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Why Do Some Pay More? Determinants of Municipal Property Tax Rates in Poland

Abstract

Theoretical background: Due to its fiscal efficiency and the relatively broad tax authority granted to municipal authorities, property tax is an important source of own revenue for municipalities in Poland. The literature considers this tax both in terms of its function and as a tool of local tax policy. The freedom to set municipal rates within statutory limits makes it an important instrument for influencing local economic conditions. The literature has identified factors influencing the variation in tax rates in previous years. In the article, the determinants of rate variation are analyzed in such terms as geographical location, regional development, subject of taxation and the crisis sparked by the COVID-19 pandemic. The article is part of this line of analysis, attempting to identify the factors influencing local tax decisions in the years 2018–2025.
Purpose of the article: The authors aim to identify the factors influencing the diversity of municipal tax policy in the area of property tax in the years 2018–2025.

Research method: The literature on the subject was reviewed critically. The study took into account such determinants of rates as the municipality's location in the province (voivodeship), the type of taxable object, economic conditions, and the wealth of the province. The empirical study covered all municipalities in Poland. The source data were obtained from municipal Rb-PDP budget reports aggregated in the Ministry of Finance's SP-1 database for the years 2018–2025.

Main findings: It was confirmed that legal, geographical, historical and economic factors influence municipal tax policy. Currently, there is still a variation in municipal tax policy according to geographical criteria, i.e. across provinces. At the same time, the lowest tax rates were observed in provinces located in the former Russian and Austrian partitions, whereas the highest rates were identified in the areas of the former Prussian partition. We can thus speak of a historically established shape of municipal policy regarding property taxation. In addition, it has been found that the level of tax rates on residential buildings is determined by the wealth of the province, measured by the region's GDP. In some provinces, the level of property tax rates on flats also correlates with the level of wealth of the inhabitants. A moderate correlation was also observed between the inflation rate used to prepare the draft state budget and the level of tax rates on selected taxable items.

Introduction

Property tax is the main source of own revenue in the strict sense for municipalities (Patrzałek et al., 2019; Szołno-Koguc, 2021), including cities with county rights.[1] It is the most important (most efficient) local tax in Poland. In 2024, revenue from this tax accounted for 10.8% of total revenue in municipalities and 9.5% of total revenue in cities with county rights (Ministerstwo Finansów, 2025). In addition, it is a source of own revenue for municipalities, over which their authorities have broad tax powers (Borodo, 1998), as stipulated in the Act on Local Taxes and Fees of 1991 (Act of 12 January 1991). Moreover, the freedom to shape tax burdens within the limits set by the legislator is one of the manifestations of the independence of municipalities (Kańduła, 2003). This affects the importance and relevance of the issue of property tax.

As a result, there is a wealth of economic literature on property tax. This tax is considered both in the context of the entire group of local taxes and separately, as an independent subject of research. This tax is viewed from the perspective of both active and passive entities. Discussions on property tax focus on things such as the functions performed by this tax (e.g. Felis, 2015; Śmiechowicz, 2021; Famulska & Szymczak, 2022), its fiscal efficiency (Famulska et al., 2019), and its determinants (Adamczyk & Dawidowicz, 2025). The susceptibility of tax revenue to economic fluctuations and their role in stabilising municipal revenues and creating their financial potential are also studied (Filipiak, 2016). The topic of using tax as an instrument to stimulate entrepreneurship is also addressed widely (e.g. Kańduła & Kotlińska, 2009; Śmiechowicz, 2013; Żołądkiewicz-Kuzioła, 2016; Wołowiec, 2018; Andrzejak, 2024), including its use as a so-called anti-crisis shield during the COVID-19 pandemic (e.g. Kańduła

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[1] The situation may be slightly different in some rural municipalities.

& Przybylska, 2021; Szymczak, 2023). Attention is also drawn to the revenue (tax) authority of municipal authorities, the scope of its application (e.g. Kańduła, 2003), determinants (e.g. Felis & Otczyk, 2023), and the resulting financial consequences (e.g. Banaszewska et al., 2025), as well as the links between the use of this authority by municipal authorities and the operating balance of the budget (Budzeń & Głębski, 2021). In recent years, another issue has been intensively discussed. A team led by Felis (e.g. 2023) has prepared several studies on the shortcomings of the current, "outdated" tax structure specified in the Act on Local Taxes and Fees of 1991 and the legitimacy of levying this tax on the value of all categories of taxable real estate, or at least partially "modernizing" this levy, e.g. by setting maximum rates and extending the authority of municipal authorities to increase these rates.

The areas of consideration of property tax in the social sciences are interrelated and intertwined, although they can be reduced, essentially, to one issue, which is local (municipal) tax policy – the subject of several studies (e.g. Sykała et al., 2023). This issue will also be addressed in this study. The authors' aim is to identify the factors influencing the diversity of municipal tax policy in the area of property tax in the years 2018–2025, so the following hypothesis was adopted: The factors influencing municipal tax policy in the area of property tax rates are the municipality's location (by province), the subject of taxation, basic macroeconomic indicators and specific economic conditions caused by the COVID-19 pandemic.

The presentation of the research results will be preceded by a discussion of the objectives of municipal tax policy and its instruments in the context of property tax. This will be followed by a discussion of the results obtained and recommendations and directions for further research will be proposed.

