



Split roles carry pros, cons

By Texas Public Policy Foundation

As the prospect of a special session focusing on public education finance increases, some state leaders are considering a proposal that would separate the way property taxes are levied on residences and businesses. In a report issued this week, the chief economist for the Texas Public Policy Foundation notes such a move represents a mixed-bag of positives and negatives.

"In a split roll, you would essentially tax business property by the state and residential property by the local districts," explained Byron Schломach, Ph.D., author of the report titled *Splitting the Difference*. "When you realize almost half of Texas, \$1.16 trillion of total property value is considered business property, even when apartments are included in the residential category, it is easy to understand why some would like to bring those dollars into the state coffers."

Schlomach warns such a move cannot necessarily be viewed as a solution to what some consider high property taxes in the state.

"A split roll tax system does not necessarily result in

lower property taxes. It simply converts what was once local tax revenue into state tax revenue," he said.

One proposal under consideration would link any future increases in the business property tax rate to increases in residential rates. Schlomach says such a move might alleviate concerns expressed by business groups about splitting the rolls. There are more homeowners than there are business owners, so the political calculation isn't hard. For elected representatives seeking more tax revenues, fewer voters are made angry by a property tax increase on business than on residences. So without a constitutional tie between business and residential rates, the risk for business owners in a split system is clear: they are likely to eventually shoulder the lion's share of property taxes. But businesses would also benefit from a split roll system, Schlomach noted.

"At present, there are more than 1,000 school districts, each with slightly different tax rates. And each with the authority to raise taxes as they see fit for their district," he said.

"A split roll system would also pit the current practice of communities bidding

against each other through tax abatements to bring new business, letting Texas compete as a whole against other states," Schlomach added.

One important consideration: no state has a true split roll, though Schlomach says Minnesota's complex state property tax system, with numerous categories, does approach the split-role concept.

Ultimately, Schlomach said legislators need to first focus their attention on overall education spending before attempting to restructure the tax system.

"The issue of property taxation is more properly framed around the amount of money that the public education system seems to be insatiably able to swallow up rather than the structure of the property tax itself. In the final analysis, taxes are always a function of spending. Tinkering with the tax structure can be a worthwhile exercise only after reforms of the expenditure side of the equation take place," he concluded.

EDITOR'S NOTE: Texas Public Policy Foundation is a non-partisan organization which examines public policy in Texas. TPPF is located in Austin.

Colorado Co.
Citizen
Columbus, TX
Circ. 2011
From Page:
4
2/4/2004
91326

