

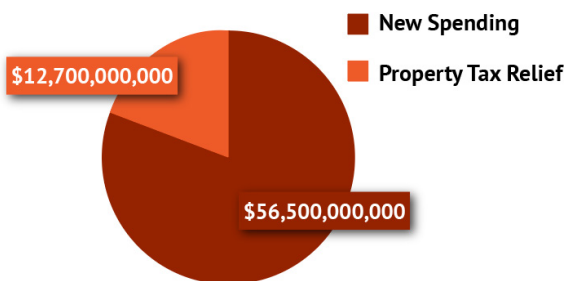
# Property Rights are Fundamental to Liberty

## A Review of the Texas Legislature's Property Tax Deal

By Bill Peacock and Don Huffines

With the Texas Legislature starting its regular session in January with a \$32 billion budget and approximately \$38 billion in potential new revenue over the next two years, Texas taxpayers felt like they had a historic opportunity to set Texas on the path to complete elimination the school district maintenance and operations (M&O) tax. However, despite Lt. Gov. Dan Patrick's statement that "Texas homeowners must receive tax relief before we commit to any new spending," at the end of the regular legislative session in May, the Legislature had appropriated \$56.5 billion for new spending but had not come up with a plan to provide property tax relief for Texans.

### New Spending v. Property Tax Relief

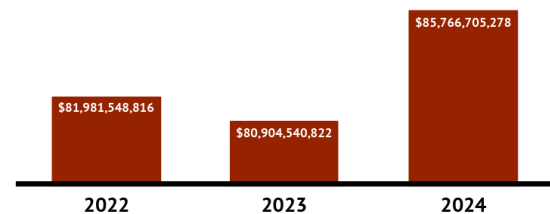


Finally, after the Legislature came back for a second called session, the House and Senate agreed on a tax relief package totaling \$12.7 billion. Much of the money (\$6.7 billion) will be used to buy down, or compress, the property tax rate. Most of the rest will be used to increase the homestead exemption from \$40,000 to \$100,000. The bill will also put a 20% appraisal cap on non-homesteaded properties valued at \$5 million or less, and provides that local appraisal boards in counties with populations of at least 75,000 will have three elected positions (out of nine).

While the amount of money dedicated to property tax relief in this agreement is significant—the second largest effort in Texas history—and the numerous ways of delivering tax relief appear impressive, there are several shortcomings in this measure approved by the Texas Legislature. These include:

- **Treats the Symptoms without Curing the Disease:** the statewide property tax levy in Texas this year was \$81.9 billion. Yet the Legislature dedicated only \$6.35 billion on an annual basis to property tax relief. It also ignored the main reason property taxes keep going up: the rapid growth in local government spending.
- **Ignores the Fact that the Homestead Exemption is a Three Time Failed Policy:** This is the fourth time in recent years that the Texas Legislature has attempted to provide lasting tax relief by increasing the homestead exemption. It has failed every previous time; this time will be no different.
- **Turns Texas into New Jersey:** Providing tax relief through multiple avenues (compression, exemptions, abatements, etc.) pits Texans against each other just like New Jersey and other East Coast states where relief for one group means higher taxes for another. The best policy is to treat all taxpayers the same.
- **Fails to Provide Long Term Property Tax Relief:** The \$6 billion annually dedicated to property tax relief will only decrease property tax payments from between \$515 million to \$1.6 billion.

### 2023-24 Projected Property Tax Levy



### Conclusion

What the Texas Legislature did this session will not work if the goal is to eliminate the school M&O property tax. To do this, the Legislature must 1) freeze school M&O property taxes for school districts and require voters to approve revenue increases for cities, counties, and special districts, 2) limit the growth of state spending to 4% per biennium and use 90% of the resulting budget surplus to buy down property taxes, and 3) put these changes into the Texas Constitution to protect Texans from fickle policymakers.