

# Unlocking Equity: Racial and Income Disparities in Property Assessments, Sale Prices and the Property Tax Burden in Montgomery County, Maryland

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# Introduction

**Relevance of Study:** The wealth building benefits of homeownership is not distributed equally among low - income homeowners and homeowners of color.

- These disparities are driven partly by inequities in the *assessment gap* and the *property tax burden*.

**Current Literature:** Avenancio-Leon and Howard (2022) found that even within the same jurisdiction, Black and Hispanic residents bear a 10-13 percent higher property tax burden compared to White residents.

## Data:

- Collected data on sale prices and assessment values on 300 residential properties (via Maryland State Department for Assessment and Taxation)
- Sample included residential properties within all three assessment groups (2021, 2022, and 2023) sold between April 2023-June 2023
- *\*Arms-length sales only (home sales transaction conducted via a realtor)*

# Montgomery County Assessment Areas

**Area 1:** Includes areas in *Up County* and *Down County*

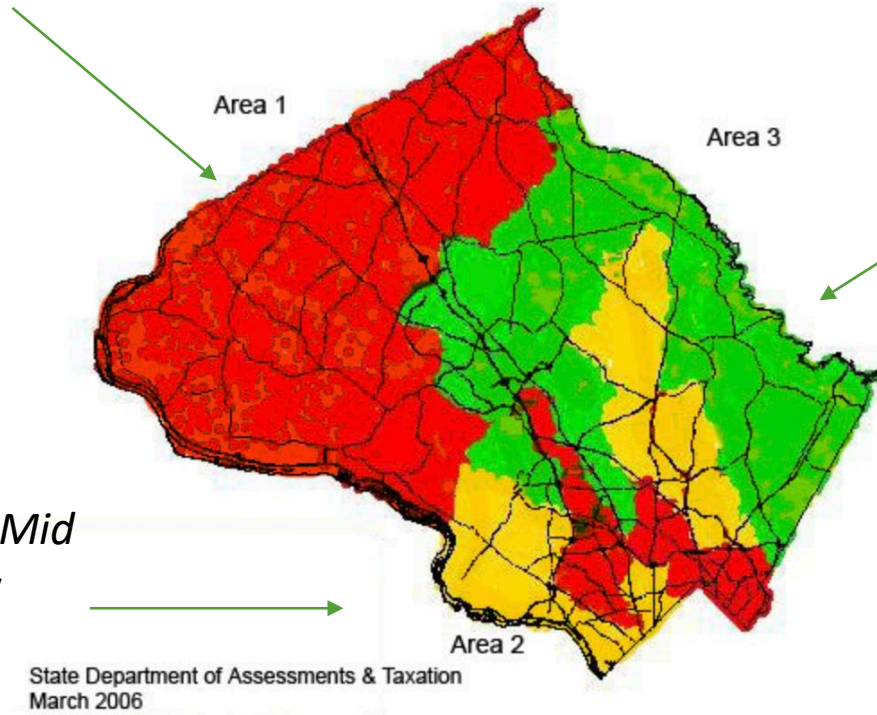
- Poolesville
- Clarksburg
- Silver Spring

**Area 3:** Includes areas in *Up County*, *Down County* and *East County*

- Gaithersburg
- Colesville
- Rockville

**Area 2:** Includes areas in *Mid County* and *Down County*

- Bethesda
- Olney
- Wheaton



Area 1	Assessment Area 1 will be reassessed for January 1, 2022
Area 2	Assessment Area 2 will be reassessed for January 1, 2023
Area 3	Assessment Area 3 will be reassessed for January 1, 2024

# Comparison of Sale Price to Assessment Value (By Assessment Group)

Key Finding #1: The average assessment gap for homes in the dataset was 23%. Residential properties assessed in prior years have a **larger** assessment gap compared to those assessed in the current year.

	Average Sale Price	Average Assessment Value	Average Dollar Difference	Assessment Gap
Area 1- Assessed in 2022 (n=101)	\$864,591	\$657,489	\$204,102	23%
Area 2 – Assessed in 2023 (n=119)	\$1,370,041	\$974,839	\$395,202	16%
Area 3 – Assessed in 2021 (n=79)	\$670,376	\$452,394	\$167,982	27%

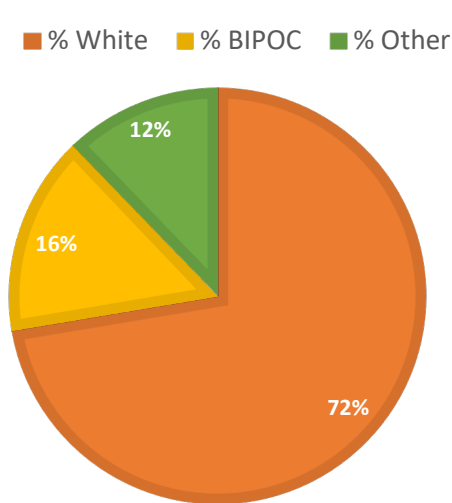


# Socio-economic Demographics of Select Neighborhoods

High income and low racially diverse neighborhoods (High SES) – Bethesda, Chevy Chase and Potomac

