

## Introduction to Property Tax Revenue Calculator Model

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Ready for downloading to your computer is an Excel spreadsheet model of Mason/Oceana County property tax revenues. Specifically the spreadsheet models the impact on property tax revenue associated with a sudden decline in market value of residential property caused by the Scandia wind factory.

The model is driven by assumptions you set. These include, (1) initial market value of property that is affected, (2) annual tax rate, (3) annual tax increase cap (4) annual market value increase, (5) average length of time (holding period) between a property's purchase and its sale, and (6) a one-time market value reduction. Initial taxable value is computed based on these assumptions.

For any set of assumptions you choose, two sets of property tax revenue streams are calculated. One stream is based on there being no market value decline, that is, based on the assumption there is no Scandia project. The other tax revenue stream is based on there being a market value decline, that is, based on the assumption that the Skandia project moves forward. And finally the difference in these two tax revenue streams is calculated. This difference can be thought of as the cost of the Skandia project as measured by lost property taxes.

You will set assumptions as you think reasonable. As you first look at the spreadsheets you will see assumptions set at amounts that seems reasonable to me. In setting assumptions I considered only lakefront lots along a 20 mile stretch of beach, spanning parts of both counties. Based on this I came up with an initial market value of \$1 billion (fifty 100 foot properties per mile, each worth \$ 1 million.) I set the tax rate equal to 2.4%; the tax cap equal to 2%; annual market value increase equal to 6%; average holding period of 10 years, and one-time market value decline equal to 15%. Based on these reasonable assumptions, the impact on property tax revenue is startling. Over a 30 year period the average annual cost is \$3.4 million (\$102 million / 30).