Municipal tax policy in the context of property tax

Local tax policy is part of local government financial management. It should be understood as actions taken by local government bodies to achieve their objectives, using instruments specified in legal regulations. The objectives of this policy may vary: increasing revenue, maintaining jobs, attracting investors or new residents, encouraging environmental protection and other desirable activities, protecting activities characteristic of the municipality, supporting entrepreneurs during a crisis, discouraging taxpayers from continuing undesirable activities, maintaining/gaining political support, and others. These are fiscal, economic, social, environmental and political objectives. They correspond to the functions attributed to local taxes: fiscal, redistributive, stimulatory (incentive), including intervention, social, informational and control, allocative and stabilising. In times of economic crisis, one can also speak of a rescue function, as suggested by Owsiak (2021), and, using the conclusions from the research by Łukomska and Swianiewicz (2016), also of a political function. Individual taxes, including local taxes, fulfil these functions

to varying degrees. Some authors (e.g. Grześkiewicz, 2004) argue that property tax serves mainly fiscal and redistributive functions.[2] To a moderate extent, it has a stimulating and informative-control function. It also has a stabilising and social function, but in a lesser degree (Sokołowski, 1995).[3]

Municipal tax policy boils down to local authorities using their powers to influence the so-called environment (the local community and investors) and stimulate the sustainable socio-economic development of the municipality (Denek, 2005) and generate revenue. There are three prerequisites for the effectiveness of this policy. First, municipal authorities must have the instruments to implement it, which means giving them a wide range of tax powers. Secondly, the tax burden should be significant enough to encourage taxpayers to take (or refrain from taking) certain actions. Third, municipal authorities must define their objectives, present them to taxpayers, and use the powers granted to them, i.e. pursue the policy actively. Municipal authorities have no influence on the fulfilment of the first two conditions.

Local authorities are authorised to have their own tax policy. Its limits are set out in the provisions of the Polish Constitution (Articles 168 and 217) and the Act on Local Taxes and Fees of 1991. Both the municipal council and the tax authority (mayor, town mayor, city mayor) have the power to apply the instruments of a municipal tax policy. The municipal council determines property tax rates by way of resolution within the limits specified in an announcement issued annually by the Minister of Finance on the upper limits of local tax and fee rates. The council may differentiate these rates on the basis of the criteria specified in the Local Taxes and Fees Act of 1991. When determining the rates for land, the municipal council may take into account the location, type of activity, type of development, purpose and use of the land. When adopting rates for buildings, the municipal council may be guided by their location, manner of use, type of development, technical condition and age. In the case of buildings (other than residential) and structures, the type of activity carried out may also be a criterion for differentiating rates. Councillors may not adopt a zero tax rate, as this would be tantamount to granting a tax exemption, which is beyond the competence of this body (Constitution of the Republic of Poland, Article 217; Etel, 2004). The council's instruments of municipal tax policy in the tax in question also include exemptions and reliefs (Act of 12 January 1991, Articles 5 and 7 para. 3). Other instruments may be applied by the tax authority. At the taxpayer's

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[2]   We object to treating this tax as a redistribution tool. With a property taxation system based on surface area and a tax rate for 1 m^2 of buildings used for business that is nearly 30 times higher (in 2025, the maximum rate is PLN 34) compared to the rate for 1m^2 of residential buildings (in 2025, the maximum rate is PLN 1.19), this redistribution takes place at most between taxpayers who run a business and those who do not. A more complete redistribution could be said to exist if the tax base were the value of buildings and land (Announcement of the Minister of Finance of 25 July 2024 on the upper limits of local tax and fee rates for 2025. MP of 2025, item 716).

[3]   Sokołowski (1995) does not distinguish between the intervention (negative taxation), rescue and political functions.

request, it may grant several reliefs: defer the payment of tax (or tax arrears), spread the payment of tax (or tax arrears) into instalments, write off all or part of the tax arrears, interest on late payment or extension fees (Act of 29 August 1997, Article 67a).

Instruments such as reducing maximum property tax rates and differentiating them in relation to different taxable items can be described, in simplified terms, as systemic tools, as they will benefit taxpayers who own or hold certain types of property equally, regardless of their personal or economic situation. It is unlikely that economic or social objectives will be achieved with this instrument. Rather, it can be used for political purposes. The granting of exemptions and reliefs is more targeted, as their design can take into account the specific nature of certain areas of the economy. Nevertheless, reducing rates is more transparent and easier to accept by the so-called environment, while differentiating them and granting exemptions and reliefs for specific types of taxable items is more difficult and raises questions about the criteria for decision-making. Reducing rates can be equated with a passive tax policy, while differentiating them and establishing exemptions and reliefs can be equated with an active tax policy (cf. Sykała et al., 2023).

