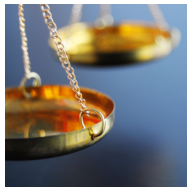


Local Government

Legislator's Guide to the Issues | 2017-18



Property Tax



The Issue

Texas' local property tax is big and fast-growing. In fiscal 2013, local governments received in excess of \$45 billion in property tax revenue, making it the single largest tax imposed in the Lone Star State. Of the total levy, school district taxes represented more than half of the overall burden, at \$24.9 billion. The number of taxing jurisdictions levying a property tax grew to more than 4,000 statewide, an increase of 10.6% compared to a decade prior.

Compared to other major U.S. states, Texas' property tax burden rates among the worst. According to the Tax Foundation's latest survey of all states, local governments collected \$1,559 in property tax revenue in 2012 from every man, woman, and child in the Lone Star State, ranking as the 14th worst for taxpayers.

Property taxes in Texas are not only substantial, but the burden is growing quickly. From 2000 to 2013, property taxes levied across the state grew by more than 101%. 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 70.3%. This disparity suggests that local property taxes are growing faster than Texans' ability to afford them.

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.

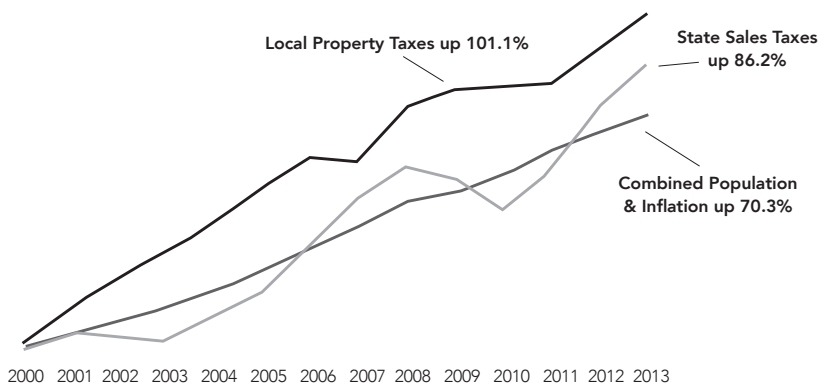
One such reform that could go far to protect and promote the Texas economy has to do with controlling the rate of growth of property taxes. Under the Foundation's proposal, political subdivisions should be required to seek voter approval for tax rates that allow property tax revenues to grow by 4% or population and inflation, whichever is less. In this way, the onus is placed on local governments to justify to voters why their property tax bills should continue to grow at such a rapid rate.

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.

Property Taxes by Unit Type, Fiscal Year 2013

	# of Local Governmental Units	Property Tax Levy	% of Total Tax Levy	% Levy Change from 2012 to 2013
School Districts	1,020	\$24,854,671,461	54.91%	+7.72%
Counties	254	\$7,558,398,797	16.70%	+6.99%
Cities	1,066	\$7,324,430,896	16.18%	+3.61%
Special Districts	1,756	\$5,529,434,215	12.22%	-0.25%
Total	4,096	\$45,266,935,369	100%	+5.89%

Source: Texas Comptroller



The Facts

- Texas' property tax is the single largest tax in the Lone Star State.
- In fiscal 2013, more than 4,000 local governments levied \$45.3 billion in property taxes on Texas homeowners and businesses.
- From 2000 to 2013, Texas' property tax grew by 101.1%. Population and inflation increased just 70.3% over the same period.

Recommendation

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

Resources

[*Texas Property Tax Reform Needed*](#) by Allegra Hill and James Quintero, Texas Public Policy Foundation (Dec. 2015).

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

[*Testimony: Ten Facts About Texas' Property Tax*](#) by James Quintero, Texas Public Policy Foundation (April 2015).

