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Equity and Fairness in Israeli Local Property tax: A Spatial Analysis

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Israeli residential property tax (Arnona) assessment is based on property size together with spatial and qualitative criteria, set uniquely by each local authority. This article examines the extent to which tax actually reflects property values and achieves equity and fairness. Applying spatial analysis on a nationwide household expenditure survey reveals a strong positive correlation between the tax and property value, household income and other socio-economic variables. Nevertheless, it appears to be regressive relative to these factors. The remaining variance between local authorities is minor, even the gap between Arab and Jewish Local authorities seems insignificant, reflecting strategic tax mimicry between them despite the variety in assessment and measurement criteria.

Key words: Local Property Tax, Spatial Analysis, Equity, Tax burden, Public funding.

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