In 2020–2021, the instruments of municipal tax policy were expanded with regard to property tax (and other revenues[4]). This was related to the introduction of a state of COVID-19 pandemic throughout the country, which paralysed certain areas of social and economic activity. The aim of the changes in the competences of municipal authorities was to provide assistance to entrepreneurs and other persons who found themselves in a hard economic situation as a result of the pandemic and the bans and orders introduced during that period. The reliefs offered by the state were called anti-crisis shields. According to them, the municipal council could introduce, by way of a resolution, for part of 2020 and for selected months of 2021, exemptions from property tax on land, buildings and structures related to business activities for specified groups of entrepreneurs whose financial liquidity had deteriorated due to the COVID-19 pandemic. This exemption could also apply to non-governmental organisations and other entities so affected. The municipal council could also extend, by resolution, the deadlines for payment of property tax instalments due in April, May and June 2020, no later than 30 September 2020, and payable in selected months of 2021, no later than 31 December 2021 (Act of 2 March 2020, Articles 15p and 15qu).

The shape of municipal tax policy, understood as the type of instruments used and the degree of reduction in the rate (in some taxes, the price) in relation to the maximum rate (or price), varies. It is influenced by the following exogenous and endogenous variables (Felis, 2018):

– legal (type of local taxes, their structure and scope of tax authority);
– systemic (type of municipal administration);

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[4] Other instruments included in the anti-crisis shields are discussed, for example, by Budner-Iwanicka and Legutko (2021).

– geographical and environmental, e.g. location, including distance from the largest agglomerations (Łukomska & Swianiewicz, 2015) and the state of the environment;

– demographic and social (age structure of the population, which determines the demand for specific services);

– economic (e.g. level of economic development of the country or region, structure of the national economy, level of technological advancement of municipal economic entities);

– organisational and political, including the concept of the role of municipalities in society and the economy, political pressure and lobbying;

– other factors, e.g. characteristics of residents, economic potential, activity of local authorities.

Research method

Our study covered municipalities in Poland, including cities with county rights. Due to administrative changes, the study did not include the municipality of Ostrow-ice (dissolved at the end of 2018) and the municipalities of Grabówka and Szczawa (operating since 2025). The municipalities were divided on the basis of geographical criteria, i.e. by province.

The study examined the formation of property tax rates for the four most important subjects of taxation (in our opinion): land related to real estate management, other land, buildings related to business activities, and residential buildings. The property tax rates for selected subjects of taxation applicable in municipalities[5] (by province) have been averaged.

