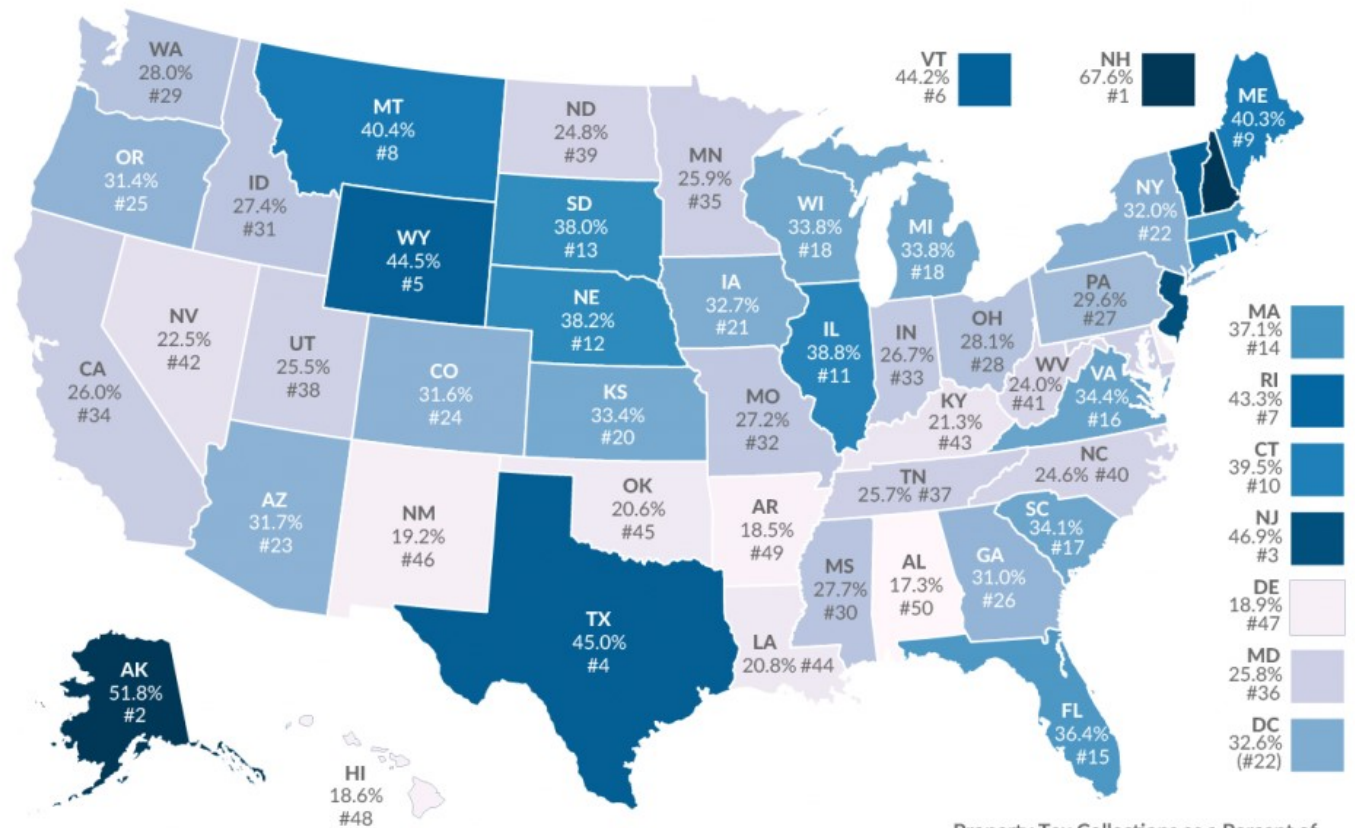
# Share of Local Revenue



In 2017, VT ranked 6<sup>th</sup> in the U.S. with property tax representing 44% of total State & Local tax collection.

## How Much Does Your State Rely on Property Taxes?

Property Tax Collections as a Percent of Total State and Local Tax Collections, FY 2017



Property Tax Collections as a Percent of Total State and Local Tax Collections, FY 2017

Lower Higher

Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.

