Tax Salience, Escrow, and Support for Property Tax:

Findings from a Survey of South Carolina Voters

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Dr. Sarah Young, Assistant Professor of Political Science.
University of South Carolina Aiken
SarahY@usca.edu

Dr. Matthew Thornburg, Associate Professor of Political Science.
University of South Carolina Aiken
MatthewTh@usca.edu

Abstract:

Tax salience has been found to impact tax opposition attitudes in a previous study, and scholars find that tax presentation is a key factor influencing the salience of a tax to those who pay it. We test Cabral and Hoxby's 2012 hypothesis that homeowners who escrow their property tax payments will express more support for property tax increases than non-escrow taxpayers. Using original data collected from a mailed survey of South Carolina voters our multi-variate regression analysis shows that homeowners who escrow property taxes express more support for increasing school tax than do non-escrow payers. We also find significant knowledge limits among respondents in understanding the actual school tax costs on taxpayers in South Carolina. Most S.C. homeowners are exempt from paying property taxes for school operations, but this is not widely understood according to our findings. *Note: The data collection for this project was funded by an ASPIRE I research grant provided by the Office of the Vice President of Research for the University of SC system. The USC Aiken Social Science and Business Lab also provided funding support.*

Despite economists' contention that the property tax is a stable and fair mechanism of taxation (Youngman 2016), citizens tend to dislike it as a revenue source. For at least the last four decades a plurality of Americans rate the property tax as their least popular tax in public polling (Gallup 2021, International Communications Research 2003, Advisory Commission on Intergovernmental Relations circa 1994). The late twentieth century explosion of "tax-payer revolts" made manifest citizen resistance to the tax across a range of states. California's Proposition 13 referendum in 1978 demonstrated voter demand for enacting significant limits on local government collections from this revenue source (Sears and Citrin 1985). In the years that followed additional states adopted anti-tax measures via referenda (Martin 2008, Morgan 2007, Campbell 1998, Lowry 1982, Lowry and Sigelman 1981, Rabuska and Ryan 1982), with later states such as South Carolina setting limits via legislative statute. Researchers describe the shift away from financing local programs through the property tax as a critical juncture in our country's fiscal policy history (Auxier, Gordan, and Rueben 2020). Property tax limits constrained the growth of local government spending and program capacity and ushered in a rightward shift to politics in the late twentieth century (Prasad 2018).

Despite the well documented backlash to property tax, it endures as an important funding source of local governments, especially for financing public education (Grubb 2009). Local property tax provided 37% of public school funding across all states in 2017-18, ranging from 13% in Alaska to 61% in New Hampshire (National Center for Education Statistics 2021). Policy analysts generally regard the property tax as one of the most progressive, transparent, and appropriate means of raising local public revenues, even with its lack of popularity (Youngman 2016). While few citizens will claim a fondness for the property tax, they often demonstrate an understanding of its necessity. Research shows that voters in New York referenda regularly approve school budgets which include property tax increases, especially if given the chance to be involved in the budgets' planning stages (Silverman 2017). Even in states that experienced property tax revolts, citizens regularly vote to waive the property tax caps in their school districts (Roscoe 2014). If not entirely popular, the property tax can be well-tolerated by citizens.

Our examination explores how tax presentation relates to variation in citizens' willingness to support property taxes to fund public schools. We consider how payment of property taxes by escrow could yield higher expressed support for school tax increases among homeowners, than

does payment of property taxes separate from a monthly mortgage. Our research is influenced by the findings of economists Cabral and Hoxby (2012), who concluded that a higher share of escrowing in a region was related to fewer occurrences of property tax revolts. Following Cabral and Hoxby we posit that when homeowners pay taxes by escrow they are less sensitive and attentive to the cost impacts of property tax increases. We also consider how tax presentation by escrow impacts the level of knowledge of the actual costs of school property taxes among homeowner-voters.

We apply these research questions through an exploration of property tax features to a case not yet accounted for in the state and local policy literature on tax opposition. Our survey of a randomly selected sample of South Carolina voters provides data on homeowner tax support attitudes as well as knowledge of a current provision that exempts most homeowners from paying school property tax in the state. We find that escrowing taxpayers do support increases in school property tax more so than non-escrow taxpayers. But we also find that escrowing homeowners do not display significantly lower knowledge of the actual costs of school taxes as measured by expressed awareness of the exemption. Our data indicates that school property tax costs are poorly understood by most voters, escrow and non-escrow payers alike. While non-escrow payers demonstrate less support for school property tax increases, presumably due to their heightened sensitivity to rising tax prices, they are no more informed about current school tax features that impact tax costs than escrow payers. Our examination suggests that tax presentation via escrow impacts tax attitudes through lowering the salience of tax costs to homeowners who pay via this method. Non-escrow payers are no better able to assess the true current costs of property taxation, but they are more primed to react to the possibility of a tax increase via the higher salience of the issue to them.

Tax Salience and the Behavioral Public Finance Literature

Scholars in the field of behavioral public finance have engaged in a rich discussion of how citizen cognition of the policy mechanics of taxation impacts their tax attitudes (Kirchler 2007, Hill 2010). A major finding of this field is that taxes are poorly understood by the public. Taxpayers suffer from attention deficits and are not aware of taxes imposed on certain goods or services, and they make errors in their calculation of tax price effects even when they are aware of

the presence of taxes (Congdon 2011). Tax breaks or expenditures that provide resources to taxpayers through exemptions often escape the detection of citizens (Mettler 2011, 50-61). Studies find that citizens do not understand the regressive incidence of sales tax or how to evaluate and compare the aggregate cost of sales taxes as an alternative to the property tax (Schenk 2011).