The time frame of the study covers the years 2018–2025 and is determined by the availability of data on property tax rates published by the Ministry of Finance. The source of the data was the SP-1 database published by the Ministry of Finance, which includes information provided by municipalities in their Rb-PDP budget reports. Macroeconomic data were obtained from the assumptions for the draft state budget (Ministerstwo Finansów) and the Local Data Bank (Central Statistical Office).
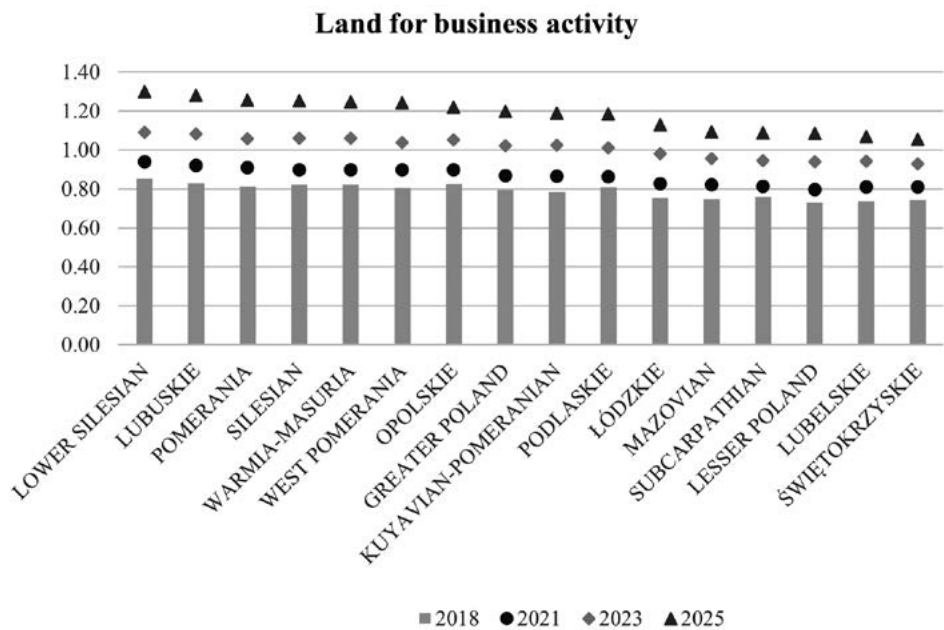
Descriptive statistical measures were used for comparisons between municipalities and over time. Pearson's linear correlation analysis was applied to determine the relationship between the tax rate and macroeconomic indicators. These methods are appropriate for the purpose and subject of the study, as they are also used by other authors cited in the article.
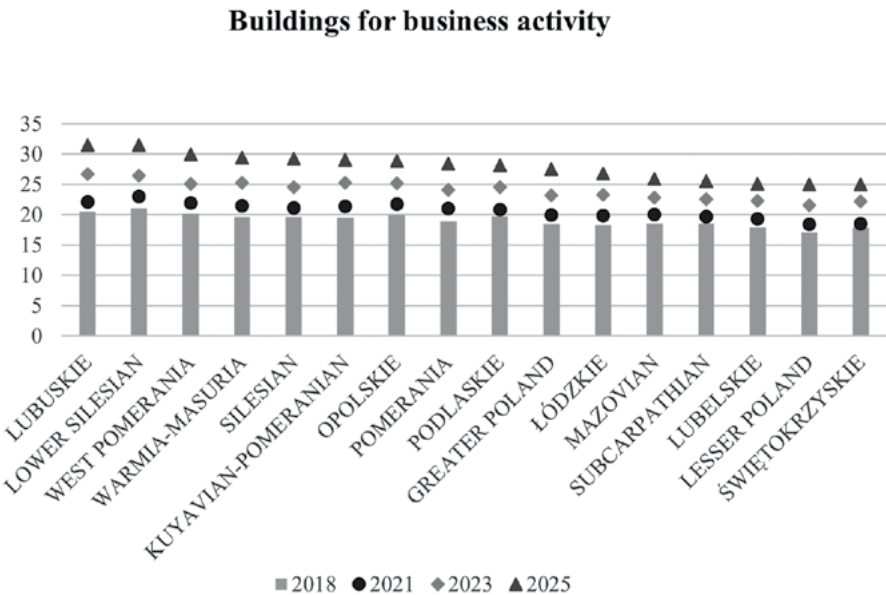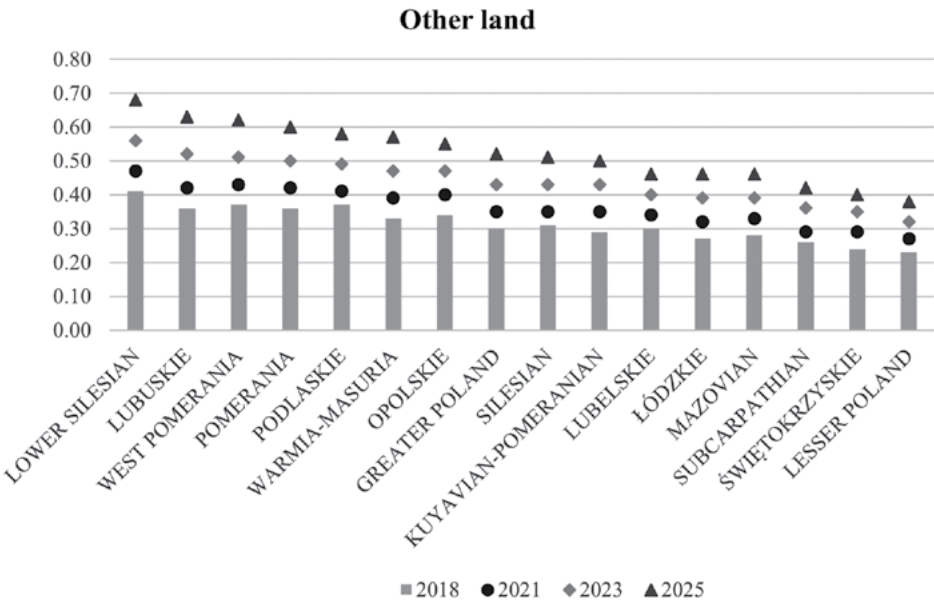
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[5] In municipalities where councillors varied the rate for a given taxable item, the average rate was also used for the calculations.
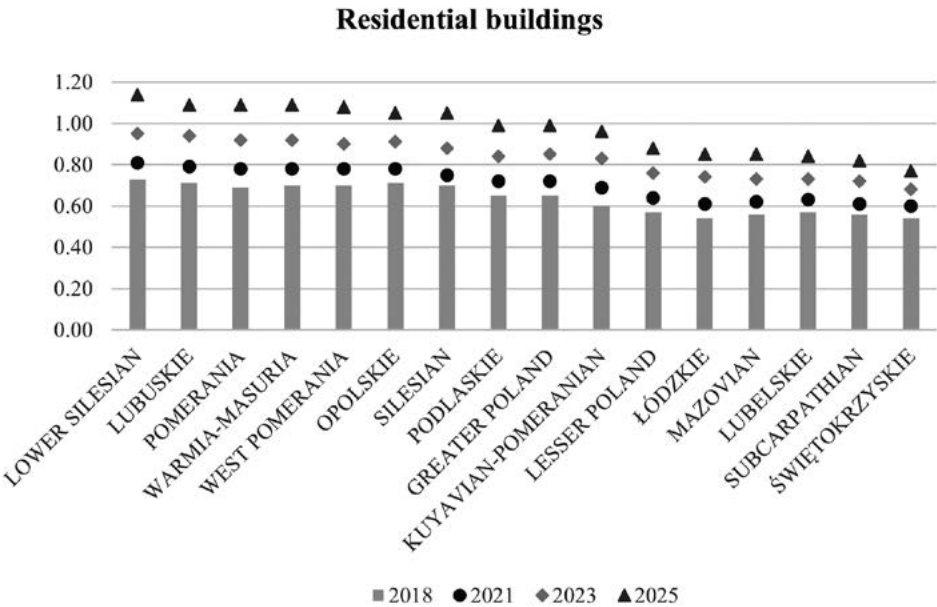
Research results and discussion

The study clearly shows that property tax rates vary according to geographical criteria (Figure 1). This confirms that municipal councils pursue an active tax policy and make use of their powers. It should be noted that the results may be distorted by external factors that influenced the decisions made. In particular, this was the case during the COVID-19 pandemic, when local authorities faced many challenges, including those related to fiscal policy (e.g. balancing the budget, assistance given to businesses and residents through reliefs and exemptions from local tax, increased funding for public services due to lower revenue from their provision – e.g. services related to sport and culture). In addition, it is important to remember the revenue shortfalls that have not been offset despite attempts to compensate for them in 2021–2024. These factors may also have influenced decisions on property tax rates as one of the most important sources of own revenue.

