

LEGISLATORS' GUIDE TO THE 85th LEGISLATURE

S P E C I A L S E S S I O N 2 0 1 7

Property Tax Rollback Trigger

The Issue

Texas homeowners are struggling under the weight of fast-growing local property taxes. In fiscal 2015, more than 4,100 local governments levied \$52.2 billion in property tax revenue, an increase of almost \$12 billion over the past five years. This translates to \$1,900 in property tax revenue in 2015 from every man, woman, and child in the Lone Star State—a cost of nearly \$8,000 for a family of four.

Compared to other major U.S. states, Texas' property tax burden rates among the worst. According to the Tax Foundation, the mean effective property tax rate on owner-occupied housing in Texas ranks as the 6th highest nationally, while local property taxes collected per capita rank as the 14th highest in the U.S.

Property taxes in Texas are not only substantial, but the tax burden is also growing quickly. From 2000 to 2015, property taxes levied across the state grew by more than 132 percent. Over that same period, population and inflation—a commonly used metric that accounts for the rising cost of funding basic public goods and services along with economies of scale—increased by only 82 percent. This delta suggests that local property taxes are growing much faster than they should be.

Texans' desire for meaningful property tax reform is confirmed by the polls. According to a poll by the University of Texas and the *Texas Tribune*, conducted February 3-10, 2017, the top priority for the 1,200 adults surveyed was “lowering property tax bills for homeowners,” which ranked as the top choice among 20 percent of all respondents. A close third in the poll was “continuing to limit government by approving no new spending and no new taxes,” which ranked as the top choice among 16 percent of all respondents.

Another poll by the University of Texas and the *Texas Tribune*, conducted June 2-11, 2017, of 1,200 registered voters showed that approximately 77 percent of those responding either strongly or somewhat support a move by the Legislature to limit how fast property taxes can grow. Only 14 percent of those surveyed strongly or somewhat opposed this move, while 8 percent didn't know.

Texans are, rightfully, hungry for reform because oppressive taxes can discourage economic growth and activity, distort investment decisions (especially among capital intensive industries), depress job creation, and make it difficult to afford day-to-day

life. It is critical that Texas lawmakers take steps to mitigate these negative effects with substantive policy reforms that control the rate of growth.

One idea to protect taxpayers is to establish a “trigger” requiring an automatic rollback election to be held when local property tax revenues grow too much in any one year. That threshold should be set at 4 percent or population growth plus inflation, whichever is less. Together, these reforms will place the onus on local governments to justify excessive tax increases to voters.

Structural reforms, like the one above, are key to creating a more predictable and sustainable tax environment that is necessary for ongoing economic growth and job creation. Perhaps most importantly, these kinds of reforms place more power in the hands of those who bear the burden of government.

The Facts

- In fiscal 2015, more than 4,100 local governments levied \$52.2 billion in property taxes on Texas homeowners and businesses. That translates into a burden of nearly \$8,000 for a family of four.
- From 2000 to 2015, Texas' property tax grew by 132 percent. Population and inflation increased just 82 percent over the same period.
- According to a poll conducted by the University of Texas and the *Texas Tribune* of 1,200 registered voters over June 2 to June 11, 2017, 77 percent of Texans support a move by the Legislature to limit how fast property taxes can grow.

Recommendation

Require voter approval for property tax rates that result in property tax revenue increases of more than 4 percent or population growth plus inflation, whichever is less.

Resources

[Time for a Property Tax Trigger](#) by Bryan Mathew and James Quintero, Texas Public Policy Foundation (March 2017).

[The Freedom to Own Property: Reforming Texas' Local Property Tax](#) by Vance Ginn, Kathleen Hunker, and James Quintero, Texas Public Policy Foundation (Oct. 2015).