Scholarship on "tax salience" addresses how attention and cognitive limits affect the ability of citizens to evaluate tax cost burdens. The concept of tax salience "captures systematic differences between how taxpayers would perceive the costs of taxation in [a] hypothetical world of perfect economic rationality and how taxpayers actually perceive the costs of taxation in the real world" (Gamage and Shanske 2011). Citizen's working knowledge of tax policy is spotty in that they fail to pay close attention to tax provisions as set by law. Moreover, tax policy is complicated and even if citizens display a willingness to stay informed about taxes, it is challenging for them to evaluate the full cost impacts of taxation on their budgets as tax complexity increases (Aradhna and Slemrod 2003). Studies on tax salience highlight the cognitive bias that taxpayers display by over or under-estimating tax costs based on the presentation of the imposed taxes (Gamage and Shanske 2011). Taxes that are presented and paid as separate, stand-alone bills are more visible than if they are rolled-up into the total cost of a good and paid in increments. Lump-sum tax presentation may provoke more concern about proposed tax increases among the citizens who will be obligated to pay them. Mode of tax presentation could have noteworthy impacts on citizen willingness to support increased taxes particularly in a context of information uncertainty.

Citizens may be especially sensitive to the presentation format of property taxes. Cabral and Hoxby's examination of how escrowing payments for property tax impact millage rates is a particularly insightful discussion of the effects of tax presentation. They found that in regions where more homeowners escrow their tax payments (that is, pay them in increments, rolled into their monthly mortgage payment) property tax rates tended to be higher. They concluded that a higher share of citizens paying with escrow in a state was associated with less tax opposition behavior and less voter actions to impose tax limits (Cabral and Hoxby 2012). The researchers reasoned that escrowing presents property tax costs in a way that is less immediately perceivable than presenting costs via an annual or quarterly tax bill. Escrow payers will systematically discount the ultimate cost of the taxes, whereas lump-sum payers are likely to view tax costs as more

burdensome. These differences in the visibility and discounting of taxes cause escrow and non-escrow voters to respond differently to a government when it sets local tax rates. Regions with a higher share of non-escrow payers experienced more tax activism and efforts to curb tax hikes than regions with a higher share of escrow payers, who simply went along with property tax increases.

The lower tax salience of escrow payers may also make them less capable to account for the actual, true costs of taxes than other taxpayers (Shanske and Gamage 2011). Breaking up tax payments over several increments makes it more onerous to account for the aggregate amount paid. Similar to how sales taxes may be overlooked due to their incremental accumulation over time, escrow payers may underestimate total property tax costs when broken up in regular installments (Wagner 1976). They may be less attentive to how property tax policy features work, and how those features impact their tax bill as a result. Their bias in fully accounting for tax costs could diminish their political response to rising millage rates due to lower detection of increases in their tax bill (Schenk 2011, 273).

However, non-escrow payers may be more likely to find property taxation an important voting issue relative to other issues because its cost impacts are more clearly revealed to them. They may more readily assess how property tax increases interact with their own ideological preferences. Tax presentation by lump-sum could cause homeowners to regard possible property tax increases as an especially salient policy issue (see Petty and Grosnick 1995, Miller et al 2016). Non-escrow payers may more actively engage to consider the policy effects of increased property taxation; for instance, in reckoning with the value of the service funded by taxes and the fairness of distribution of tax burdens among citizen groups (see Glaser and Hildreth 1999). The more deliberate interaction that non-escrow payers experience with the local government when paying their tax bills may push them to confront property taxation as a policy choice, in addition to a calculation of personal costs.

Our paper explores how tax salience impacts the level of support that homeowners have for paying school property tax as a test of Cabral and Hoxby's findings. But we also discuss the actual knowledge levels of non-escrow payers compared to escrow payers. Non-escrow payers may have enhanced sensitivity to costs imposed by property taxes and greater engagement with taxation as a larger policy issue. But is this a product of their greater knowledge of the true costs of property tax? Are non-escrow payers really more informed about tax costs than escrow payers,

or are they simply more primed to react to the "threat" of property tax increases? We consider how citizens can have limited knowledge of the actual costs of taxation, but still regard taxation as an important policy issue and how tax presentation via escrow may affect the overall cost and policy salience of property tax to homeowners.

The School Tax Exemption in South Carolina

Our analysis considers South Carolina as a case for testing the impact of escrowing taxes on opposition attitudes. We argue that South Carolina is a critical case to study because it has a 100% exemption from school tax for primary residences, unique among all states. The SC General Assembly passed Act 388 in 2006 significantly re-structuring the way public schools were funded. The Act eliminated local school property tax on primary residences (homes occupied by the homeowner) and replaced it with a one-cent state-wide sales tax to fund public education (Cone 2016). School property tax was effectively cancelled by exempting 100% of the fair market value of owner-occupied homes from property taxation to fund school operating costs.[1] Debt obligations, such as bonds to finance school capital projects, may be funded by home property tax, but school districts can not collect property tax on exempted owner-occupied residences to pay their regular operating costs (salaries, supplies, utilities) (Saltzman and Ulbricht 2012). This means that nearly all homeowners in South Carolina pay no property tax for school operations.[2] It is also worth noting that the provisions of Act 388 creating the school tax exemption did not require confirmation through a voter referendum. The exemption was enacted entirely by legislative statute (Scoppe 2006).

South Carolina is historically regarded a tax averse state, and its cities currently have some of the lowest effective homestead tax rates in the 50 states (Lincoln Land Institute 2020a, Smart Asset 2022) largely due to the school tax exemption. Its supporters claim that the property tax exemption was a necessary response to activist taxpayer associations who demanded relief for

[1] S.C.'s exemption of owner-occupied residential homes from the tax base is exceptional among the American States. The closest comparisons include Louisiana, which has an exemption for the first 75K of home market value, covering nearly half of homeowners. In Michigan local school property tax was phased out in 1994, but it was replaced by a state-wide property tax to equalize education funding (Lincoln Land Institute 2020b). Indiana has moved to largely eliminate residential homes from property taxation to fund schools through a system of tax caps, but local districts do retain some discretion to impose property tax (Indiana.gov).