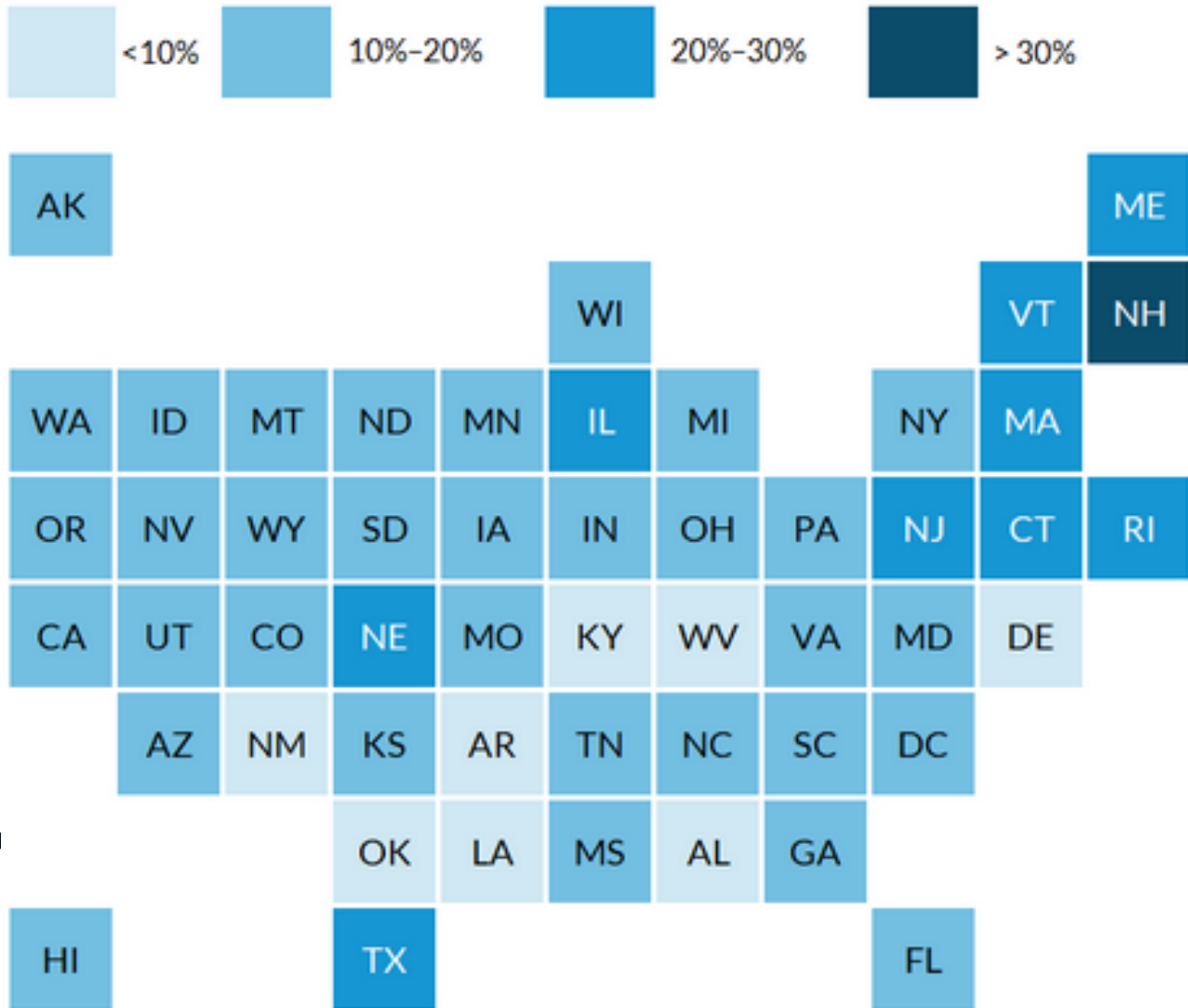
Sources: U.S. Census Bureau, "Annual Survey of State and Local Government Finances" Tax Foundation calculations.