Figure 1. Average property tax rate on selected taxable items in mines by province (in PLN)

Other land

■ 2018 ● 2021 ◆ 2023 ▲ 2025

Buildings for business activity

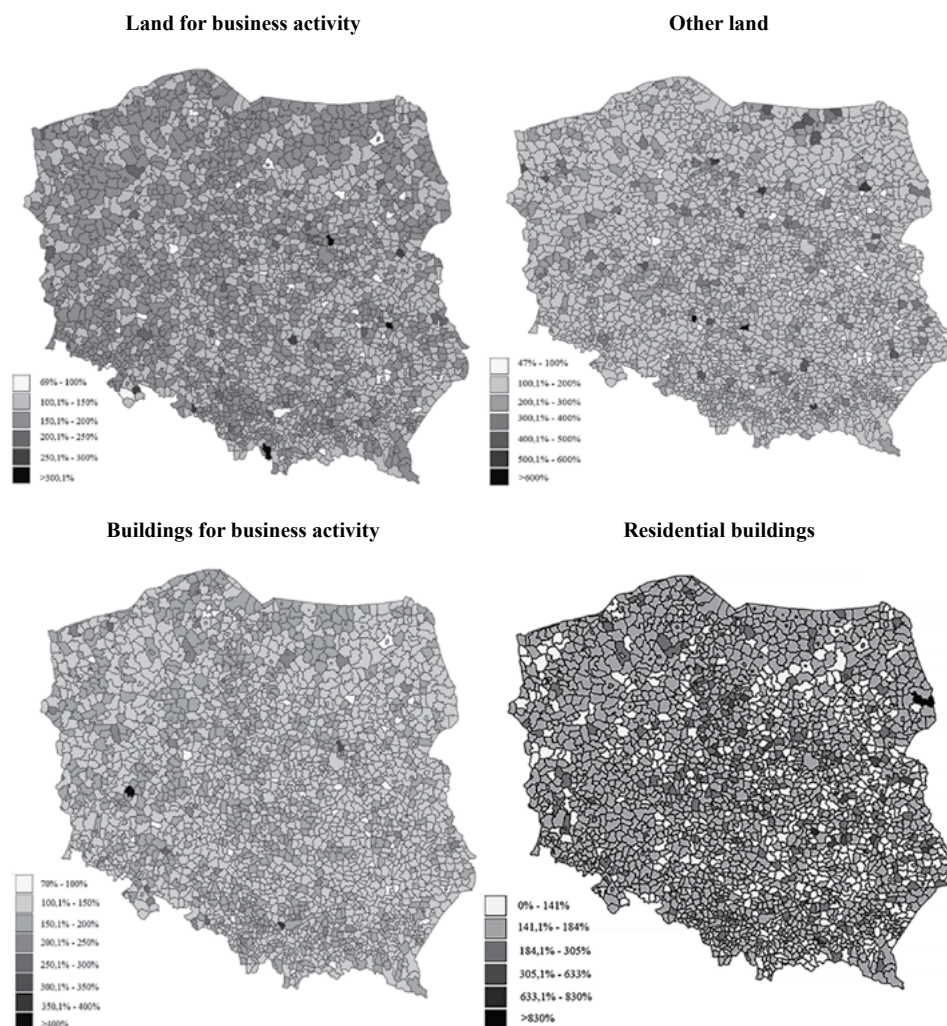

■ 2018 ● 2021 ◆ 2023 ▲ 2025

Residential buildings

Source: own elaboration based on https://www.podatki.gov.pl/podatki-i-oplaty-lokalne/ewidencja-i-sprawozdawczosc-podatkowa/sp-1-bazy-danych-i-opracowania (retrieved July 19, 2025).

The literature on the subject argues that geographical differences in local tax rates may also result from historical conditions, e.g. the older partitioning of Polish territories by occupying powers, the type of municipality (Kobiałka & Kołodziej 2013), and the object of taxation (Korolewska, 2014; Felis & Rosłaniec, 2017). First, we examined the geographical variation in property tax rates by province (Figure 1). The data show that the lowest tax rates in all years are found in municipalities located in the provinces of Lubelskie, Świętokrzyskie, Subcarpathian and Mazovian. This corresponds to the findings made by Dziuba (2016) and means that we can talk about a historically established structure of municipal tax policy. In contrast, the highest average rates prevail in the following provinces: Lower Silesian, Lubuskie, Pomerania, Warmia-Masuria, West Pomerania, Silesian and Opolskie. The afore-mentioned historical conditions are therefore evident, as the average highest rate was identified in the vast majority of cases in the territories originally occupied by Prussia. The lowest average tax rate applies in some of the areas formerly occupied by Russia and Austria. This pattern is also visible in the results for other taxable items, so it can be concluded that historical conditions have had a visible impact on the development of property tax rates. This confirms the observations of other researchers studying Poland. The spatial variation in local tax rates in other countries has been noted by (Ladd, 1992; Yonghong & Merriman, 2011).

