Why study the link between conservation and property taxes?

In addition to its ecological benefits, land protection offers extensive value to communities – from recreation to clean air and water and climate resiliency. Yet communities often worry that new land protection will increase the tax burden on individual taxpayers. In fact, land protection could either raise or lower tax rates, so the issue deserves careful study. Previous work has been limited in scope. We wanted to provide a regional picture and to use a large dataset across time to separate the impacts of land protection from other factors that can change tax rates.

What are the ways that land protection can influence property tax rates within towns and cities?

New land protection can result in an increase, decrease or no change in municipal tax rates. The assumption that new protection will increase taxes follows from the fact that most permanently protected land is taxed at a lower rate than residential or commercial land, or taken off the property tax rolls because it is owned by a public agency or non-profit organization. So, if everything else about a town’s finances stays the same, a loss in revenue from new protection would require a tax rate increase on other properties.

However, in most cases, everything else does not stay the same! New development brings in higher revenue but usually requires additional services from the town—such as emergency services, road repairs, water and sewer connections, or schools. This can create more in new expenditure needs than it brings in from new revenue. Protected land, on the other hand, even when taxed at low rates, often brings in more revenue than it costs in services. In addition, protecting land often leads to higher values for nearby properties. Those higher values increase the town’s tax base and can lead to reduced rates. Protected land may also receive public or private payments in lieu of taxes, reduce municipal water treatment costs or flood risks, and boost local businesses tied to outdoor recreation. All of these factors may help town finances. So the expected impacts of new protection on tax rates can go either way.

Where did you do your research?

We used property tax and land protection data from more than 1400 towns and cities in New England from 1990 to 2015. New protection included private conservation easements and purchases by non-profit organizations, local governments, and state and federal agencies. To isolate the impacts on tax rates that can be attributed directly to land protection, we used data from the same municipalities over time and controlled for changes in employment, prior growth in the tax base, and economic and population trends.

What were the report’s key findings?

The changes in the tax rates attributed to new land protection were generally quite small and temporary. Specifically, a 1% increase in the percentage of town land protected was estimated to cause a 0.024% increase in the tax rate. For an increase of 85 acres in protected land (the average in our data),
this corresponds to an increase in a homeowner’s annual tax bill of just $0.72 per $100,000 of taxable property value. For the owner of a typical New England home (valued at $266,493), that would be an additional $1.92 on their tax bill of $3475.

Did the tax impacts persist over time?
These small impacts did not persist—we found no impacts beyond three years.

Were there any substantial variations in tax impacts?
Overall impacts were small, but we found more substantial tax rate increases when towns were growing slowly, had lower median incomes, fewer second homes, and less land enrolled in current use programs. The size of these impacts ranged from $5 to $30 in additional taxes paid for each $100,000 in property value.

Tax rate increases were also somewhat higher when land protection occurred through municipal purchases or private easement protection. For a 1% increase in the percentage of town land protected, we found tax rate increases of 0.10% for new municipal protection and 0.048% for private easements, compared to the 0.024% average increase. Tax rate impacts of acquisitions by NGOs or state and federal agencies were not statistically different from zero on average.

My town already has a lot of protected land. Did having more land protection already in place result in a greater impact on taxes?
Overall, we did not find evidence of greater tax impacts from land protection in municipalities that already have a lot of protected land. An exception to that is the case of towns with a lot of state-owned land (greater than 33% of town land area). There we found some evidence of a larger tax rate increase, with an estimated magnitude of a 0.09% tax rate increase for a 1% increase in percentage of town land protected.

Does this report highlight specific towns?
No, our study used data from the more than 1400 municipalities to draw conclusions based on averages and trends across the region. While this represents an accurate picture of how land protection drove tax rates across the region, the actual taxes paid in any individual municipality are also the result of unique situations in each community.

How does land protection affect housing affordability?
Land protection tends to raise the value of nearby properties because people are willing to pay more for homes close to open spaces. These “amenity effects” are a double-edged sword. Higher property values mean greater home equity for existing home owners and an expanded tax base—but can also make those homes less affordable for new buyers or renters. We agree that understanding the links between conservation and affordable housing are crucial. In a previous study with similar methodology, we found no significant changes in building permits due to new land protection. This is likely because towns increased the density of housing to accommodate new land protection or had not reached constraints on available land. We agree that housing is a critical need and are working on future research to better understand how communities can provide both affordable housing and affordable access to nature.
What about the non-financial benefits of land protection for my community?

If land is to be purchased by an agency or organization that will ensure public access, then there may also be substantial public benefits of new protection. Some of these benefits may be financially positive for the town, e.g. if new land protection lowers the costs of treating drinking water or attracts new businesses. However, many of the health and well-being benefits of recreation and access to outdoor space have tremendous value for residents but cannot be captured in the books of municipal finance! These public benefits should be part of the discussion, even if they can’t be easily quantified.