[2] Interestingly, the school property tax exemption does not apply to commercial rental property, so school property tax is likely indirectly passed on to renters as a part of their monthly lease payments.

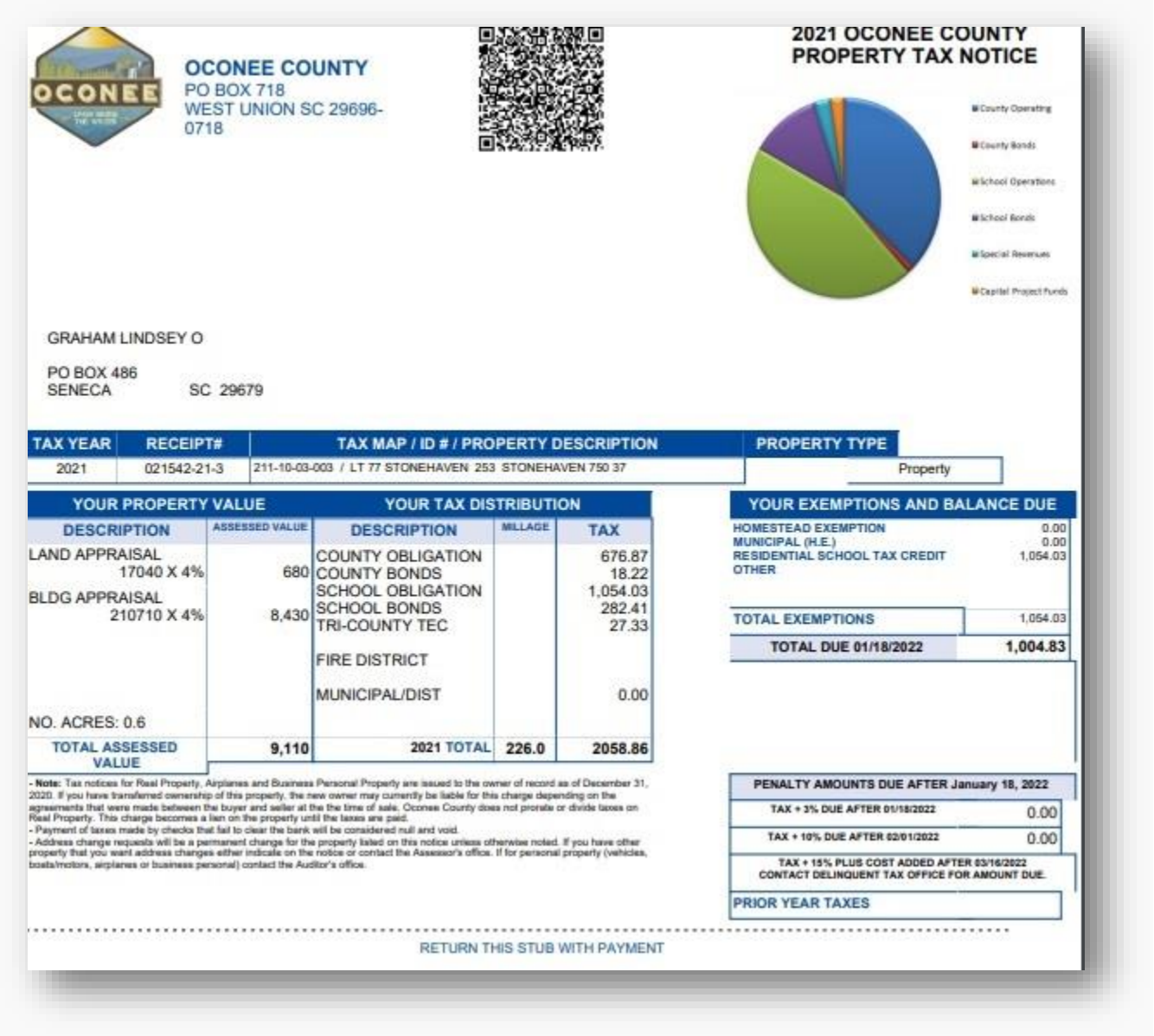
modest-income homeowners struggling with rising tax bills during the real estate boom of the early 2000's (see Knoeppel 2013). Even though Act 388 placed fiscal stress on the state general fund to replace financing for local schools during recessionary years (Saltzman and Ulbricht 2012), representatives reject calls to re-impose the local school property tax on primary residences. For example, state Rep. Tommy Pope plainly stated: "Politically, you will never be able to put that school tax back on homes" (Marks 2017). But Charleston journalist David Slade suggests that in more recent years there is little recognition by the public that the exemption even exists:

> Many people think that property taxes paid by homeowners fund the operations of public schools (they don't) and that renters don't pay property taxes (they pay more than homeowners, indirectly). Much of this is due to a lack of awareness about sweeping changes to South Carolina property tax laws that went into effect more than a decade ago under Act 388. (Slade 2018).

This observation anecdotally supports the finding by behavioral public finance scholars that most citizens operate with low information about the actual costs of property tax.

It is useful to provide some context on how the presentation of property taxes looks when billed to South Carolina homeowners. Each county is responsible for billing taxpayers via its tax collection department or office, thus every county tax bill could vary somewhat in appearance. Tax bills are generally publically available information in South Carolina, readily accessible on the internet at each county tax collector's website. See **Figure 1** for an example annual tax bill obtained from the Oconee County, South Carolina website (https://oconeesc.com/pay-taxes-home). We used the property tax bill of U.S. Sen. Lindsey Graham, whose primary residence is in Seneca, SC as the example. Note the charged taxes for each taxing jurisdiction are listed on the bill in separate line items to the left under "Your Tax Distribution". The school operations property tax is listed as "School Obligation" with an amount of $1054.03. A list of exemptions appears to the right under the box entitled "Your Exemptions and Balance Due". Note the credit of $1054.03 listed as "Residential School Tax Credit". The total due reflects the subtraction of this amount (which is due to the school tax exemption) from the total line items aggregated on the left under "Your Tax Distribution". This bill does make some effort to present the tax that a homeowner would pay without an exemption, and then presents the exemption savings as a tax credit which essentially cancels out the school obligation tax and reduces the overall tax bill. Although tax bills will vary from county to county a quick survey of tax collection websites suggested that most S.C.

counties are presenting the exemption in this way, as an amount subtracted from the overall property tax bill after listing the school tax charge in the tally.



