Discussion: Real Estate Investors and Property Taxation

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Summary

- Identify investor properties by multiple listings of the same owner address across all Zillow properties in 2016. (Suspect this is an undercount due to misspellings, etc.)
- Regress assessment ratios on investor status including county/year fixed effects. 2005-2016 (Seem to have a mismatch with ownership data timing.)
- *Lower* assessment rates for investors in pooled regression:
  - Reject assessor bias because assessors are unlikely to observe investment status.
  - Reject a tendency for lower assessments rates due to price by citing studies that show that investors **tend to buy properties at a discount** and assessment ratios tend to be higher for low priced properties. (Should show this using data. Also, assessment regressivity is concentrated at very low prices.)
  - Appeals. Owners of multiple properties are more likely to appeal (although they are less likely to win an appeal).

Some Strong Claims

- "In most states, counties take the responsibility of determining assessment value."
- "Scaling factor" – assessment rate – is the same throughout a state (or county?).
- "Most jurisdictions conduct assessments annually."
- "Counties have discretion on the exemption level."
- "Compared with investors, owner-occupiers in general make a more prudent choice when it comes to property tax appeals." A "must-do process" for large investors.
- "Many first-time homebuyers are not even aware of the existence of the tax appeals process."
- "It takes a considerable amount of time and effort to research and collect evidence, such as comparable homes values, photos to show the conditions of subject properties, and prepare invoices to support a lower value." Etc.

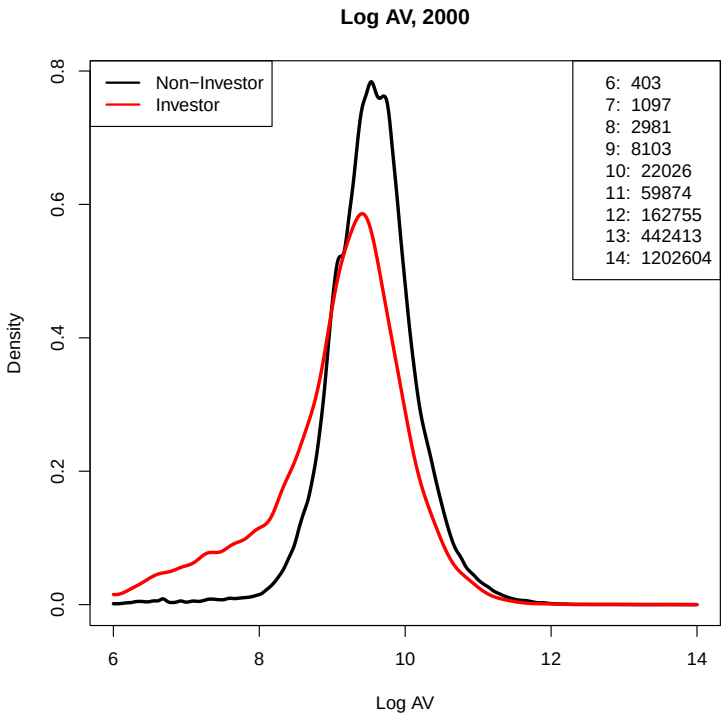
Should jurisdictions be combined when analyzing assessment data?

