



# TPPF's Lower Taxes, Better Texas Plan FAQ

April 2022

## Overview

- Over the last 20 years, property taxes have increased 81% faster than the average taxpayer's ability to pay for them, contributing to too many Texans struggling to pay bills and keep their home.
- Our [Lower Taxes, Better Texas](#) plan will help Texans by eliminating local maintenance and operations (M&O) property taxes in a revenue neutral way by [no later than 2033](#).
- This balanced solution will give Texans the relief they demand while continuing to fund critical services, like public safety and education.
- After eliminating the M&O property taxes, which represent 80% of all property taxes in Texas, constitutional changes should prohibit re-imposing these taxes.
- Texas governments ought to embrace this fiscal framework to ensure all Texans can flourish and deliver real peace of mind to Texas homeowners in a timely way.

## TPPF Plan

- Lower spending to a maximum of the state's spending growth limit of population growth times inflation and have cities, counties, and special purpose districts do the same to generate surpluses.
- Lower taxes with state surplus funds buying down school district M&O property taxes (nearly half of the total property tax burden), and with other local governments surplus funds buying down theirs.
- Lower tax burdens until there is a redesign of the tax code by broadening the sales tax base within 10 years to completely eliminate M&O property taxes for school districts, cities, counties, and most special purpose districts.
- Eliminate M&O property taxes by 2033 as a result, then consider options for dealing with the other 20% of interest and sinking (I&S) property taxes that fund debt.
- Support a faster growing economy and more opportunities for people to flourish with this plan, with a lower tax burden per person and true property ownership.

## TPPF Plan Q&A

*Would it cut funding for government schools or raise taxes if there's a recession? No.*

- Our plan is revenue neutral, meaning school districts would receive the same amount based on state-determined school finance formulas. And the funding of the buydown would happen only if there were a surplus each session.
- If the state's general revenue declined from a recession, no surplus funds would be available or obligated, but the Legislature could still take one or more actions to continue making progress: use the rainy day fund; redirect funding from other areas of the state budget; require school districts to operate more efficiently; or direct ISDs to use unrestricted reserve fund balances.

*Would the plan benefit upper-income earners and landlords at the expense of others? No.*

- The plan initially reduces M&O property taxes by replacing them with surplus general revenue, so this benefits everyone as the property tax rates are compressed for all Texans.
- With lower taxes, property is immediately more affordable allowing lower income earners greater opportunities to qualify to buy or rent homes.
- This redesign also benefits everyone as they have more money in their pocket from paying as much as 80% less in property taxes while only a bit more for some sales taxes on items that were not previously taxed.

***Would the plan just shift taxes instead of lowering individual burdens? No.***

- While the plan would be revenue neutral to maintain the same level of expense, the individual tax burden would decline.
- This would happen because of dynamic growth in the economy as more people and businesses move to Texas, so the per person tax burden would decline initially and then be frozen in inflation-adjusted terms thereafter.

***Would out-of-state homebuyers purchase Texas homes and rent them to avoid taxes? Unlikely.***

- By lowering the property tax burden there could be more incentive to purchase rental property, but as property taxes go down, rental prices on a home would also go down making it less profitable to rent out property thereby reducing the incentive.
- Ultimately, the plan will better allow the marketplace to work for buyers and sellers instead of distorting the market and driving up the cost of property.

***Would this hurt middle-class families during an economic downturn? No.***

- Middle-class families will benefit more from our plan than under the status quo as their property tax bill would be significantly lower and would not continue to increase unabated over time.
- The redesign later would make the family much better off by further cutting the property tax substantially.

***Can we just immediately abolish property taxes? Unlikely, unfortunately.***

- Eliminating all property taxes is the ideal, but there is not the political will to do so now for a variety of reasons, including some inappropriately being concerned about shifting to sales taxes. Property taxes should not be replaced with income taxes, value-added taxes, or other types of taxes.
- The state can only effectively pay for and eliminate school district M&O property taxes, while other local tax jurisdictions should eliminate their own. If the state paid for all, there would likely be a massive Robin Hood system to make local jurisdictions revenue neutral by shifting sales taxes from sales tax rich to poor jurisdictions.
- Eliminating the I&S property taxes has additional hurdles because the debt is incurred with financial contracts supported by property taxes requiring those costs to be socialized across the state, the contracts renegotiated with support from sales taxes, or the debt mature and property taxes dropped off then.