Property Taxes 101

Here’s what you need to know about property taxes and the property tax relief programs available in nearly every state to those who qualify.

What Are Property Taxes?

Sales tax is pretty straightforward. When you buy a cell phone, for example, you pay the taxes added to the purchase price.

Property tax is much the same, except unlike sales tax, homeowners and property owners pay property tax every year, either annually, quarterly, or bi-annually, depending on local laws.

While tax rates — what percentage you pay in taxes — vary by state and county, property tax is always based on the value of the home or property such as an apartment building.

To determine the value, local governments make property tax assessments — a professional estimation of the market value of the property. The assessment covers not just the dwelling, it also typically includes the land on which the property is located.

Local governments then use the assessments to calculate what homeowners and property owners owe in property taxes, which are used to fund water and sewer improvements, and provide law enforcement, fire protection, education, road and highway construction, libraries, and other services that benefit the community.
What Are Property Tax Assistance Programs?

Local governments offer “tax relief” through property tax assistance programs to help homeowners pay fair property taxes based on qualifying situations, such as earning a low income. Nearly every state, including the District of Columbia, has programs that offer relief from property tax bills. Most programs are for homeowners, but some renters can qualify for relief, too.

Most recipients of property tax assistance programs either pay lower taxes or get direct tax refunds. While many people know they may receive money back on their income taxes when they file a return, few people know there’s property tax relief available that could put money back in their pockets.

Nationwide, AARP Foundation estimates more than 9.3 million older adults living on a limited income may be eligible for money-saving property tax relief — but only 8 percent apply to their state’s relief programs.

As you might expect, every state or locality offers its own unique programs, each with different eligibility requirements. Assistance is typically given to older adults, people earning a limited income, veterans, or people with disabilities.

Some states even offer property tax credits or rebates to renters, based in part on the actual amount of rent they paid.

Here are a few of the ways property tax relief works:

**Homestead Exemptions**
Removes a portion of the assessed home’s value so less tax is owed on the property.

**Property Tax Credits**
Offers a tax credit that reduces the amount of property tax owed.

**Circuit Breakers**
Provides households with a tax refund based on their income.
How to Apply for Property Tax Relief

The first step is to review the property tax relief program’s eligibility requirements. If a homeowner or renter meets these requirements, they can complete and submit an application, which can usually be found on the website of the government agency administering the program. In some states, like Minnesota, the agency may be the state’s Tax or Revenue department. In others, like North Carolina, it may be a county office. Application forms vary in length, and can sometimes seem complicated. But generally they ask questions related to a person’s eligibility criteria, such as age, household size and income, property location, etc.

For many property tax programs, homeowners and renters must provide documentation to show they meet all of the program’s criteria, and may be asked to provide:

- **Valid identification that shows a person’s age, disability, or veteran status**
- **Proof of total income and source of income**
- **Proof of property ownership or rent paid**
- **Past property tax payment documentation**

In addition, homeowners and renters need to submit their completed applications with the required documentation by the application deadline. Deadlines for property tax relief also vary by state and can be tricky. In fact, every state and the District of Columbia has its own independently set deadlines.
Rest assured, all personal information will remain secure and confidential.

What’s more, state agencies may update the application forms and program criteria for the new year, with new application forms becoming available then or at different times of the year. It is critical to use the correct form for the tax year in which you are applying for property tax relief.

Launched in 2019, AARP Foundation Property Tax-Aide helps people more easily find, understand, and apply for property tax relief programs where they live.

People can visit our website to learn if they may be eligible for property tax relief in their area, when to apply, and find a link to their state’s property tax relief programs. In some states, people can use our free Property Tax-Aide software to complete an application on their own.

To learn more about property tax relief programs in your state and to see if you might be eligible to apply, visit the Property Tax-Aide website at aarpfoundation.org/propertytaxaide