# Share of Local Revenue

## Share of state and local general revenues, 2019

United States: 17%



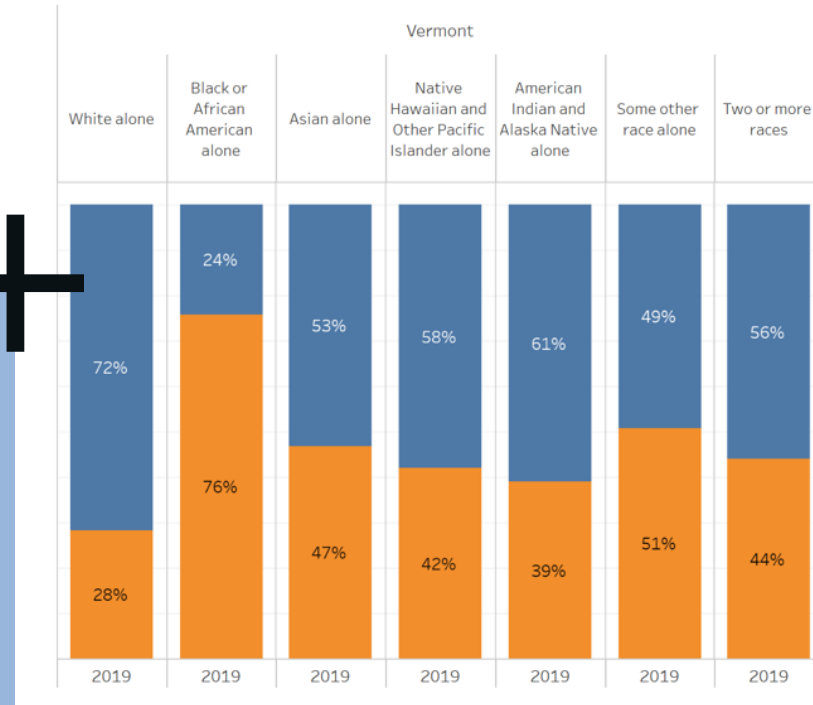
Source: US Census Bureau, Annual Survey of State and Local Government Finances, 1977-2019 (compiled by the Urban Institute via State and Local Finance Data: Exploring the Census of Governments; accessed 06-Jan-2022 11:10), <https://state-local-finance-data.taxpolicycenter.org>.

# Vermont's Ownership Gap

- VT has nearly the largest racial homeownership gap in the U.S.
- In Vermont in 2019, 72% of White residents owned their homes, while only 24% of Black residents owned their homes.