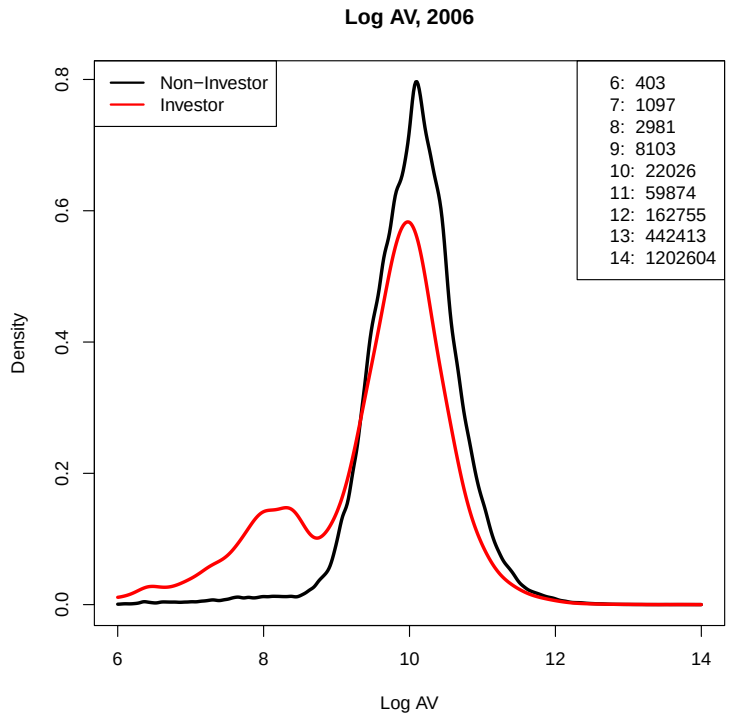
- Geographic units for assessments?
- Classification (particularly a problem if there are problems with identification of property use)
- Assessment cycle
- Assessment limits. Omit California because "the gap between market values and assessment values has widened since the passage of Prop 13." Same is true for places like Michigan, Pennsylvania, and NY.
- Fixed effects need to be at the right level of geography, and still require that the effect of investor status does not vary by time or location.
- Assessment ratio analysis is inherently distributional; regressions are based on means.

Main Result: Assessment Rates are Lower for Properties Owned by Investors

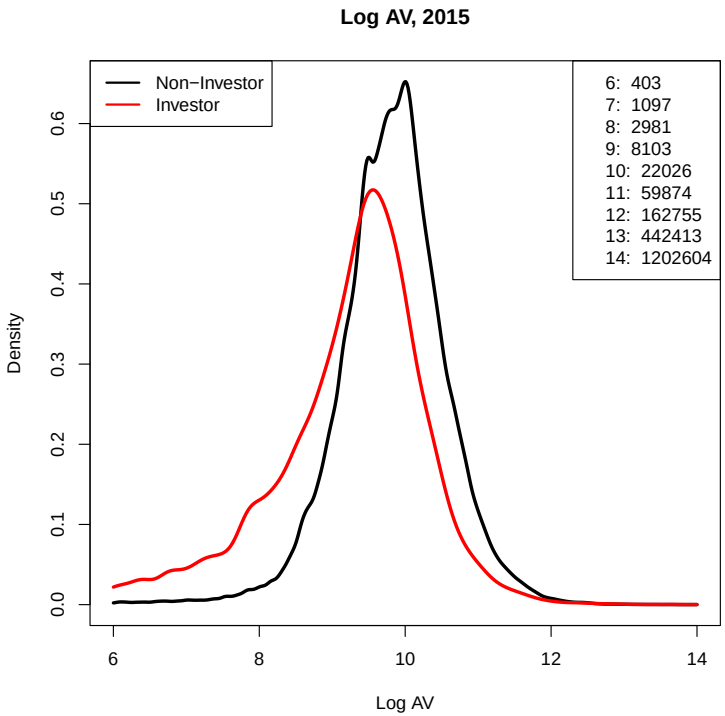
- Main analysis is conducted using pooled data.
- Separate regressions by state produce mixed results: large investor-coefficient is significantly negative for 15 states, significantly positive for 8 states, and insignificant for 8 states.
- Cook County results suggest assessment rates are *higher* for investor properties.

