

Reining in Texas' Skyrocketing Property Taxes

Testimony Before the Texas House Ways & Means Committee

by Vance Ginn, Ph.D., Director

Chairman Burrows and Members of the Committee:

My name is Dr. Vance Ginn, and I am a senior economist and director of the Center for Economic Prosperity at the Texas Public Policy Foundation. I am here to testify today in support of House Bill 2.

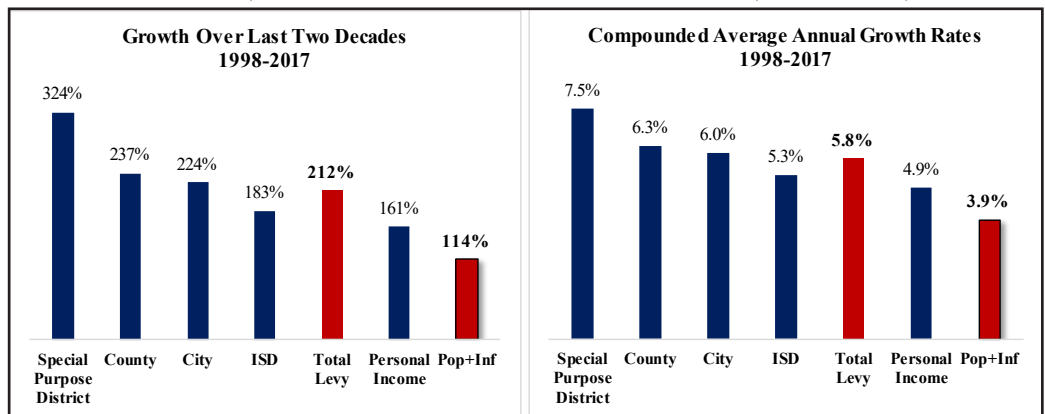
The [Texas Model](#) of limited government supports prosperity. [Texas ranks as America's third most economically free state](#) according to the Fraser Institute and is where [22 percent of all jobs added nationwide were created](#) since December 2007. But the burden of skyrocketing local property taxes forces too many Texans out of their homes and businesses.

HB 2 would make substantial reforms to help rein in this burden. This includes increasing transparency of the appraisal process, replacing complex jargon, and increasing information online. The biggest change that would structurally alter the property tax burden is lowering the rollback rate from 8 percent to 2.5 percent and changing it from a petition-driven election to an automatic one in November.

The current [8 percent rollback rate has been in place since 1981](#) when there was [double-digit inflation](#). That rate was to be lowered when inflation fell, yet that never happened, contributing to large increases in property taxes. The figure below shows that, [during the last 20 years, property taxes across Texas and for each jurisdiction type have increased](#) more overall and on an annual basis than the average taxpayer's ability to pay, as measured by population growth and inflation—but also when measured by personal income. With property taxes up 5.8 percent per year, they have effectively doubled every 12 years.

HB 2 could cut this historical growth rate by more than half by lowering the rollback rate to 2.5 percent and would increase local control by giving voters a voice in the budget process. This would not "cap" government spending unless voters decide a jurisdiction is not appropriately prioritizing taxpayer dollars for public safety and other provisions that secure liberty. The rate, which is similar to the rate in other states, matches average annual inflation in the last 20 years, and population growth would be covered because new property and improvements are not included.

Property Taxes > Texans' Ability to Pay



Though HB 2 does not reduce property taxes, the slowing of property tax growth accomplished by this legislation is an essential first step to keep Texans from being taxed out of their homes and businesses. We recommend improving this bill by:

- Removing the exemption of small tax jurisdictions with less than \$15 million in revenue from the lowered rollback rate so that everyone has access to the same benefits;
- Adding on independent efficiency audit requirements of local governments to assure wise spending; and
- Complementing this key reform with a path to cut the burden in half by [eliminating the school M&O property tax](#) through slowing government spending.

Thank you for your time and the work you do, and I look forward to continued discussion on this topic. ★

ABOUT THE AUTHOR



Vance Ginn, Ph.D., is a senior economist and director of the Center for Economic Prosperity at the Texas Public Policy Foundation, a 501(c)(3) non-profit, non-partisan free market think tank based in Austin. He is a former college lecturer, and an expert on economic and fiscal issues with research to let people prosper by removing government barriers in Texas, D.C., and beyond.

About Texas Public Policy Foundation

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The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