OCONEE COUNTY
PO BOX 718
WEST UNION SC 29696-0718

2021 OCONEE COUNTY PROPERTY TAX NOTICE

County Operating
County Bonds
School Operations
School Bonds
Special Revenues
Capital Project Funds

GRAHAM LINDSEY O

PO BOX 486
SENECA SC 29679

TAX YEAR	RECEIPT#	TAX MAP / ID # / PROPERTY DESCRIPTION	PROPERTY TYPE
2021	021542-21-3	211-10-03-003 / LT 77 STONEHAVEN 253 STONEHAVEN 750 37	Property

YOUR PROPERTY VALUE

DESCRIPTION	ASSESSED VALUE
LAND APPRAISAL 17040 X 4%	680
BLDG APPRAISAL 210710 X 4%	8,430
NO. ACRES: 0.6	
TOTAL ASSESSED VALUE	9,110

YOUR TAX DISTRIBUTION

DESCRIPTION	MILLAGE	TAX
COUNTY OBLIGATION		676.87
COUNTY BONDS		18.22
SCHOOL OBLIGATION		1,054.03
SCHOOL BONDS		282.41
TRI-COUNTY TEC		27.33
FIRE DISTRICT		
MUNICIPAL/DIST		0.00
2021 TOTAL	226.0	2058.86

YOUR EXEMPTIONS AND BALANCE DUE

HOMESTEAD EXEMPTION	0.00
MUNICIPAL (H.E.)	0.00
RESIDENTIAL SCHOOL TAX CREDIT	1,054.03
OTHER	
TOTAL EXEMPTIONS	1,054.03
TOTAL DUE 01/18/2022	1,004.83

- **Note:** Tax notices for Real Property, Airplanes and Business Personal Property are issued to the owner of record as of December 31, 2020. If you have transferred ownership of this property, the new owner may currently be liable for this charge depending on the agreements that were made between the buyer and seller at the the time of sale. Oconee County does not prorate or divide taxes on Real Property. This charge becomes a lien on the property until the taxes are paid.
- Payment of taxes made by checks that fail to clear the bank will be considered null and void.
- Address change requests will be a permanent change for the property listed on this notice unless otherwise noted. If you have other property that you want address changes either indicate on the notice or contact the Assessor's office. If for personal property (vehicles, boats/motors, airplanes or business personal) contact the Auditor's office.

PENALTY AMOUNTS DUE AFTER January 18, 2022

TAX + 3% DUE AFTER 01/18/2022	0.00
TAX + 10% DUE AFTER 02/01/2022	0.00

TAX + 15% PLUS COST ADDED AFTER 03/16/2022
CONTACT DELINQUENT TAX OFFICE FOR AMOUNT DUE.

PRIOR YEAR TAXES

RETURN THIS STUB WITH PAYMENT

Figure 1: Example Property Tax Bill

Escrow and non-escrow payers receive an annual bill, but escrow payers will likely have no need to act on it themselves. Their tax payments have been collected as a part of their monthly mortgage bills throughout the previous year. The bill is likely to be merely informational, because the taxes are actually paid from their escrow account by their servicer. Escrow payers have a very passive role in the actual payment of their annual property tax bill as a result. However, non-escrow payers will receive their county tax bill, and it is their responsibility to act to pay it. This may compel them to more actively peruse their bill and engage to make sense of the various line items and deductions. However, as demonstrated by Sen. Graham's bill an ordinary taxpayer with little knowledge of billing conventions may not easily understand how the "School Tax Credit" impacts their final tax bill. The bill does not define what the school tax credit is or explain why it has been applied. Even though the bill does show the exemption as a credit, it would be likely that a taxpayer only notices the "School Obligation" tax in the separate column. The non-escrow taxpayer is probably more likely to cognitively engage with their bill than an escrow-payer, but even then cognition limits may impede the ability of a non-escrow taxpayer to make sense of their property tax bill's bottom line cost. However, the non-escrow payer will also be more likely to see the school tax charge listed separately if they are responsible for acting directly to pay their bill. An escrow payer may pay little attention to the bill and its constitutive line-items at all. A non-escrow payer may more easily detect the imposed charge of the property tax, even though they could also fail to account for the net balance of taxes as the result of the school tax exemption.

It is also important to provide context on how homeowners become eligible to receive the school tax exemption. In SC all owners of "primary residence" receive the 100% school tax exemption. Primary residences are defined, in general, as owner-occupied homes (Cone 2016). The homeowner generally fills out a form to attest that the home they live in is their primary residence shortly after purchasing the home. This form is their application to obtain a reduced "special assessment ratio" which means that the property tax office will assess their home at 4% of appraised value, as opposed to 6% of appraised value as is the case with commercial business property or homes rented for profit (Aiken County Tax Collector 2022). The homeowner does not apply directly for the school tax exemption; they receive it by default when they apply and qualify for the 4% special rate. It is likely that most homeowners do not "connect the dots" between qualifying for the special assessment rate and receiving the school tax exemption, which effectively cancels their obligation to pay taxes for school operations. Some homeowners may not

even be aware of the special assessment. However, receiving the special assessment rate provides tax reductions across all locally imposed taxes, not just the school tax. County and municipal taxes will also be significantly reduced when receiving the 4% rate for primary residences. Homeowners may be more familiar with the special assessment, given that they must apply for it by submitting a form directly to their county tax collector. Escrow and non-escrow payers both have to pro-actively submit this form to receive the primary residence special assessment rate.