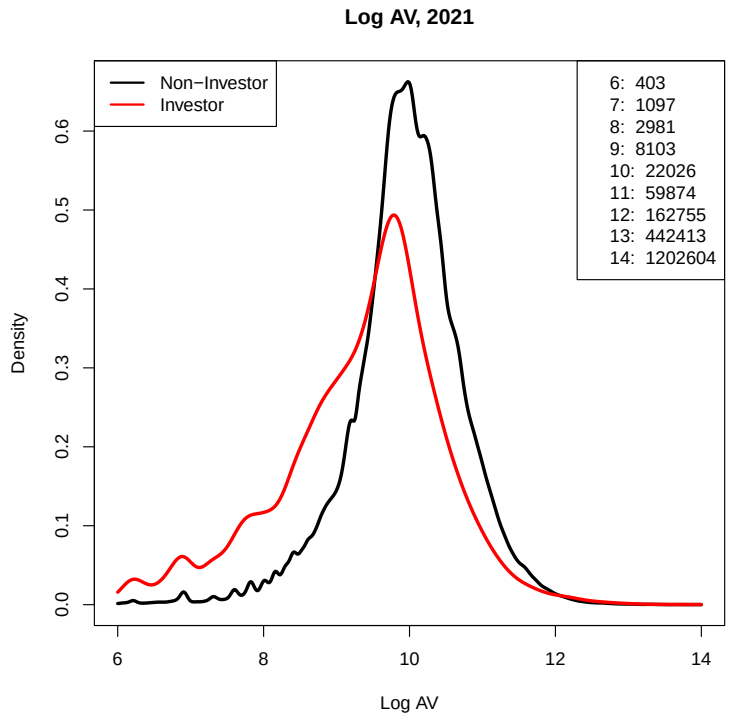
Densities of Log AV for Investment and Non-Investment Class 2 Properties in Cook County, 2000 and 2026



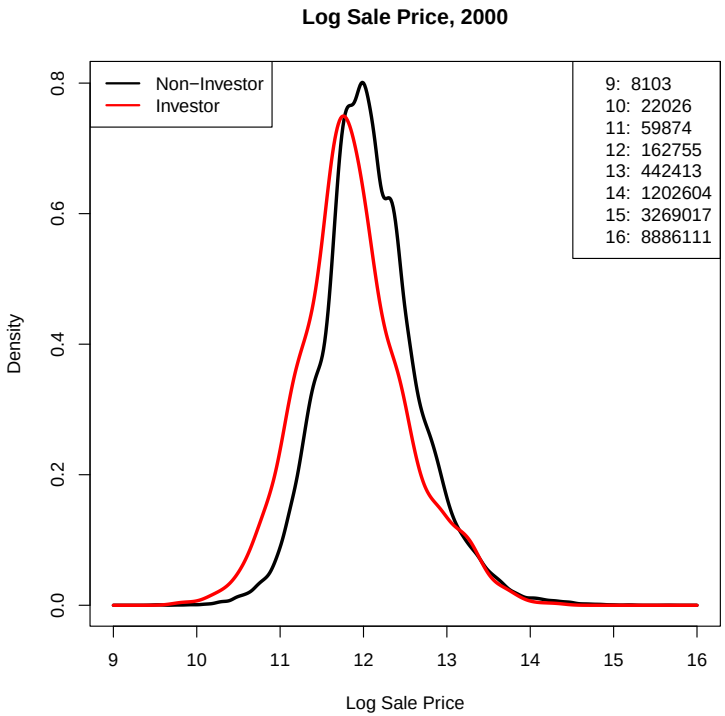


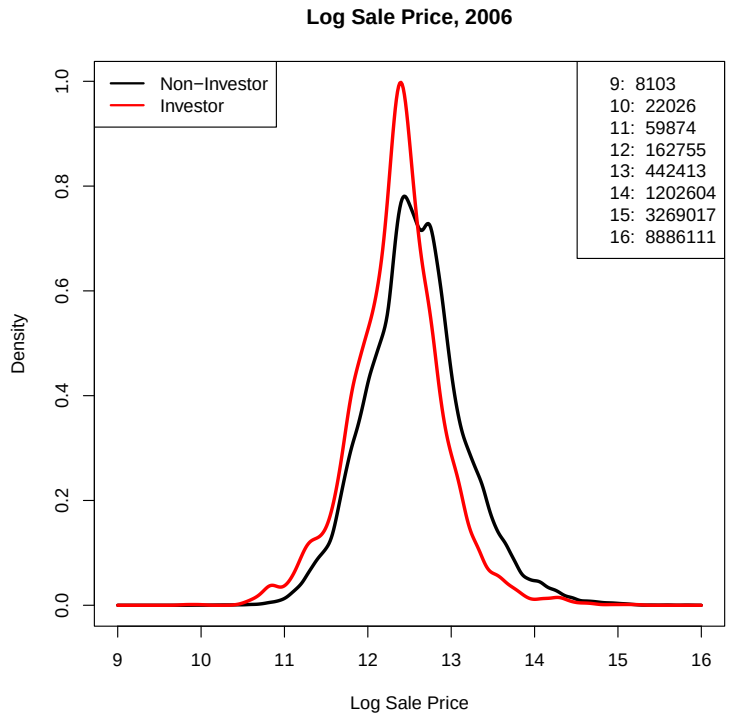
Densities of Log AV for Investment and Non-Investment Class 2 Properties in Cook County, 2015 and 2021





