

## Property Tax Reform

### The Issue

Texas' property tax is big and fast-growing. In 2016, more than 5,100 local tax jurisdictions levied more than \$56 billion in property taxes, making it the single largest tax imposed in the Lone Star State. Of the total levy, school district taxes accounted for the bulk of the burden at \$29.9 billion followed by cities (\$9.2 billion), counties (\$9 billion), and special districts (\$8 billion). On a per capita basis, Texas' property tax is large enough to collect more than \$2,000 from every man, woman, and child in the state or more than \$8,000 from a family of four.

### Property Taxes by Unit Type, Fiscal Year 2016

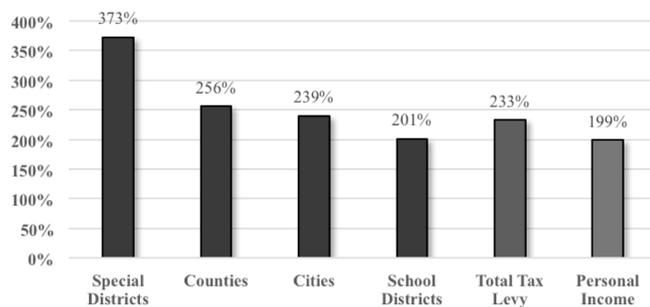
	2015 Property Tax Levy	2016 Property Tax Levy	% Levy Change from 2015 to 2016	2016 % of Total
School Districts	\$28,176,465,862	\$29,856,267,794	+5.96%	53.24%
Cities	\$8,380,435,861	\$9,165,214,426	+9.37%	16.34%
Counties	\$8,696,387,395	\$9,027,417,995	+3.81%	16.10%
Special Districts	\$6,954,137,406	\$8,031,407,848	+15.49%	14.32%
<b>Total</b>	<b>\$52,207,426,524</b>	<b>\$56,080,308,063</b>	<b>+7.41%</b>	<b>100%</b>

Source: Texas Comptroller of Public Accounts

Property taxes in Texas are not only substantial, but the burden is also growing quickly.

From 1996 to 2016, local government tax levies grew by more than 230%. Among the different taxing units, special district taxes increased the most at 373%, followed by counties (+256%), cities (+239%), and school districts (+201%). In comparison, personal income increased just 199% which, in some cases, is dramatically lower than the rate of tax increases. This imbalance is an indication that taxes are growing faster than Texans' ability to afford them.

### Property Taxes & Personal Income Growth: 1996-2016



Source: Texas Comptroller of Public Accounts and the U.S. Census Bureau

The consequences of high and fast-growing property taxes are numerous. Studies suggest that oppressive taxes can discourage economic growth and activity, distort investment decisions (especially among capital intensive industries), and depress job creation. It is critical that Texas lawmakers take steps to mitigate these negative effects with substantive policy reforms.

One proposal worthy of serious consideration is a property tax trigger which, if designed properly, will better control how fast the burden grows and will allow for greater public participation.

Under this proposal, all political subdivisions of the state would be required to seek voter approval for adopting tax rates that allow property tax revenues to grow in excess of 2.5% compared to the previous year. Additionally, a two-thirds supermajority vote should be required to ratify any increase above 2.5%. Structured in this way, the proposal would place the onus on local officials to convince a broad cross-section of voters on the need to excessively increase already-high property tax bills.

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. Without these kinds of long-term taxpayer protections in place, Texans will continue to struggle under the weight of an oppressive property tax system.

### The Facts

- In fiscal 2016, more than 5,000 local tax jurisdictions hit homeowners and businesses with tax bills totaling \$56.1 billion.
- On a per capita basis, Texas' property tax is large enough to collect more than \$2,000 from every man, woman, and child in the state or more than \$8,000 from a family of four.
- From 1996 to 2016, Texas' property tax grew by 233%. In comparison, personal income only increased by 199%.

### Recommendation

Require voter approval for property tax rates that result in property tax revenue increases of more than 2.5%.

### Resources

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