



# Generating Revenue through Property Tax: The Implication on the Attitude of Commercial Property Occupiers in Jos North Local Government

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## ABSTRACT

Property tax is gradually becoming a major source of revenue for local councils in Nigeria. However, in generating revenue through property tax there is the need for local councils to consider the attitude of the residents within their jurisdiction to payment of the property tax in order to encourage public participation in the usage and the collection of the property tax. The methodology of study therefore is based on the questionnaire distribution of 0.00035% of the population of the study and analysed with multivariate analysis. The multivariate analysis examined the payment of property tax as an independent variable against three dependent variables which are Awareness of Property tax, willingness to pay if property tax is splitted into forms and willingness to reside or shift location if the property tax is reviewed upward. The result of the study suggest that with a calculated alpha level of 0.024 which is less than 0.05, commercial property occupants in this local government will shift location if the property tax is reviewed upward. It is the recommendation of the study therefore, that there will be the need for local government to set up a machinery to monitor the attitude of the residents as this findings may be different in other local government areas.

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## Introduction

The payment of property tax by property users should ordinarily be a consideration by any urban dweller in choosing business/commercial locations. In essence it should be a commercial locational factor. That is intending occupiers needs to consider the payment of property tax before deciding on the location of commercial activities. However, the payment of property tax has not really enjoyed the needed attention from commercial property owners and /or occupiers (as the case may be) in any locality nor has the local government within Nigeria considers it major issues that can be used to either attract or repel people or population within its jurisdiction. According to Patunola (2007) the issue of Property Taxes should not be based on assumption, mere conclusion of property value by individuals, old records and non – professional opinion among other means. Infact, Adedokun (2004) highlighted property tax as one of the major source of finance for local government as stipulated by the constitution. She noted however that there is generally an attitude of evasion and avoidance by the private sector and minimal compliance by the public sector. This attitude being displayed to payment of tax generally is a big challenge to local government revenue generation drives. Since property tax is a major source of raising revenue to finance local amenities, there is the need to examine the attitude of those who are to be paying the property tax that is to be used to provide the local amenities that will be used by these property occupiers within the jurisdiction of the local government.

### Payment of Property Tax

Gently (2005) opines that if a single jurisdiction is to levy property tax, then their incidence of the tax is likely to fall on local consumers of what the tax is being made to produce. That is, those that benefit from the local services being provided by the taxing authority. In this case the property tax could become regressive since the portion of property tax is shifted to

consumers. Thus Erik and Randall (2009) agreed that in a local area or ward where property tax is levied, there are evidence of horizontal inequality in property tax as tax falls more heavily on same kinds of business, private utilities and some type of consumption (e.g. housing) than on others such as agricultural uses. Thus the impact of tax being regressive most especially could lead to exodus of residents in a taxing jurisdiction not convenient for them.

Greenberg et al (2006) noted that local property tax is an important factor for many families. The effect of state and local taxes in location decision for business and families is a basis for argument. It must be noted that while complementarity is among the factors that are considered heavily by commercial interregional location decision, state and local taxes such as property tax may to an extent have greater relation or influence on location decision within a state or metropolitan area.

### Residents Attitude to Payment of Property Tax

Glaser (1995) opines that the resident attitude to payment of property tax is a function of the amount of property tax paid and the level of infrastructure being provided within a locality. He stressed that where the level of infrastructure provided within a locality satisfy the economic means of the amount of property tax being paid, then the resident will be willing to stay even if the property tax is reviewed. However, if the amount or level of infrastructure being provided does not justify the amount of property tax being paid the resident could either punish the authority managing the property tax by voting them out in an election or if the possibility of voting in an election is not possible, then the resident can still vote with their feet by moving to an alternative location where their utility for payment of property tax can be justified. This assertion was lend credence to by Zwick and More (2007) that middle class anger in Lyndaville USA crystallized in the property tax revolt as the council concentrated in the increase in costs for liability

insurance and municipal development and immigration to the detriment of provision of amenities like neighbourhood parks, and recreational facilities.

The Advisory Commission On Intergovernmental Relations (1972) further revealed that of the major services presently utilized by the three governmental levels in the United States, the local property tax was decisively selected as being least fair. This is because the property tax administration of the local government does not have a direct impact on the populace or resident. The residents don't feel a sense of participation in the use of property tax being paid. Infact Huffmon et al (2006) also cited that in one 1977 poll often used by anti – tax organisations, 70% of Americans felt that “taxes in the country are unreasonably abnormal and that local property taxes are quite high. However, by 2006, the populace of the same county of Anderson felt that the amount of property tax being paid to finance security of lives and property is somewhat low.