Figure 2. Average dynamics of property tax rates 2025/2018 (%)

Land for business activity   **Other land**

Buildings for business activity   **Residential buildings**

Source: own elaboration based on https://www.podatki.gov.pl/podatki-i-oplaty-lokalne/ewidencja-i-sprawozdawczosc-podatkowa/sp-1-bazy-danych-i-opracowania (retrieved July 19, 2025).

The dynamics of property tax rates vary not only geographically and historically, but also according to the object of taxation (Figure 2). The greatest variation in dynamics is visible in the taxation of land for business activities and residential buildings. The dynamics are particularly intense in functional centres and around large cities. This may indicate the phenomenon of tax competition, which takes a more intense form in these areas. When comparing the dynamics of the tax rate for 2025 with that applicable in 2018, the highest rate was generally achieved by Lubuskie

Province. The exception was the taxation of residential buildings. The highest rate dynamics for these properties occurred in Kuyavian-Pomeranian Province. One of the reasons for the variation might be the financial situation of the municipalities, but also the passive tax policy pursued. For this reason, an analysis was carried out of the relationship between the tax rate for 2018 and the dynamics between 2025 and 2018. Furthermore, the concentration of higher dynamics around large urban centres may indicate a situation in which larger urban centres, in a sense, determine the level of property tax rates in neighbouring municipalities.

An examination of the relationship between average property tax rates and their dynamics (2025 to 2018), as shown in Table 1, showed that there is no strong correlation between the level of the tax rate in the base year (2018) and its dynamics in the period 2025/2018. However, the direction of the correlation was significant, indicating that municipalities with low tax rates increased them the most. Thus, it can be assumed that municipal tax policy was one of the main ways of seeking to reduce the loss of municipalities' own revenues.

Table 1. Pearson's linear correlation coefficient between the average property tax rate and the 2025/2018 growth rate

Subject of taxation	Correlation coefficient
Land for business	−0.2982
Other land	−0.4210
Buildings for business activity	−0.2498
Residential buildings	−0.1790

Source: own elaboration based on https://www.podatki.gov.pl/podatki-i-oplaty-lokalne/ewidencja-i-sprawozdawczosc-podatkowa/sp-1-bazy-danych-i-opracowania (retrieved July 19, 2025).

From the point of view of the type of tax policy pursued, it may be equally important to make decisions in specific economic conditions, which are characterised, among other things, by macroeconomic indicators. The Polish Ministry of Finance publishes annual assumptions for the draft state budget, which take into account the macroeconomic situation. The set of indicators used includes, among others, those relating to GDP, inflation and the nominal average gross salary in the national economy. If necessary, these indicators are updated, as they form the basis for estimating the financial impact of draft legislation. They are therefore a source on which local authorities should base their decisions on broadly understood budgetary policy.

The next stage of the analysis, the results of which are presented in Table 2, was to examine the relationships between the tax rates for selected types of real estate and the inflation rate estimated by the Ministry (CPI_MF), the nominal average gross salary in the national economy (Wynagr_MF) and the GDP for provinces measured by the Central Statistical Office (GDP_GUS). Due to the lack of correlation or very

weak relationship between the variables in Table 2, the results of the correlation analysis for one of the taxable items (other land) were omitted.

In the vast majority of provinces (13), a moderate relationship was observed between the tax rate on land used for business activities and the GDP of a given province. The strongest relationship was identified for municipalities in the provinces of Lubuskie, Warmia-Masuria and Kuyavian-Pomeranian. In the case of the rate on buildings related to business activity, a moderate (0.4–0.7) correlation was observed in relation to the Wynagr_MF and GDP_GUS indicators in the provinces of Lower Silesian, Kuyavian-Pomeranian, Opolskie and West Pomerania. Nevertheless, in all cases the correlation was positive. It is worth noting the strong (above 0.7) correlation between the average tax rate on residential buildings and the GDP indicator for the region in the case of the following provinces:

Table 2. Pearson's linear correlation coefficient between tax rates on selected types of real estate and macroeconomic indicators by province

Province	CPI_MF[a]	Wynagr_MF[b]	GDP_GUS[c]
Rate on land used for business activity (1.1)			
Lower Silesian	0.50200	0.58080	0.55795
Kuyavian-Pomeranian	0.51030	0.31686	0.56166
Lubelskie	0.36490	0.23857	0.41363
Lubuskie	0.52925	0.61728	0.59941
Łódzkie	0.43544	0.27806	0.48880
Lesser Poland	0.34427	0.28670	0.38648
Mazovian	0.40153	0.25127	0.45288
Opolskie	0.45021	0.54318	0.49578
Subcarpathian	0.35661	0.24499	0.38153
Podlaskie	0.39615	0.32161	0.41898
Pomerania	0.44453	0.49135	0.49403
Silesian	0.49598	0.41994	0.53142
Świętokrzyskie	0.33037	0.19838	0.37800
Warmia-Masuria	0.51723	0.57633	0.56691
Greater Poland	0.51992	0.37702	0.57289
West Pomerania	0.38206	0.49064	0.45945
Rate for buildings used for business activity (1.6)			
Province	**CPI_MF[a]**	**MF remuneration[b]**	**GDP_GUS[c]**
Lower Silesian	0.38754	0.58080	0.42511
Kuyavian-Pomeranian	0.48988	0.31686	0.54391
Lubelskie	0.30910	0.23857	0.33783
Lubuskie	0.54304	0.61728	0.59650