Densities of Log Sale Price, 2000 and 2006





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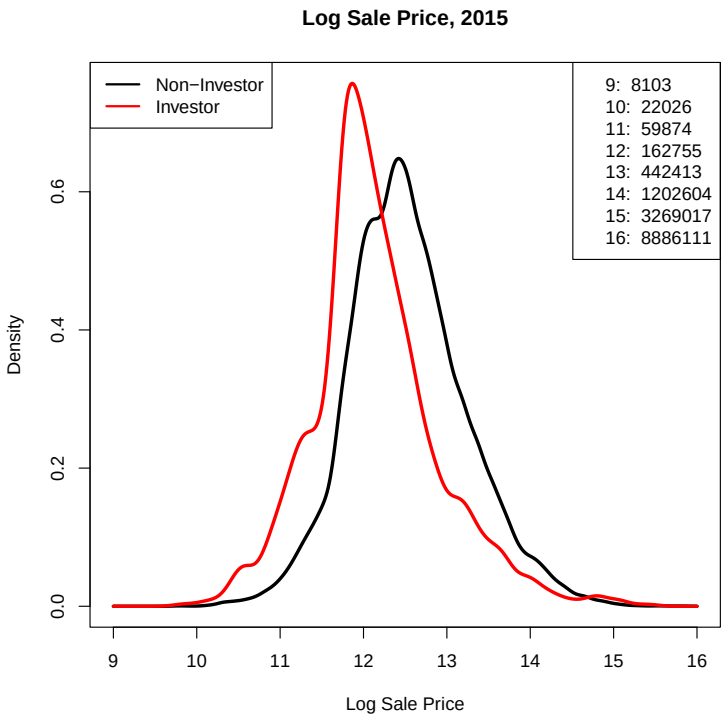
