

## **A Roadmap to Abolishing School Property Taxes: Securing the freedom to own your own home**

“Our personal and economic liberty is the foundation of our Texas and American constitutions. Actually owning one’s property and not renting it by force from the government is paramount to strengthening and stabilizing this foundation. Property rights start with the actual freedom to at least own your own property.”

### **Paper 1 – Texas Property Tax: A State-to-State Comparison**

Texas has one of the highest property tax burdens in the United States. The effective tax rate on Texas businesses in the state's most populous urban areas is 2.50%. This makes the property tax burden on Texas businesses the 9th highest in the country. Homeowners fare even worse. The average ranking by several websites of the property tax rate on owner-occupied homes is the 6th highest. The driving factor behind Texas' increasing high property tax burden is increased spending by school districts and local governments, which go to great lengths to conceal these increases from voters. If Texans want to reduce property taxes, we must convince our politicians to exercise fiscal restraint. The only way to have limited government is to limit government revenue.

### **Paper 2 - Why Texas Can't or Won't Stop the Rapid Growth of Property Taxes**

Texans have a long history of expressing concern over high property tax burdens. Texas politicians also have a long history of being unable (or unwilling) to stop property tax growth. Since 1997 politicians have attempted to provide tax relief five times and failed each time. Instead, they have increased spending at the state and local levels, placing ever higher tax burdens on Texans. The failures of Texas politicians provide some lessons for meaningful property relief in the upcoming legislative session. To make this happen, the Texas Legislature should limit state spending growth to no more than 4% per biennium and use the resulting surplus to reduce property taxes in Texas permanently.

## Paper 3 - Eliminating Texas' School M&O Property Tax in 8 Years

Texas' school maintenance and operations (M&O) property tax, about 43% of the current \$81.9 total property tax levy, is driving the ever-growing property tax burden on Texans. To eliminate the M&O tax in eight years, the Texas Legislature must:

- 1) Limit annual state spending growth to no more than 2.9%
- 2) Allocate 90% of surplus funds created by the spending limit to property tax relief
- 3) Freeze and then reduce school property revenue each year until school M&O property taxes are eliminated
- 4) Require local governments to get permission of voters to raise property tax rates above the "No New Revenue" tax rate
- 5) Ensure a future Legislature does not backtrack on its promises by making property tax relief permanent through the passage of an amendment to the Texas Constitution

In eight years—depending on what the Texas Legislature does this session—the school M&O property tax will be either closing in on \$50 billion or \$0.

Elimination of the M&O tax will not reduce funding for public schools or change school funding formulas. But it will reduce the property tax burden on Texans, particularly the burden on homeowners and businesses, who pay a disproportional amount of property taxes today.

### SUMMARY

In summary, our plan is for the state, over time, to increase funding for our schools from approximately 45% to 100% over eight years using the state surplus revenues without adding or increasing any existing tax. The state pays 100% of schools' funding, eliminates the local property tax, and doesn't change any funding formulas to the local ISDs.

### CALL TO ACTION

Constitutionally limit state spending increase to 2.9% which will eliminate the property tax for schools.

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