



Lower Taxes, Better Texas: Eliminate Property Taxes by 2033

Texans will never experience the peace of mind that comes with owning their home until property taxes are eliminated. Until then, Texans are simply renting their home from the government, always with the fear that taxes could become so exorbitant they can no longer afford to stay. For decades, TPPF has been providing strategies to give Texans the relief they demand while also providing the community with the tax revenue it needs for critical public services like education. Our [Lower Taxes, Better Texas](#) plan will eliminate property taxes for every Texan by 2033, while also making structural changes to our system that prevent year-to-year spikes in tax bills and reins in irresponsible local governments.

We take a three-pronged approach.

- **Limit Spending:** The Legislature enacted a [new spending limit](#) based on a formula using population growth and inflation, and any surplus general revenue must first be used to reduce property taxes. The Legislature should use this excess revenue to eliminate school district maintenance and operations (M&O) taxes, which are essentially statewide “Robin Hood” property taxes, in order to give taxpayers relief while also complying with the constitutional requirement that the state fund schools. Fully eliminating these taxes will be gradual over decades because of limited surplus revenue.
- **Pass SB 1 and HB 90:** The Legislature started this elimination process in the 2019 session. [HB 3](#) provided \$5 billion to reduce the M&O tax rate by 7 cents (to 93 cents per hundred dollars of a property’s valuation), and another \$6.1 billion in 2021. This was strengthened with [SB 2](#), which imposed stricter limits on property tax increases. There is an opportunity to do more during the third special session in 2021. [SB 1](#) would provide at least \$2 billion—and as much as \$4 billion in the 2022-23 school year, depending on the surplus estimated by the Texas comptroller—for an additional 6.6 cents or more of reduction. This trend of providing relief with surplus funds sets the stage for putting a structural change into law. [HB 90](#) (similar to [HB 958](#) in the 2021 regular session) would use 90% of general revenue surplus funds to eliminate all school M&O taxes.
- **Amend and Pass HB 91:** The third part of our approach is to [redesign the state’s tax code](#) so that local governments are funded primarily by sales taxes. This redesign would broaden the base of goods and services covered by the sales tax while lowering the rate. The result would be to finally eliminate school M&O taxes after years of cutting them. A narrower broadening of the base would help avoid difficult choices about which sales tax exemptions to remove. After eliminating school M&O taxes, surplus funds could then be used to cut sales taxes to give Texans even further relief. [HB 91](#) (identical to [HB 59](#) during the 2021 regular session) would create a commission to study this new model.

We recommend updating HB 91 to also study having other local taxing entities eliminate their property taxes with sales taxes (e.g., [HB 705](#) in the 2019 regular session), and having all governments use surplus revenue above the rate of population growth and inflation to cut taxes.

The combination of SB 1, HB 90, and an updated HB 91 would put Texas on a path to eliminate property taxes by 2033 or sooner. The elimination of property taxes should be combined with constitutional amendments when appropriate to prohibit local taxing entities from imposing new property taxes.

Texas governments ought to provide this kind of fiscal framework to ensure all Texans can flourish and to deliver real peace of mind to Texas homeowners.

ABOUT THE AUTHOR

Vance Ginn, PhD, is chief economist at the Texas Public Policy Foundation. He earned his doctorate in economics at Texas Tech University and has an accomplished career as a policy director and university lecturer with experience in public policy, academia, and government. From 2019 to 2020, Dr. Ginn served as the associate director for economic policy of the Office of Management and Budget (OMB) at the Executive Office of the President during the Trump administration.