Hypotheses

We are interested in applying Cabral and Hoxby's predictions regarding how escrowing of property tax payments impacts citizen perception and issue support for school tax in South Carolina. First, we wish to consider how escrowing impacts attitudes about school property tax increases. Given that escrow payers may be less attentive to their property tax bills, they may be less concerned with the impacts of possible increases to school taxes. If non-escrow payers are more aware of the possible school tax charges (even though those charges are canceled with the exemption), they may be more primed to oppose property tax increases. We predict that escrowing will be associated with more willingness to support raising the property tax, while non-escrow payers will be more opposed to increasing property taxes due to the greater visibility of the costs of tax hikes.

H1: Taxpayers who escrow will express more support for increasing local school property tax rates than those who do not escrow.

But do citizens who escrow have a less accurate assessment of the actual costs of school property tax to homeowners in South Carolina? In other words, do homeowners who escrow display less awareness of the school tax exemption? Cabral and Hoxby's examination suggests that property tax cost features appear less transparent to those who escrow, while lump-sum payers may have more knowledge of the mechanics of the tax exemption in lowering their tax bill given the greater visibility of costs expected when paying taxes in total. It is important to note that an exemption presents a tax *cut* which erases a tax liability, rather than directly imposing a tax cost, which is likely harder for all taxpayers to detect (see Shanske and Gamage 2011 for a discussion of foregone tax cuts). Also, the bill format used by each county tax collection office may vary in the clarity of the presentation of the school tax exemption. Still, we predict that escrow payers will be even less aware of the exemption, given that their fragmented, passive payment schedule

is likely to obscure their understanding of the details in their total tax bill. The non-escrow payer may be more willing to take the time to read through the details of their tax bill to discern the credit applied for the school tax exemption. Therefore, we offer a second hypothesis:

> *H2: Escrowing taxpayers will display less knowledge/awareness of the school tax exemption than do non-escrow payers.*

Data and Methods

The main data source for this project is an original survey on citizen attitudes toward tax funding for the public schools in South Carolina. We developed and administered a two-page survey instrument through the funding support of an ASPIRE I Research Grant, awarded by the USC Office of Vice President for Research for fiscal year 2021-22 and a research award from the USC Aiken Social Sciences and Business Lab. Our population of interest was individuals registered to vote in South Carolina. We originally mailed a paper survey to 5000 randomly selected voters in the state of SC in July of 2021, having obtained the most current voter file from the data firm Catalist. Individuals who had recently changed address through the NCOA system were excluded from the sampling frame. We extended the mailing of this survey to 2000 additional randomly selected voters in October 2021 to increase our returned-survey sample size. Our combined N is 250 respondents. All voters contacted were mailed a paper survey instrument and return pre-postage paid envelope, but we also gave them the option to enter their responses on a secure online portal if they preferred. 60 responses (24% of the sample) were entered via the online portal. The returned survey questionnaires and data entered on the online portal are confidential but traceable to respondent identity via a token. This ensured that we could monitor that there were no duplicate surveys that were submitted by an individual both on the online portal and the paper mail-in survey. We mailed all respondents a reminder postcard to complete the survey one week after the initial survey was sent to increase the response rate. As a public education supplement to our survey, we compiled a list of the 250 respondent addresses, which we then used to mail out a follow-up information sheet on how school tax actually works in South Carolina (see Appendix 1) after the survey closed in October. All survey data collected is maintained confidentially and meets standards of University of South Carolina IRB approval.

Our response rate was 3.6% and suggests some threat of non-response bias. Respondents to our survey might have been more interested in school taxes than the average SC voter, given

their willingness to respond to our survey. However, our response rate is in line with other surveys from reputable polling firms. We also took efforts to create incentives for less informed or engaged voters to participate in our survey by offering a random drawing for five $25 gift cards, as is a recommended practice in the survey administration literature (Heerwegh 2006).

Although response bias on unobservable characteristics remains a concern with this survey, we weighted the sample we collected on observed demographics, using as our population South Carolinians registered to vote in 2021. The sample was weighted to age category, race/ethnicity category, and gender based on summary statistics of South Carolinians registered to vote at the end of 2021. We also weighted the sample to education category (high school or less; some college; college graduate) using 2020 Census estimates of educational attainment among South Carolinians over 18. We used a raking algorithm in Stata to converge on appropriate weights for the sample (Sharot 1986).

In this initial analysis of survey data, we are concerned with overall support for raising school property taxes among South Carolinians and South Carolinian knowledge of property tax exemptions. We created two index variables to measure support for school tax and knowledge of school tax features using several response items. See the "Analysis" section that follows for more details on how those indices were constructed. We also include control variables for level of education, respondent having a child in public schools, retired status, race, sex, age, partisanship, and ideology. All of these questions appeared on the survey and were asked of respondents. See **Table 1** for full wording of all response items used to generate variables for this analysis.