Percentage of homeowners and renters by race

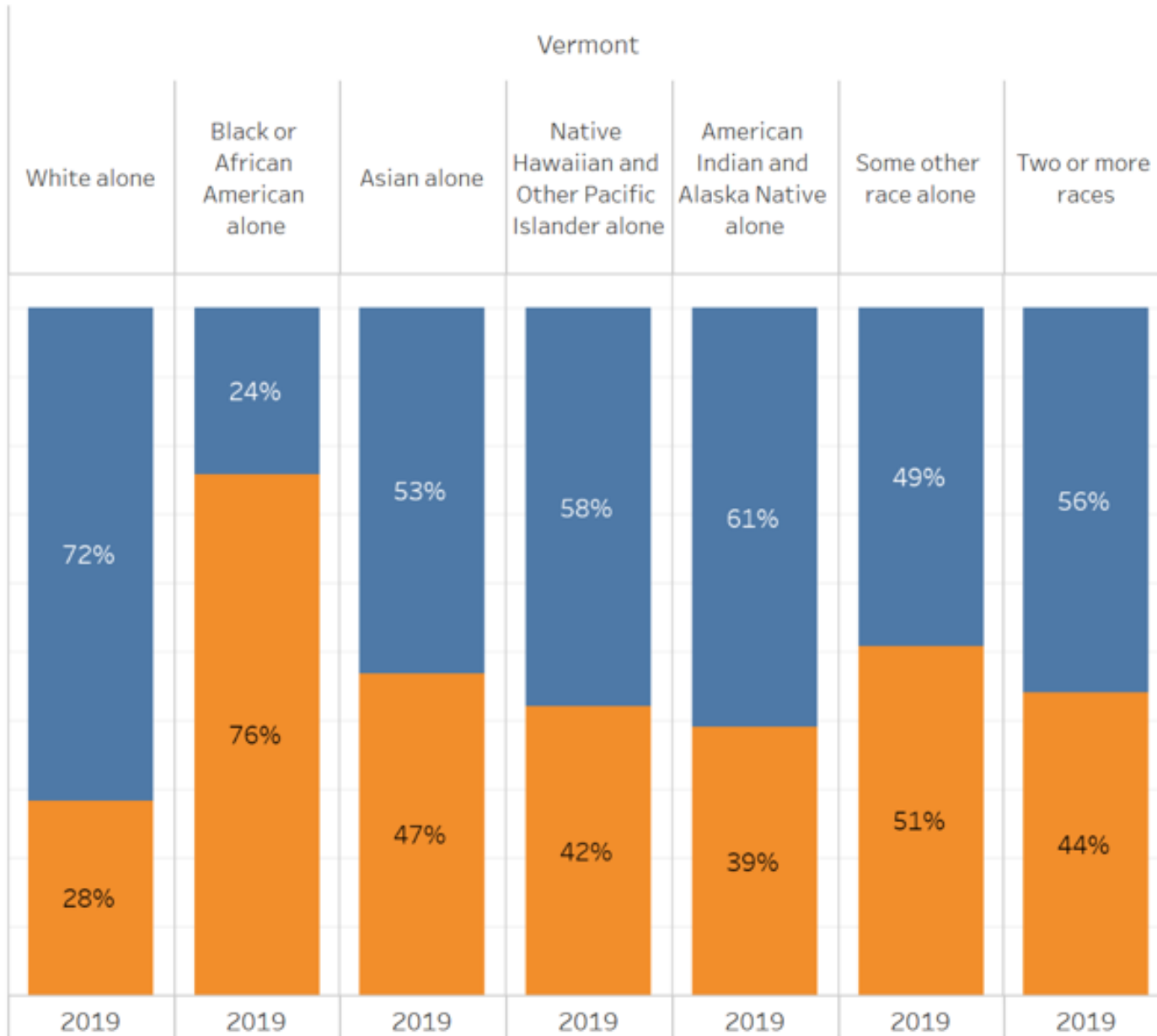
Household type  
