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Perry plan would cap home taxes

Appraisals, rate increases would be restricted

60
276
180

By MICHELLE M. MARTINEZ
Cox News Service

AUSTIN — Gov. Rick Perry unveiled a four-pronged tax plan Thursday designed to provide relief to Texas homeowners by capping home property tax appraisals and restricting tax rate increases.

major step in Perry's efforts to frame discussion for an anticipated special legislative session on school finance that would include review of the state's tax structure. The plan was greeted both with praise from a key legislator working on school finance changes and concern from municipal and business organizations — key Republican political and financial backers — who fear it will hurt city finances and adversely affect businesses

The announcement is a See PERRY, Page 15A





PERRY

Proposal would lower caps

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it will hurt city finances and adversely affect businesses statewide.

"For too long Texas homeowners and employers have been the victim of an insidious, back-door property tax hike that comes in the form of higher appraisals," Perry said during appearances in Houston and San Antonio during which he rolled out the plan. "Instead of raising rates to generate more revenue, local governments are often dependent upon the local appraiser to generate additional money for them."

Under the plan, home property appraisals could not increase more than 3 percent a year in all taxing jurisdictions. Currently, state law caps the annual increase in the taxable value of a home at 10 percent a year.

Appraisal cap

Business property appraisals would be capped at 10 percent annually, said Robert Black, a spokesman for Perry.

Cities, counties, schools and special taxing districts would be prohibited from increasing tax rates to a level that would generate more revenue than the previous year without a majority of voters approving. The increase would be adjusted for inflation and population growth.

Perry said limits on property appraisals must accompany tax relief. Black said the governor is expected to announce a plan for funding schools in the next few weeks that will include a recommended maximum tax rate.

Perry's proposal has won the approval of at least one member of the Joint Select Committee on Public School Finance, the committee developing recommendations for changing the way the state funds public schools. Kent Grusendorf, an Arlington Republican and the committee's co-chairman, said he expects that the plan's taxpayer protections will be included in the committee's legislative package.

"Property taxes over the last decade have gone through the ceiling, and we've got to get a handle over future increases," Grusendorf said.

The Texas Public Policy Foundation, an Austin-based think tank that advocates for limited government, also praised the plan, but municipal and business organizations expressed concerns.

"If a proposal like this is going to be seriously debated by the Legislature, then we will certainly make our concerns known to the members of the House and Senate, said Bill Hammond, president and chief executive officer of the Texas Association of Business.

Frank Sturzl, director of the Texas Municipal League, urged lawmakers not to harm city finances as they search for a solution to funding the state's public schools.

"Texas cities hope that lawmakers won't confuse Robin Hood with the folks that fix your potholes," Sturzl said, referring to the current school finance system under which property wealthy school districts help subsidize less affluent ones.

Under the plan, taxing entities seeking to raise their tax rates to a level that would generate more revenue than the previous year would have to go to voters for approval.

"They can raise the funds they believe are necessary with taxpayer approval," Black said. "Local governments, local taxing authorities, local school boards should not be afraid to go to local taxpayers for a funding increase."

Calculating rate

Currently, local entities have some leeway in how high they can raise their tax rates. Officials must calculate an "effective tax rate," — the rate at which officials could raise the same amount of revenue as the previous year. If they raise the tax rate 8 percent above the effective rate, they run the risk of having taxpayers petition for an election to lower the rate.

Perry's plan calls for mandatory disclosure of real property sales prices and for establishing appraisal district boards made up of elected officials.

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