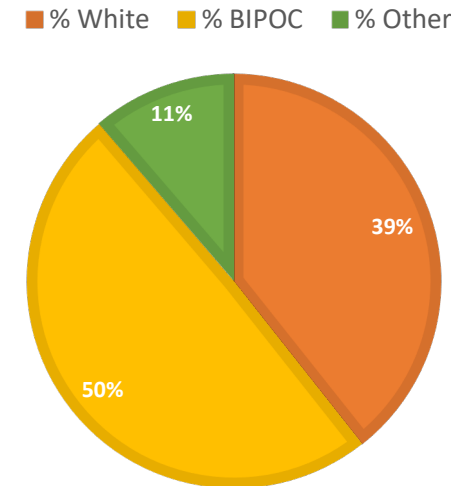
Low income and high racially diverse neighborhoods (Low SES) – Silver Spring, Takoma Park, Germantown

High SES neighborhood racial demographics



Average Household Income: \$195,070

Low SES neighborhood racial demographics

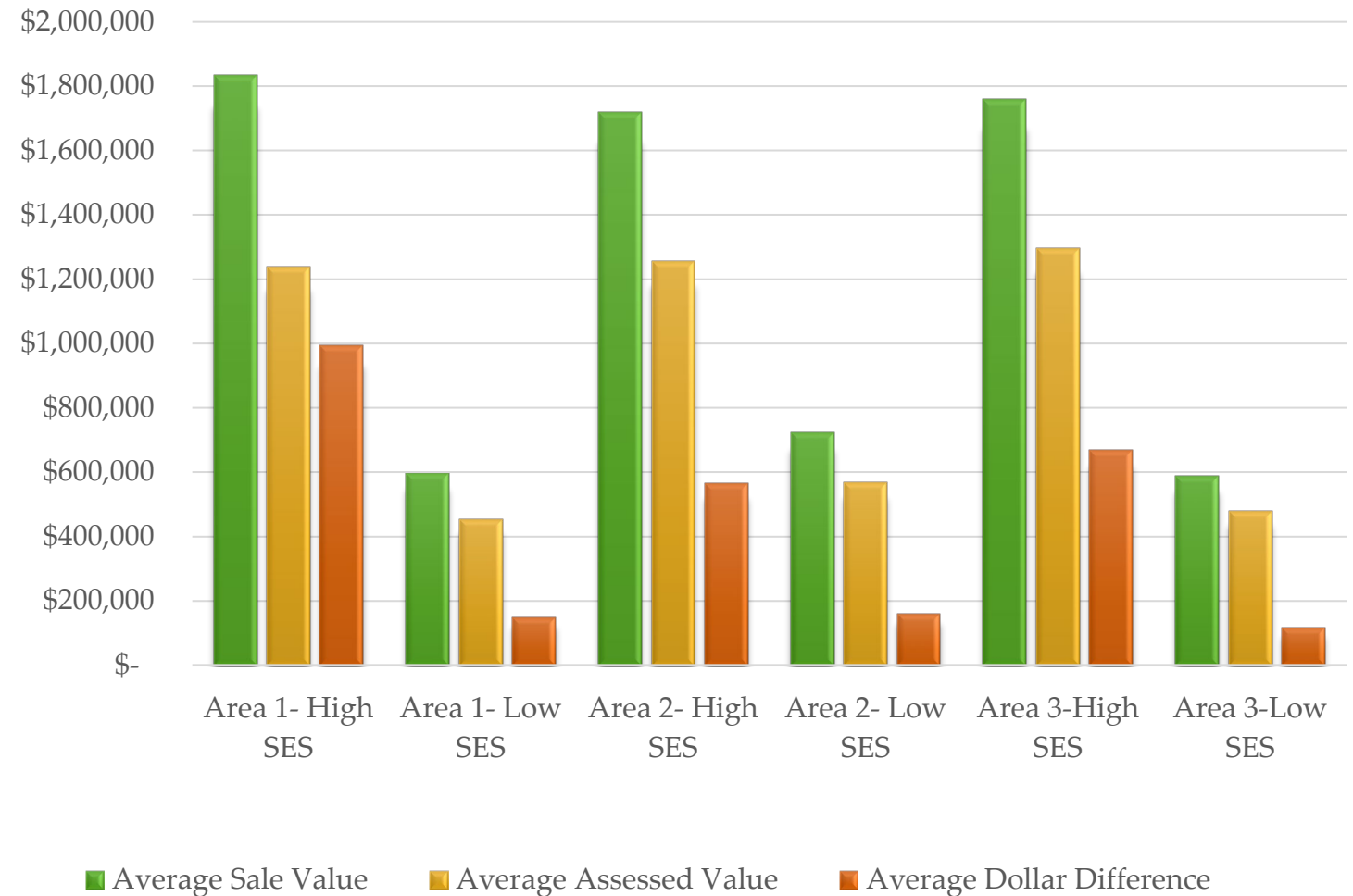


Average Household Income: \$94,292

# Racial and Income Disparities in Average Value to Assessed Value (by Assessment Group)

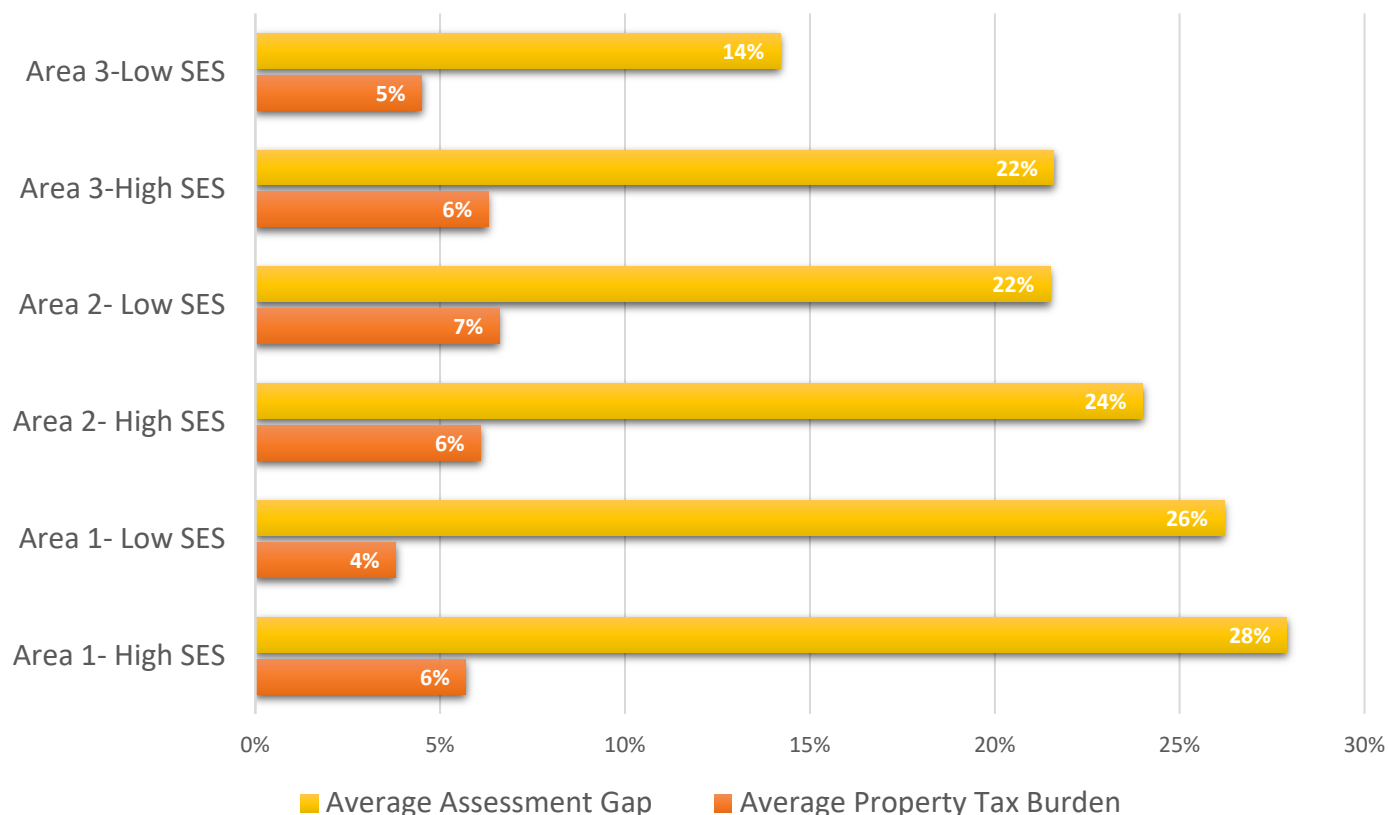
**Key Finding #2:** In the County, homes sold in neighborhoods with higher percentages of high-income, white residents consistently have assessments that vary *significantly* more from sales prices.

- *This means that households in Low SES areas may generate less wealth than households in High SES areas when they go to sell their properties.*



# Racial and Income Disparities in Property Assessment Gap and Property Tax Burden (by Assessment Group)

Key Finding #3: Although low-income BIPOC residents pay about the same tax rate as high-income white homeowners, individuals with lower priced homes are paying a higher percentage of taxes on the actual value of their home than those with higher priced homes.



# Policy Recommendations

**Recommendation #1:** Lobby the Maryland State Delegation to implement oversight process and procedure for home value assessments.

- Establish an independent task force or commission to conduct a thorough review of the property assessment process to identify biases and disparities.
- Ensure transparency and public engagement in the assessment review process.
- Implement regular audits of assessment practices to maintain accuracy and fairness.
- To advance equity in the property tax system, jurisdictions should implement accuracy checks and racial equity analysis into the assessment process

**Recommendation #2:** Promote community engagement and education around the assessment process and about available property tax credit relief programs.

- Organize town halls, workshops and public forums to educate residents about property tax assessment processes and their rights
- Partner with community organizations to reach underserved populations and gather feedback



THANK YOU!