■ Owner  
■ Renter



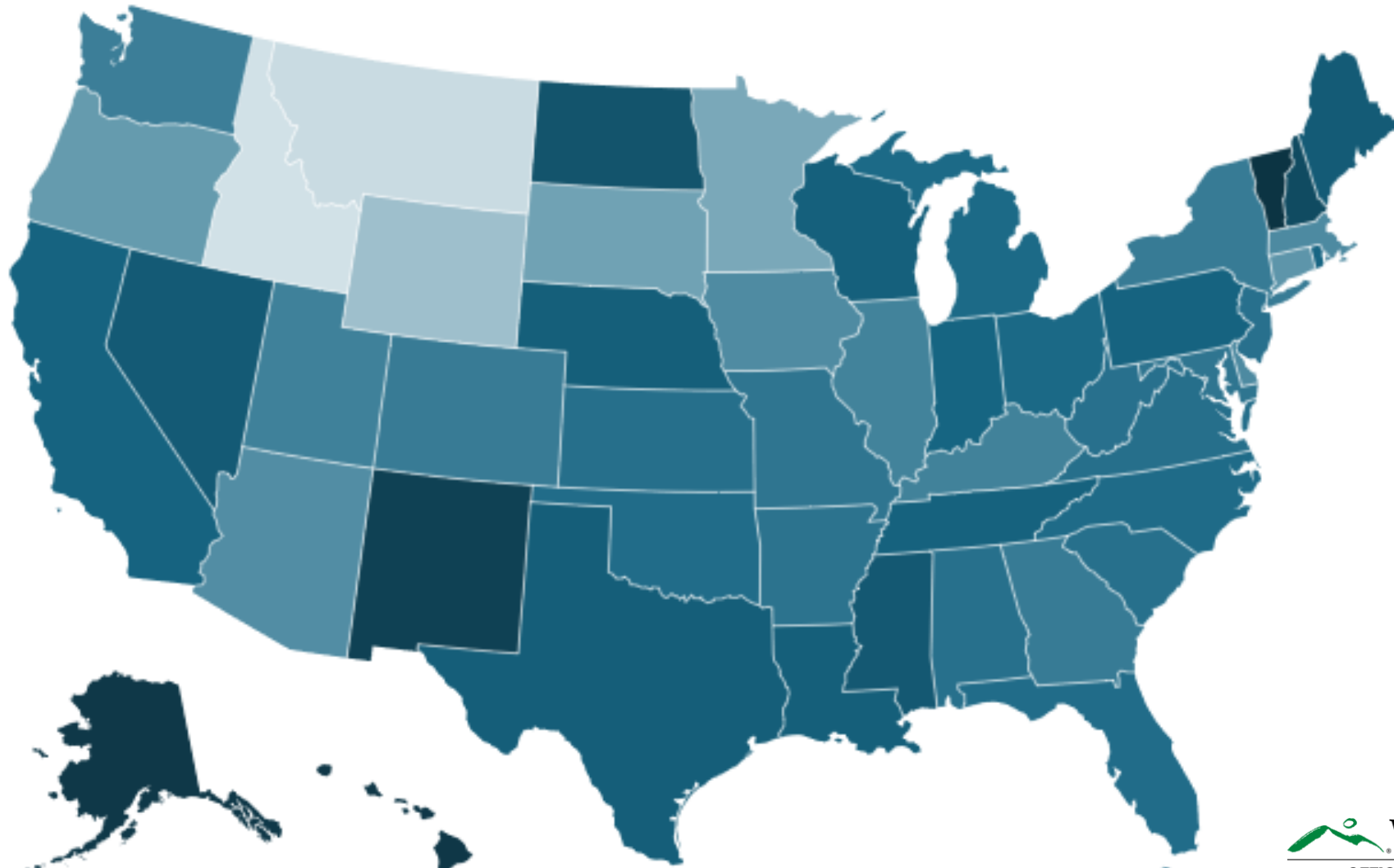
# Percentage of homeowners and renters by race