Hypothesis	Dependent Variable Survey Item	Independent Variable Survey Items (Both Models)
H1 (Model 1)	**Model 1:** Index created based on three response items: 1. Which of the following would you support increasing to fund k-12 public school operations? Check all that apply: ☐ Property tax on primary residence (Additional options omitted for brevity) 2. Of the following three options, which of these would you LEAST want to see increased to fund K-12 public school operations? (Circle one.) • Property tax on owner-occupied homes • Property tax on business/commercial property/ Sales tax (collapsed) 3. Indicate your opinion on the amount that residents are currently taxed, if any, to fund public school operation costs (Check one.) - From school property tax on owner-occupied homes • Too Low • Too High/ About right/ Don't know (collapsed)	**Key Independent Variable**: If you are a home-owner, does your monthly mortgage payment include payments for home property taxes? Circle one. • Yes, my taxes are included in mortgage payment • No, I have a mortgage but taxes are paid separately/ I do NOT have a mortgage; taxes paid separately (Collapsed) **Control Variables**: What is your highest level of education? • Less than HS Diploma/ High School Graduate/Some College/Two Year Degree (Collapsed) • Four-Year Degree/Post-Graduate (Collapsed) Check all that apply: ☐ I have at least one child enrolled in a public district school (In person or remote due to the pandemic) (Additional options omitted for brevity) What is your age? _____years What is your gender: • Female • Male (no obs on Other) How would you describe yourself? • Non-Hispanic White • Non-Hispanic Black/ • Hispanic/ Asian/ Other (collapsed) How would you describe yourself? • Strong Dem/Leaning Dem(collapsed) • Independent • Lean Repub/Strong Repub (collapsed) How would you describe your political ideology? • Conservative • Moderate • Liberal Are you retired? • Yes • No
H2 (Model 2)	**Model 2**: Index created based on three response items: 1. To the best of your knowledge, current SC law exempts owner-occupied homes from being taxed to pay for **operating costs** of public K-12 schools. Circle one. • Yes • No/Don't Know (collapsed) 2.To the best of your knowledge, currently in SC the **operating costs** for public schools are funded through which of the following revenue sources: -School property tax on owner-occupied homes • No • Yes/Don't Know (collapsed) 3. If you are a home-owner, do you receive the special 4% property tax assessment ratio for your primary residence? • Yes • No/Don't Know (collapsed)	

Table 1: List of Survey Response Items Used as Variable Measures

Analysis

Descriptive statistics for the property tax support and property tax knowledge indices are shown in Table 2. Both indexes ranged from 0 to 3 with higher scores indicating greater support for property taxes to fund school operating costs and greater knowledge of school property tax exemptions, respectively. It is evident from Table 2 that both support and knowledge of school property taxes was low.

Property Tax Support Index	*Mean*	0.443
	Standard Deviation	0.747
	N	190
Property Tax Knowledge Index	*Mean*	0.910
	Standard Deviation	0.851
	N	190

Table 2: Summary of Property Tax Indices

Breaking these indices down by question in Tables 3 and 4, the bolded options are those that counted as a point in the respective index. For example, in the support index, a "Yes" response in support of raising school property tax, plus a least preferred tax other than property tax on homes, plus an opinion that school property taxes were too low would have led to an index score of 3, or total support.

Support Increasing School Property Tax?	
Yes	**10.4% (21)**
No	89.6 (181)
Least Preferred Tax to Raise for Schools	
Property Tax on Homes	72.9% (142)
Property Tax on Business/Commercial	**8.5% (16)**
Sales Tax	**18.7% (36)**
Opinion on Level of School Property Taxation	
Too High	28.5% (56)
Too Low	**5.7% (11)**
About Right	39.5% (78)
Don't Know	26.3% (52)

Table 3: Constituent Questions of School Property Tax Support Index

South Carolina Exempts Owner Occupied Homes from Property Tax	
Yes	**20.3% (40)**
No	38.5% (76)
Don't Know	41.2% (81)
Home Property Taxes Fund School Costs	
Yes	63.6% (125)
No	**12.2% (24)**
Don't Know	24.2% (47)
Receive 4% Assessment Ratio	
Yes	**61.1% (122)**
No	9.6% (19)
Don't Know	29.2% (58)

Table 4: Constituent Question of School Property Tax Knowledge Index

The model predicting support on the school property tax index is included in **Table 5**. The model uses ordinary least squares regression with robust standard errors clustered on the county of the respondent. Escrowing one's property taxes into a mortgage payment significantly increases support for school property tax, although the coefficient is not large.

		Property Tax Support Index	
Variable		**Coeff. (Std. Error)**	***p*-value**
Escrow	*Escrow Property Tax*	0.237	0.029
		(0.104)	
Race	*Black*	-0.208	0.442
Ref. Cat: *White*		(0.268)	
	Other	0.052	0.816
		(0.223)	
Age	*Age in Years*	0.008	0.206
		(0.006)	
Gender	*Female*	0.175	0.124
		(0.111)	
Education	*College Graduate*	0.263	0.109
		(0.161)	
Child in School	*Child in Public School*	0.063	0.767
		(0.213)	
Retired	*Retired*	0.036	0.769
		(0.120)	
Party Identification	*Independent*	0.090	0.725
Ref. Cat.: *Democratic*		(0.254)	
	Republican	-0.275	0.307
		(0.265)	
Political Ideology	*Moderate*	-0.068	0.640
Ref. Cat.:		(0.144)	
Conservative	*Liberal*	0.717	0.073
		(0.389)	
Number of Obs.		164	
R^2		0.256	

Ordinary Least Squares Regression; Robust Standard Errors Clustered on County

Table 5: Property Tax Support Index

Table 6 (page 17) shows the model predicting property tax knowledge index score. The model also uses ordinary least squares regression with robust standard errors clustered on county. The escrow variable is neither statistically nor substantively significant**. Figures 2 and 3** (pages 18-19) plot the confidence intervals of the escrow variable using the observed values approach to interpret the variable's coefficient (Hanmer and Kalkan 2013).

		Tax Exemption Knowledge Index	
Variable		**Coeff. (Std. Error)**	***p*-value**
Escrow	*Escrow Property Tax*	-0.027	0.896
		(0.203)	
Race	*Black*	-0.351	0.176
Ref. Cat: *White*		(0.254)	
	Other	-0.300	0.060
		(0.155)	
Age	*Age in Years*	0.007	0.163
		(0.005)	
Gender	*Female*	-0.117	0.443
		(0.152)	
Education	*College Graduate*	0.323	0.148
		(0.219)	
Child in School	*Child in Public School*	0.154	0.469
		(0.211)	
Retired	*Retired*	0.065	0.787
		(0.237)	
Party Identification	*Independent*	0.075	0.794
Ref. Cat.: *Democratic*		(0.285)	
	Republican	-0.068	0.807
		(0.276)	
Political Ideology	*Moderate*	-0.272	0.237
Ref. Cat.:		(0.227)	
Conservative	*Liberal*	-0.011	0.977
		(0.382)	
Number of Obs.		164	
R^2		0.096	

