



Lower Taxes, Better Texas: Eliminating Property Taxes in Texas Through Buydown Over Time

Texans are fed up with paying exorbitantly high property taxes. By following this buydown plan,* Texas can cut property taxes nearly in half within about 20 years by eliminating school maintenance and operations (M&O) property taxes, also known as the “Robin Hood” tax. This can be achieved by restraining state and local spending growth and using state surplus taxpayer dollars to buy down school M&O property taxes over time.

Under this buydown approach, every dollar not spent by the state will produce a property tax cut for Texans. Following the plan below would let the Texas Legislature keep their promise to taxpayers by *lowering* property tax bills—something missing in most other plans. If these assumptions hold over time, the buydown would eliminate the school district M&O property taxes during the 2040-41 biennium, which would bring the average property tax burden down to about 1.3% of a property’s value from today’s roughly 2.3%.

The Details

- School district M&O property taxes are estimated to collect about \$56 billion in 2020-21, making up nearly half of the hefty property tax burden Texans face.
- Historical state general revenue-related (GRR) funds growth has averaged 9.02% biennially since 2012. Future state GRR spending increases will be limited biennially to the state’s new spending limit of population growth times inflation with an average of 6.38% since 2012. The resulting GRR surplus of 2.64% will be used to buy down school district M&O property taxes each biennium until they are eliminated.
- The state will increase education funding to gradually replace the M&O portion of each local school district’s property taxes. School districts will set their tax rate each year to reduce property tax revenue by the amount of the state’s replacement funding and grow the revenue by, at most, 2.5% each period. Changes in city, county, and special purpose district property tax revenues should be limited to less than 3.5%, and preferably 0%, to further restrain spending growth. Any vote to exceed the new voter-approval tax rate must obtain supermajority consent.

The Results

- If these GRR revenue and spending growth rates hold, Texas can eliminate school district M&O property taxes in 20 years. Growth variations will shorten or lengthen this buydown. Ensuring the fastest elimination will mean increased home ownership, a more efficient tax system in Texas as it moves toward sales taxes, and more economic growth supporting prosperity.

Buying Down School District M&O Property Taxes Until Eliminated in 20 Years

	2020-21	2022-23	2024-25	2026-27	2028-29	2030-31	2032-33	2034-35	2036-37	2038-39	2040-41
GRR Revenue (9.02% increase)	116,130	123,020	134,122	146,227	159,423	173,811	189,497	206,599	225,244	245,572	267,735
GRR Spending (6.38%)	111,020	115,170	122,516	130,330	138,642	147,485	156,892	166,898	177,534	188,867	200,913
GRR Available for Tax Cuts (2.64%)		7,850	3,757	4,290	4,884	5,545	6,279	7,095	8,000	9,004	10,116
School District M&O Property Taxes	55,893	49,243	46,624	43,392	39,471	34,774	29,207	22,665	15,031	6,178	0

* *Lower Taxes, Better Texas: Eliminating Property Taxes*, by Vance Ginn, James Quintero, and E.J. Antoni, Texas Public Policy Foundation, 2021 (<https://www.texaspolicy.com/lower-taxes-better-texas/>).