### Methodology

The data required for this study is mainly primary data sourced from the owners and /or occupiers of commercial property to measure their attitude to payment of property tax through the years of awareness of property tax, years of occupation in the study area and choice of another location expressed in kilometers. The Targeted Population are the owners and/or occupants of commercial properties in Jos North local government. The sample frame consist of owners and/or occupants of commercial properties around the Jos Main Market area which is a major landmark, while a sample size of 0.0035% of the entire population of the local government which represent a minimum of 1000 questionnaire was selected using systematic random sampling technique to distribute the questionnaire. The selected neighbourhood around the Jos main market was divided into 10 areas with road access as boundary. Thus the 1000 questionnaire were divided into areas and distributed along the access road using systematic random sampling of every 10<sup>th</sup> commercial property starting from the access road to the inner part of the area. Same method was repeated within each of the ten selected neighbourhoods. The self administered questionnaires were distributed by proxies.

The General Linear Model (Multivariate analysis) which is a two way analysis of variance for multiple variables was used to analyse issues that will convey the attitudinal behaviour of the occupants to payment of property tax. In this case awareness of different forms of property tax was measured based on years of knowledge of property tax; Willingness to pay if separated into different forms was measured using years of stay in the present location; while willingness to occupy the location on review of forum (that is if a form of property tax will be enforced) was measured using likert scale to rank priority areas of choice to stay. The General linear model thus considers Box's test of equality of covariance matrices, and levene's test of equality of error variances. The evidence of receipt for payment of property tax is to be used as the study population in these aspects.

### Result

The Box M Test for Homogeneity of variance-covariance matrices indicated with calculated significant value of 0.000 is less than the alpha level of 0.05. The assumption that the variables do not statistically influence equally the payment of forms of property tax in each location has therefore been violated. That is impliedly, each dependent variables identified as: Awareness of Different forms of Tax, Willingness to pay the Tax if separated into forms and Willingness to occupy the

location if property tax is reviewed all have variance or significant impact on the forms of property tax.

The multivariate test of significance further reveals that there are no significant differences in the dependent variables across each for those that paid and are receipted since the significant value 0.096 is higher than the alpha level of 0.05. What this means is that each variable being examined do not have different level of impact on the payment of property tax in the locations for those that actually pay and were issued receipts.

The Levene's Test of Equality however reveals the confirmation of this opinion. The Test identified that all the significant values are higher than 0.05 in which it can be stated that all the variables have equality variance on the payment of those that paid and were receipted.

However, the Test of Between Subject Effects indicate that at same alpha level of 0.05, Willingness to reside in the location on review of the property tax being paid has violated the assumption that it does not have impact on the payment of property tax in this locality. The significance level for this variable is 0.024. In essence having agreed that the variables do have influence on payment of property tax, occupants may shift location eventually if the property tax is reviewed.

The Marginal Means for occupants that were issued receipt and have the Willingness to occupy the location upon reviewed is 18.311 which is the highest marginal mean for this analysis.

### Conclusion

Local governments are saddled with the responsibility of raising and administering property tax, however the attitude of occupants to payment of property tax by commercial property owners/ occupiers needs to be monitored as they affect the payment and use of property tax. From the study, the issue is not whether occupants are willing to pay, nor are they ready to pay if the property tax being paid is splited into other forms . The issue is that if the property tax being paid is received upward the occupants of commercial properties in this local government may not shift location. This tend to suggest that occupants may have other locational factors as issues for consideration that is attracting them to stay within the jurisdiction of the local council. This Conclusion might have been different if the occupants are willing to shift location as this would mean that payment of property tax is a locational factor in this case.

### Recommendation

The study therefore recommends that

- (i) A machinery or operational system to monitor the occupants attitude be set up by local governments. This will definitely enhance the participation occupants/owners in the administration of the property tax
- (ii) The participation of occupants/ commercial property owners is important thus, property tax should be applied to areas of generation and to address the immediate need of the occupants residents. Once there is transparency in the application of property tax, the upward review of the tax may not be a locational issue for local government, but as an attraction because people are getting the benefits of what they are paying for.

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**Table 1: Analysis of Variance Result for the occupants Attitude to payment of Property Tax In Jos North Local Government**

Independent Variable	Issuance of Receipt	Measurement Scale Base	Dependent Variable	Mean	Mean Square	F	Sig
Payment of Property Tax	Yes 602 No 160	Years of Awareness and Exposure to Knowledge of Property Tax	Awareness of Different form of Property Tax	4.510	0.760	0.099	0.753
		Years of Residing in The Present Location	Willingness to Pay if Separated on Form	14.628	110.307	1.145	0.285
		Optional locations for Resident to Choose.	Willingness to Reside in the Location on Review of Property Tax	18.311	1057.115	5.145	0.024

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