Łódzkie	0.39305	0.27806	0.43446
Lesser Poland	0.31509	0.28670	0.35214
Mazovian	0.34638	0.25127	0.38472
Opolskie	0.35411	0.54318	0.38840
Subcarpathian	0.28905	0.24499	0.30633
Podlaskie	0.38977	0.32161	0.40488
Pomerania	0.30449	0.49135	0.34166
Silesian	0.32822	0.41994	0.35243
Świętokrzyskie	0.28396	0.19838	0.30924
Warmia-Masuria	0.44982	0.57633	0.49512
Greater Poland	0.37967	0.37702	0.41350
West Pomerania	0.31792	0.49064	0.36259
Rate for residential buildings (1.5)			
Province	**CPI_MF**[a]	**MF remuneration**[b]	**GDP_GUS**[c]
Lower Silesian	0.64335	0.58080	0.72865
Kuyavian-Pomeranian	0.34708	0.31686	0.40740
Lubelskie	0.25921	0.23857	0.29976
Lubuskie	0.67781	0.61728	0.75626
Łódzkie	0.30110	0.27806	0.35241
Lesser Poland	0.31448	0.28670	0.36889
Mazovian	0.27509	0.25127	0.31231
Opolskie	0.59876	0.54318	0.67248
Subcarpthian	0.26680	0.24499	0.28191
Podlaskie	0.35167	0.32161	0.39895
Pomerania	0.54452	0.49135	0.61554
Silesian	0.45852	0.41994	0.49216
Świętokrzyskie	0.21345	0.19838	0.26189
Warmia-Masuria	0.63771	0.57633	0.71546
Greater Poland	0.41595	0.37702	0.46781
West Pomerania	0.53977	0.49064	0.65158

[a] CPI_MF = planned inflation rate in accordance with the state budget assumptions. Correlation coefficient calculated for 2018–2025 data.

[b] Wynagr_MF = planned nominal average wage index in the national economy in accordance with the state budget assumptions. Correlation coefficient calculated for 2018–2025 data.

[c] GDP_GUS = regional GDP index according to GUS BDL. As more recent data are unavailable, the correlation coefficient was calculated for the years 2018–2023.

Source: own elaboration based on https://www.podatki.gov.pl/podatki-i-oplaty-lokalne/ewidencja-i-sprawozdawczosc-podatkowa/sp-1-bazy-danych-i-opracowania (retrieved July 19, 2025).

Lower Silesian, Lubuskie, Warmia-Masuria, Pomerania, West Pomerania and Opolskie. This may indicate that in areas with higher GDP, there is a tendency to set higher rates of taxation on residential buildings. In contrast, in less prosperous regions, these rates are generally relatively low. In these provinces, there is also a moderate correlation between the rate and the nominal average wage in the national economy. Thus, it can be concluded that in some provinces, the level of property tax rates on residential buildings is correlated with the level of wealth of the inhabitants. The variation in property tax rates can be explained by the existence of tax competition (Swianiewicz & Łukomska, 2016).

The analysis provides important conclusions that the change in rates is less dependent on projected inflation. Historical conditions and the wealth of the region play indeed a more significant role. The relationship between property tax rates and inflation was confirmed by Andrzejak (2024), who identified a slower growth rate of the average and median tax rates for properties related to economic activity in years with higher inflation.

The correlation between the variables does not, of course, prove that macroeconomic indicators determine the rates adopted by municipal councillors. In the case of inflation, however, such a relationship is likely, as local authorities may follow the example of the Minister of Finance, who adjusts property tax rates annually. The Minister is required to announce the upper limits of tax rates for each tax year, taking into account that the rates are adjusted annually for the following tax year in accordance with the consumer price index for the first half of the year in which the rates are adjusted, compared to the same period of the previous year (Act of 12 January 1991, Article 20).

The final stage of our study was the consideration of the direction of change in property tax rates (Table 3). It was shown that the specific economic conditions during the COVID-19 pandemic were an important factor in tax policy. It is characteristic that in 2021, nearly half of the municipalities (including cities with county rights) decided to leave unchanged or reduce (compared to 2020) the tax rates on all taxable items considered. In 2022, the number of municipalities that increased tax rates compared to 2021 increased. The number of municipalities which decided to increase the tax rate was similar to that in 2020. A similar trend continued in 2023. This may indicate an attempt to "compensate" for the loss of own revenue resulting from fiscal policy measures taken as a result of pandemic. The number of municipalities where rates remained unchanged between 2019 and 2024 is also noteworthy. This may be related to the election cycle, i.e. municipal councils refrained from setting higher tax rates due to municipal elections. Although local elections in Poland were held in 2018 and, exceptionally, in 2024,[6] those in power may have been guided by the desire for potential re-election when deciding on the level of local tax rates. This is

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[6]   On account of the 2023 parliamentary elections, the term of office for local authorities was extended to 2024.

indicated by the similar number of municipalities that did not change the rates in question in other years (except for 2021).