Ordinary Least Squares Regression; Robust Standard Errors Clustered on County

Table 6: Property Tax Exemption Knowledge Index

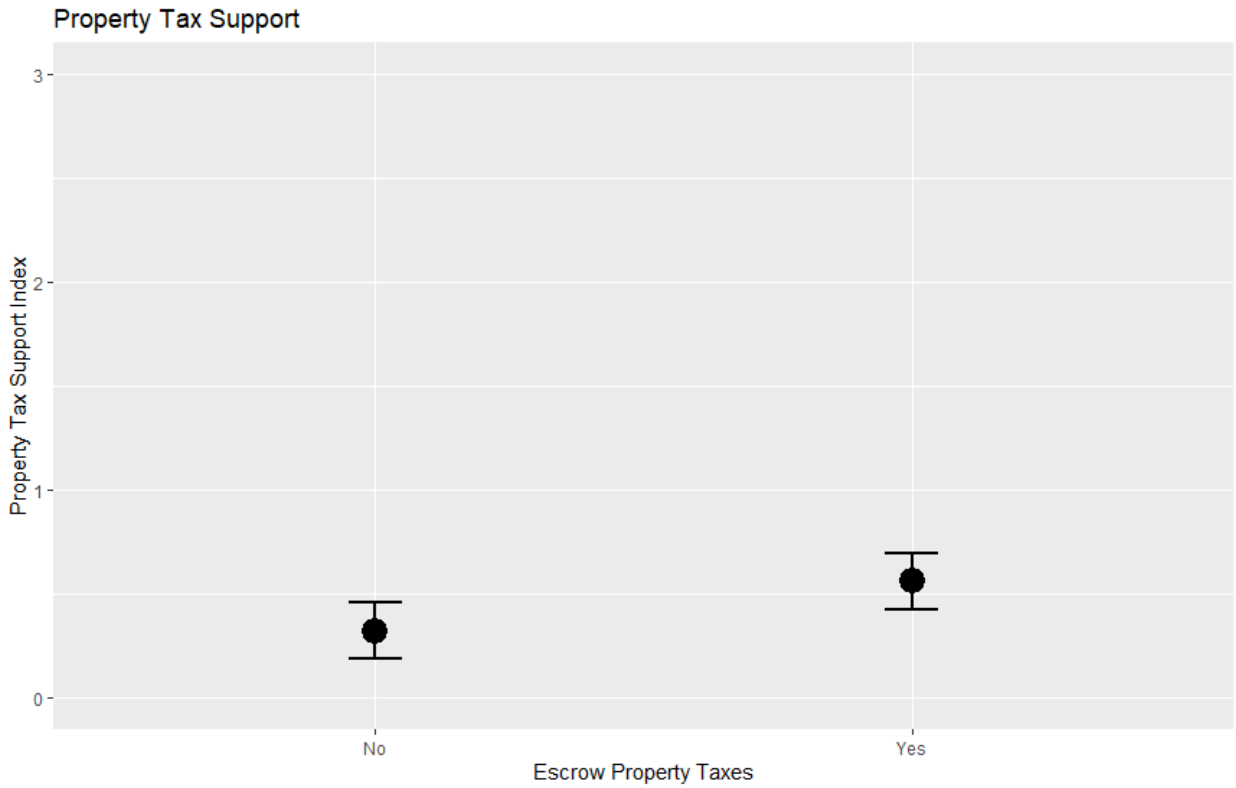


Figure 2: Property Tax Support

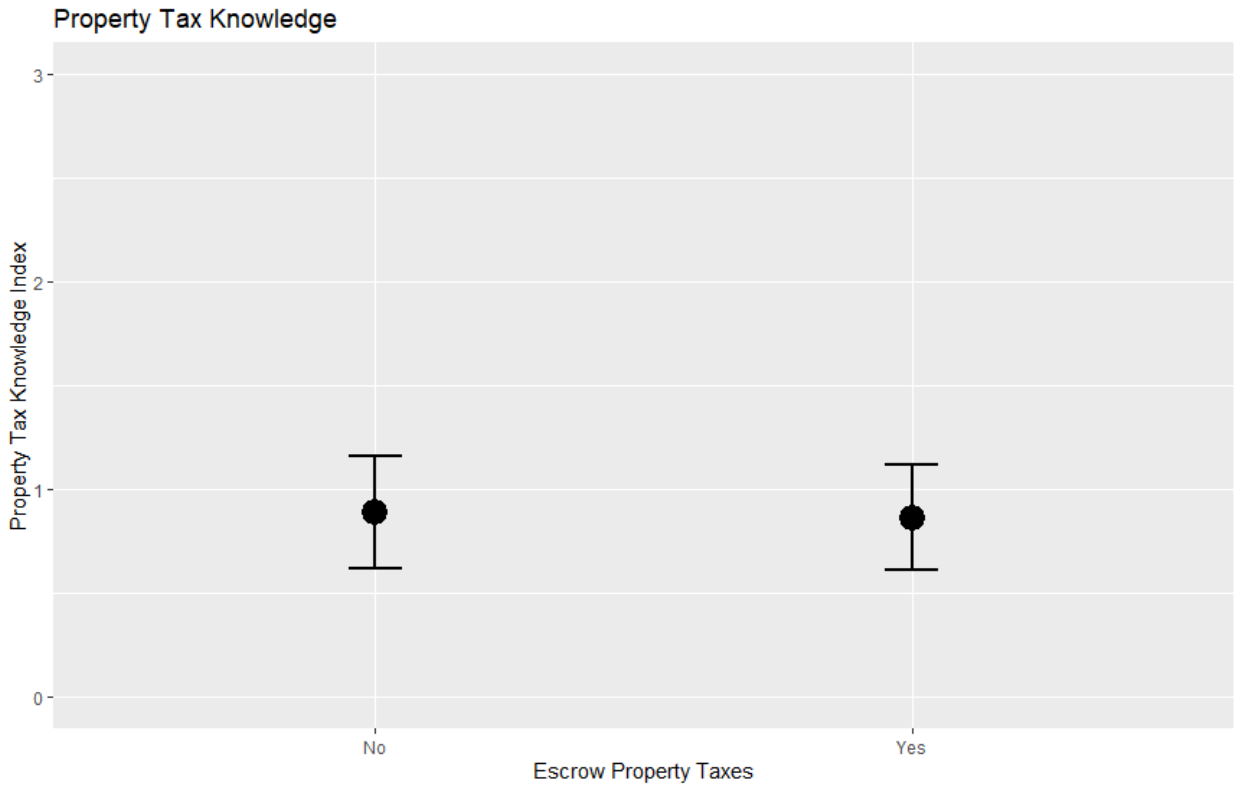


Figure 3: Property Tax Knowledge Index

Discussion

Several important findings are noted from this preliminary analysis. We turn first to the "simple" story revealed by a basic analysis of the descriptive statistics. Our survey indicates that there is little support for increasing property taxes among South Carolinians. Respondents broadly expressed aversion to increases in property taxes, among escrow and non-escrow earners, Democrats and Republicans. A substantial majority also indicated that increasing property tax was their least preferred method for funding public schools. Our findings offer support that South Carolina is in fact a rather anti-property tax state as often asserted by pundits and politicians. Our findings here also align with the conclusions drawn by many behavioral finance scholars and public opinion polls that property tax is a "hated" tax (Gallup 2009, Cabral and Hoxby 2012). Even when specifying the tax as a method for financing an important and widely-used public service, South Carolinians reject prospective school tax increases.

Our survey also found very low levels of knowledge of property tax features that would enable citizens to understand their actual school tax costs. South Carolina's homeowners are quite poorly informed that primary homes are exempt from school tax and that very little homeowner property tax is collected to fund public schools. This suggests that politicians, local government tax collectors, and school districts have struggled to properly publicize and educate citizens on essential components of the property tax system in our state. This is particularly interesting in that citizens appear to demand tax limits, given our findings on the low support for property tax increases. Politicians, especially conservative ones, have an incentive to publicize the current tax-free status of owner-occupied homes to demonstrate they are delivering policies that match the expressed "will of the people". Curiously, citizens are rather unaware of the exceptionally low school tax burdens they bear and that little to none of their property tax dollars are going to fund this service.

Tax presentation does influence the level of support for property tax increases to public schools, confirming Cabral and Hoxby's findings. Homeowners do appear to be more sensitive to possible tax increase when they pay their property taxes in lump-sum and separate from their mortgage payments. The heightened salience of taxes to payers who are presented with the aggregate annual costs of property tax apparently provokes resistance to rising millage rates. We found escrowing was related to higher levels of support for school tax even when accounting for

other critical variables, such as having a child in public school, partisanship, and ideology. Escrow payers appear to be less sensitive to rising tax costs, perhaps because their attention to property taxes is lessened by their more passive interaction with the tax collection process. It could be that escrow payers simply do not cognitively "process" their property tax bill, and therefore are less likely to express active opposition to tax increases. We suspect the "support" some escrowers express for increased taxes simply indicates a toleration of the tax rather than a deep commitment to funding public schools. Overall, the majority of escrow payers did not indicate strong demand for higher property taxes, but there was a