Household type

- Owner
- Renter

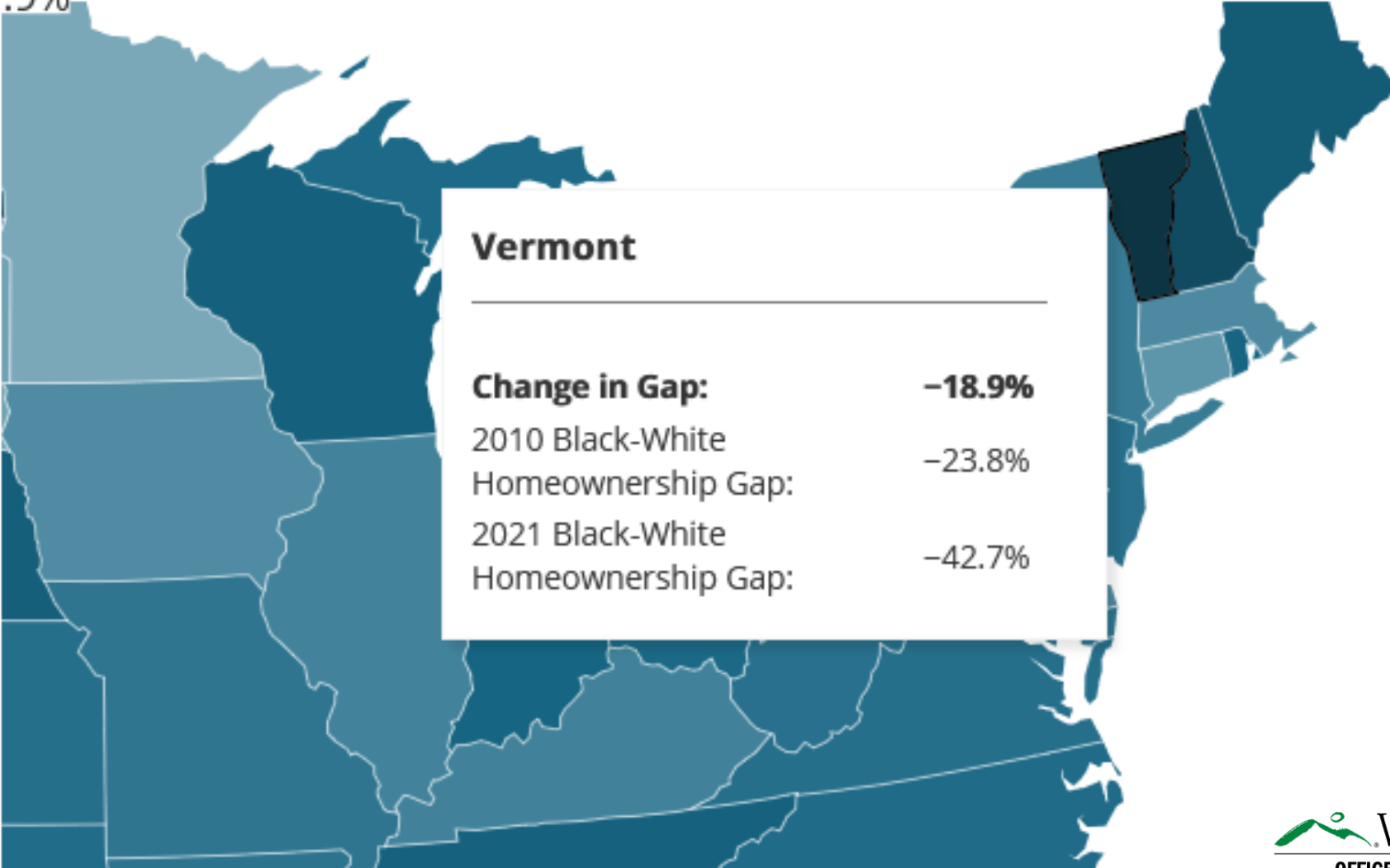


# How the Black-White Homeownership Gap Has Changed Since 2010



# How the Black-White Homeownership Gap Has Changed Since 2010

Gap Widening   Gap Narrowing  
9%



<b>Vermont</b>	
<hr/>	
<b>Change in Gap:</b>	<b>-18.9%</b>
2010 Black-White Homeownership Gap:	-23.8%
2021 Black-White Homeownership Gap:	-42.7%

# Demographic Implications



- Vermont's population has grown, but not fast enough to counter the state's rapid aging and out-migration.
- Millennial and Gen Z are the two most racially diverse age cohorts in U.S. and in VT.
- Young adults and new families are more likely to be multiracial & subject to systemic discrimination keeping them out of homeownership.
- For whom are we planning? Who are our future residents, parents, students, workers, etc?

# Upstream Factors



- Upstream inequity makes affording the valuation even harder
  - Educational attainment disparities and zoning bias that underfunds schools in low-income areas create challenges to gainful employment.
  - Employment discrimination creates lower incomes.
  - Intergenerational wealth makes inherited houses more affordable than new ones. Eviction and foreclosure rates make certain families more likely to lose their homes.

# Keep in Mind



- Risk-based mortgage pricing punishes oppressed people for being oppressed.
- Differences in refinance rates due to higher rejection rates & incorrect information from lenders.
- Less lender competition in majority-POC areas.
- VT needs 30k-40k homes by 2030.



## For further exploration

1. VHFA: Housing Data for VT [[link](#)]
2. Pew: “Black Homeowners Pay More Than ‘Fair Share’ in Property Taxes” [[link](#)]
3. University of Chicago: “Reassessing the Property Tax” [[link](#)]
4. MIT: “The Unequal Costs of Black Homeownership” [[link](#)]