Table 3. Number of municipalities deciding to increase or decrease the rate, or leave it unchanged, by taxed object

Rate on land used for business activity							
Direction of rate change[a]	2019	2020	2021	2022	2023	2024	2025
Increase[b]	1181	2047	1332	2030	2236	1844	2094
Reduction[b]	8	5	12	3	4	6	11
No change[b]	1288	425	1133	444	237	627	372
Rate for other land							
Direction of rate change[a]	2019	2020	2021	2022	2023	2024	2025
Increase[b]	1026	1914	1303	1962	2204	1801	2063
Reduction[b]	15	24	22	12	8	7	14
No change[b]	1436	539	1152	503	265	669	400
Rate for buildings used for business activities							
Direction of rate change[a]	2019	2020	2021	2022	2023	2024	2025
Increase[b]	1142	2005	1283	2013	2234	1837	2058
Reduction[b]	15	20	20	4	6	4	25
No change[b]	1320	452	1174	460	237	636	394
Rate for residential buildings							
Direction of rate change[a]	2019	2020	2021	2022	2023	2024	2025
Increase[b]	1149	1987	1346	1974	2178	1786	2050
Reduction[b]	13	9	9	4	5	7	14
No change[b]	1315	481	1122	499	294	684	413

[a] In all years, the total number of municipalities increasing, decreasing or leaving rates unchanged was the same (2,477).
[b] In all years, the increase, decrease or no change in the rate refers to the rate applicable in the municipality in the previous tax year.

Conclusions

In the introduction we formulated a hypothesis that the factors influencing municipal tax policy in terms of property tax rates are as follows: the location of the municipality (by province), the subject of taxation, basic macroeconomic indicators and specific economic conditions caused by the COVID-19 pandemic. The study confirmed that municipal tax policy is influenced by legal, geographical (and related historical) and economic factors.

Municipal authorities are free to pursue their own tax policy. Its limits are set by the provisions of the Polish Constitution and the Act on Local Taxes and Fees, which is the legal determinant of municipal (local) tax policy. This policy should be associated with the actions taken by municipal authorities to achieve their objectives, which essentially means that local authorities influence present and future taxpayers as well as to stimulate the sustainable socio-economic development of the municipality and generate revenue.

The study confirmed that there are still significant differences in tax policy (in terms of the rates of the tax in question) between municipalities located in different provinces. The lowest tax rates were observed in provinces located in the former Russian and Austrian partitions, while the highest rates were identified in the areas of the Prussian partition. This is consistent with the observations we made while looking at the rates of the tax in question applicable in municipalities in 2006–2014 (Dziuba, 2016). It is therefore possible to speak of a historically established shape of municipal tax policy in property tax (at least as far as the adoption of rates is concerned).

The study provides important conclusions that changes in property tax rates are moderately or strongly correlated with the GDP of a given province and, to a lesser extent, depend on the forecast inflation rate. Furthermore, it has been established that the level of tax rates on residential buildings is also correlated with the wealth of residents, which is influenced by the level of wages in the province. However, there is no significant relationship between the tax rate on other land and basic macroeconomic indicators. Of course, the correlation between the variables does not prove that macroeconomic indicators determine the rates adopted by councillors. In the case of inflation, however, such a relationship is likely, as local authorities may follow the example of the Minister of Finance, who annually adjusts property tax rates for inflation.

We contribute to the literature with the observation that municipalities located in provinces with higher GDP tend to set higher rates on residential property, while in provinces with lower levels of prosperity, these rates are relatively low. A moderate link was also observed between the level of rates and the nominal average wage in the national economy. It should be noted that this policy also differs in terms of the subject of taxation. It has also been shown that the COVID-19 pandemic was a significant factor in tax policy, as almost half of the municipalities did not change any of the four tax rates considered in 2021 (compared to 2020). In addition, it is worth noting the importance of macroeconomic indicators (inflation and average salary in the national economy) provided in the guidelines for the draft state budget. It has been shown that they are taken into account in a special way when determining the property tax rate for land related to business activities and residential buildings. Thus, these indicators are an element on which tax policy is based. Such findings have not yet been made in the literature.

Theoretical assumptions about the factors influencing the shape of municipal tax policy in relation to the four main property tax rates have been confirmed by empirical data. The main practical implication of the article is to provide evidence that these rates vary, among other things, depending on the province and its wealth, and partly on the wealth of its inhabitants. The implementation of the concept of so-called tax rate zoning, at least for residential buildings and those related to business activities, which was formulated more than ten years ago in a report prepared by Capital Strategy and International Property Tax Institute (2014). The term "zoning" should be understood as the differentiation of property tax rates according to the location of the property (Bernardelli & Felis, 2023) or the wealth (GDP) of the province (Rochowicz, 2017). It is assumed that zoning would increase the municipalities' revenues from the tax in question and perhaps stimulate economic development in poorer provinces.

The study does not exhaust all areas related to the determinants of tax policy. One potential direction is to explore the issue of residents' wealth as measured by their income from various types of economic activity. Furthermore, it may be interesting to attempt to identify types of tax policy that may also vary depending on geographical location.

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