statistically significant difference in their attitudes toward property tax increases when compared to non-escrow payers. We also found that ideological liberals and citizens with a college degree express support for raising school funds via school tax, although not at the .05 level of significance. Both of these control variables were expected to have a positive impact on school support, as higher-educated citizens are likely to see the value of schools to the overall community and economy, and liberals generally support more government intervention in directly providing public services.

Interestingly, the higher opposition to school tax increases as expressed by non-escrow payers does not seem to be due to them better understanding their personal school tax costs. Non-escrow payers are no more aware of the current home exemption than are escrow payers when measured by ability to identify the exemption, knowledge that home taxes do not fund public school operations, or awareness of the special assessment ratio for homeowners. Non-escrow payers do not understand that they in fact pay very little to fund public schools, which is also the case with escrow payers. While non-escrow homeowners may be more likely to detect the pre-exemption school tax charge, they do not accurately assess their school tax costs in the final tally once their tax liability is erased. Citizens appear to struggle in comprehending the mechanics and cost impacts of a property tax exemption overall. Suzanne Mettler has made a strong case for making tax expenditures, such as the federal home interest deduction, more transparent to the average taxpayer in order to raise the capacity of citizens to evaluate individual tax subsidies in a more informed way (2011). Enhanced tax transparency about the SC school tax exemption could help voters more accurately consider the real tax burdens they bear to fund education. For homeowners, the school property tax burden is nearly zero, but for business owners and renters the school property tax exacts costs on their budgets. If homeowners knew they were currently bearing very little school tax burden, they may be more willing to support

increases through property taxes as opposed to sales tax or other sources (Walczak et al 2018). The current tax-exempt status of homes is the state legislature's "gift" or "giveaway" to homeowners, depending upon one's ideological perspectives. In either case, voters need to be better informed about the presence of this exemption to evaluate it as a policy choice.

Our project is coupled with a citizen education component. Respondents received a mailed fact sheet on the mechanics of school property tax in South Carolina after the survey closed (See Appendix 1), and we have established a website on our departmental webpage to report the findings to citizens. We are planning to give presentations on our campus and in community venues to share our findings and better educate voters and homeowners on property taxation and school funding in South Carolina. Survey respondents summed it up best in the open-ended remarks section of the questionnaire we mailed to them. One respondent stated: "I understand I need to be more knowledgeable about the policies enacted in my area". Another offered: "This survey was very eye opening in realizing how little I know on the subject. It also made me think that I'm unsure how to learn about this information." We hope our time spent on this project will guide respondents and residents to critical information that encourages a more meaningful evaluation of the details, intricacies, and stakes of this issue.

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