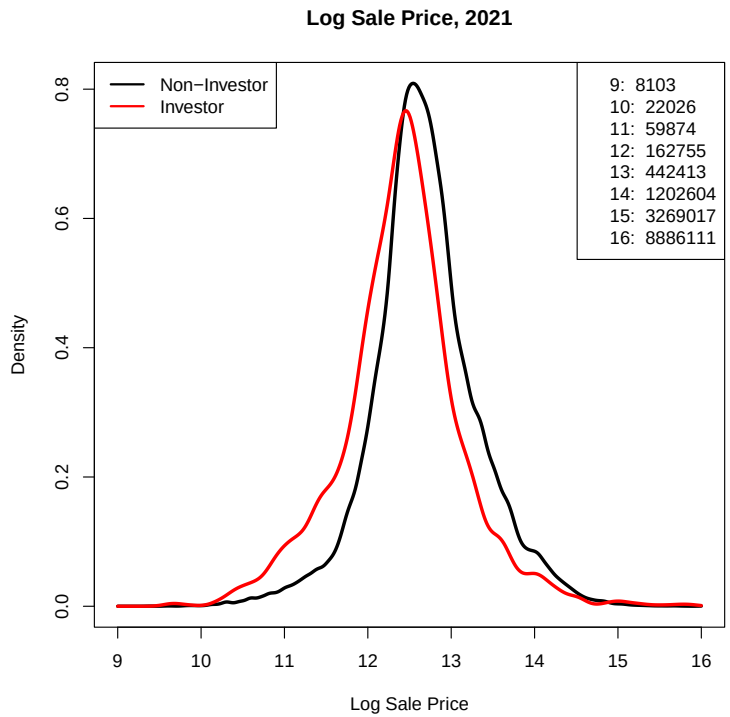
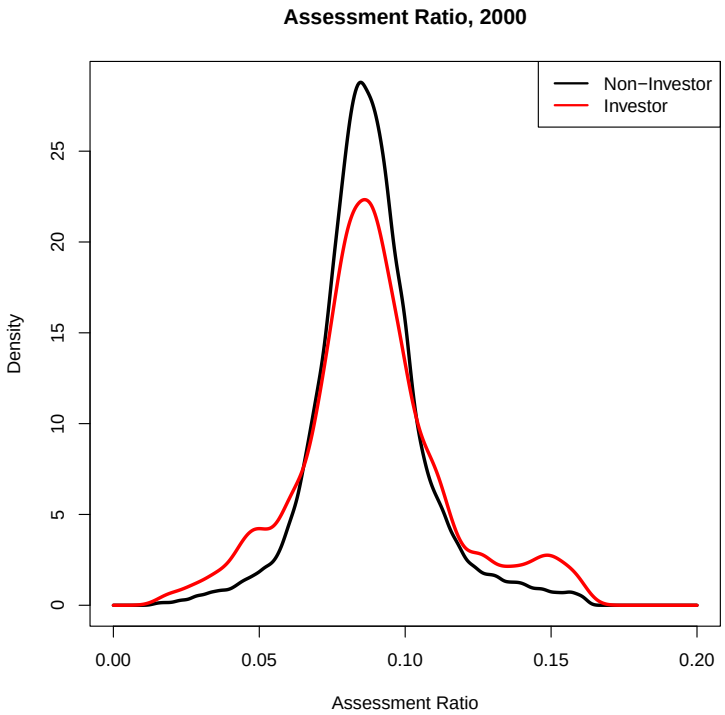
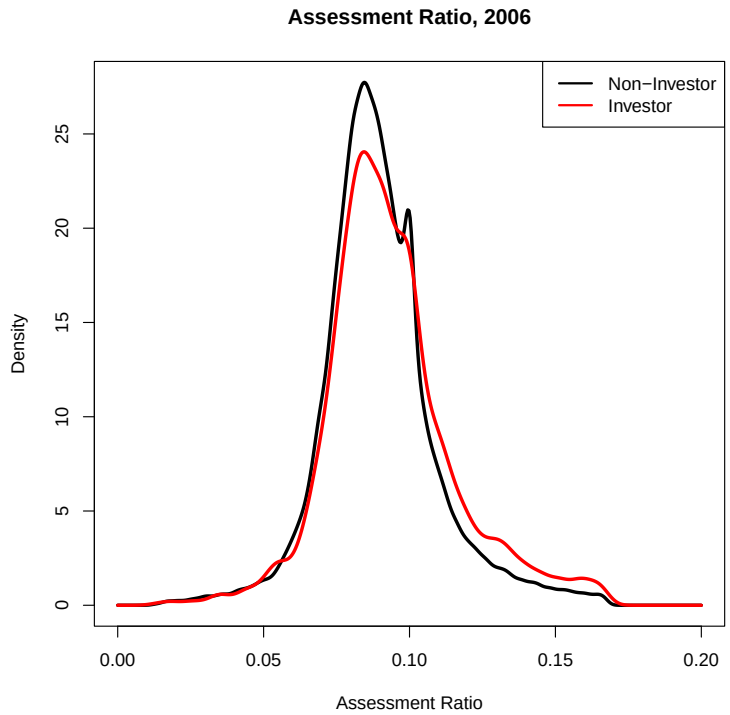




Densities of Assessment Ratios, 2000 and 2006





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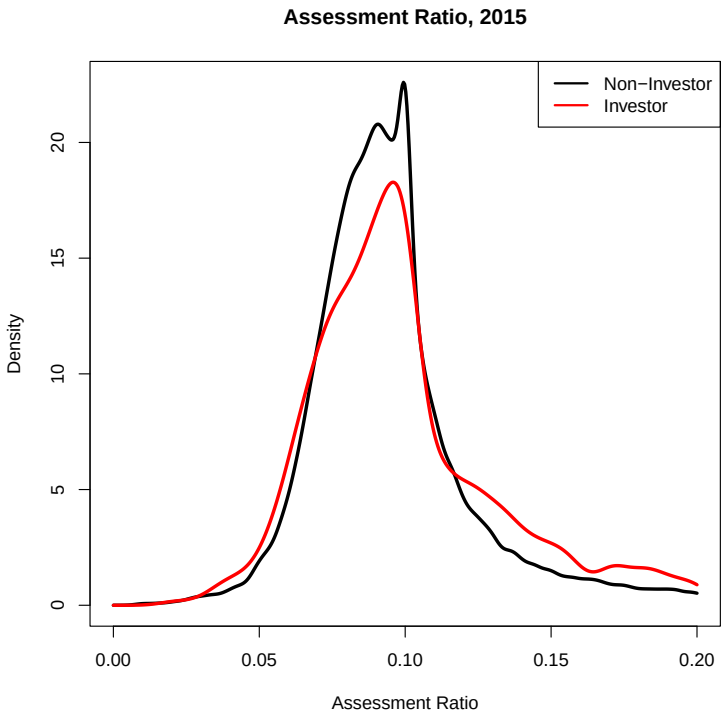

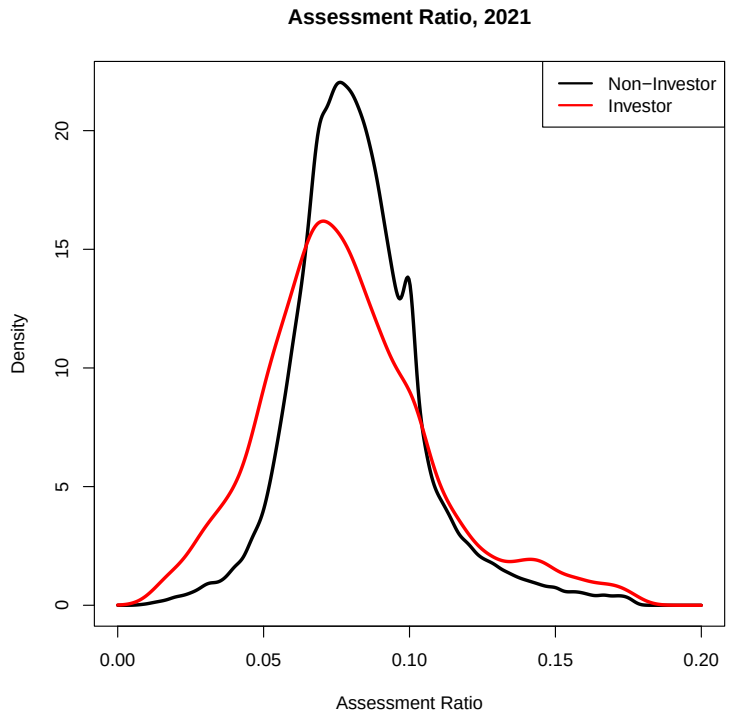

Table: Assessment Ratio (x100) Regressions, Cook County

Assessment Year	2000	2006	2015	2021
Investor	0.063	0.380	0.423	-0.364
s.e.	0.052	0.030	0.060	0.044
clustered s.e., 38 townships	0.079	0.084	0.141	0.133
Investor with Township FE	-0.076	0.140	0.110	-0.239
s.e.	0.051	0.028	0.058	0.043
clustered s.e., 38 townships	0.076	0.042	0.130	0.107
Investor with Census Tract FE	0.091	0.120	0.018	-0.102
s.e.	0.051	0.028	0.057	0.042
clustered s.e., 38 townships	0.058	0.038	0.102	0.088

Suggestions

- Conduct the analysis at a lower level of jurisdiction
- Test whether coefficients are stable over time.
- Summarize the results using histograms and use regressions to analyze patterns in the results.
- Quantile analysis.
- Why does this matter? Relate to exemptions, local v. out of jurisdiction tax burden. Distribution of taxes paid v. benefits received.