

Texas Legislature’s Path to Property Tax Relief and a Conservative Texas Budget

The Problem

Texans pay too much in property taxes because of excessive government spending. Current legislative efforts to address this may not bring substantial, long-lasting property tax reductions.

The Opportunity

- The Texas Legislature can pass the third straight Conservative Texas Budget (CTB) by reallocating \$2.3 billion from the Senate’s version or \$9.7 billion from the House’s version of HB 1 to tax relief.
- A way to achieve this with the Senate’s version is to consider the general revenue usage in HB 3:
 - \$2.7 billion to property tax relief,
 - \$2.3 billion to increase the basic allotment and other education programs, and
 - \$4 billion to increase teacher and librarian pay by \$5,000.
- Practicing fiscal restraint with these funds can result in real cuts to property taxes.

The Path Forward

- Path to a CTB is to reallocate \$2.3 billion to property tax relief from the Senate’s version of the budget, which is only 0.9 percent of it. This may include reallocating what is in HB 3 by either:
 - Increasing the basic allotment and other education programs with current resources, or
 - Raising teacher pay by no more than \$2,100.
- The real cuts plan, which requires a freeze in school districts’ property taxes, would provide immediate, long-lasting property tax reductions. Eventually eliminating those taxes in about a decade.
- Under other plans, the amount of property tax relief is less with higher growth limits.
- Property tax relief efforts above this must include passage of a Conservative Texas Budget of less than \$234.1 billion, which excludes Harvey recovery money, and strict local revenue limitations.

Proposed Scenarios

The Chart shows the estimated results of the latest proposed policy changes.

- Status Quo: Change in an Austin homeowner’s tax liability assuming a historical 6 percent increase.
- Senate’s latest proposals:
 - CSHB 3: Cut school districts’ property taxes by \$5.7 billion with \$2.7 billion out of the \$9 billion in HB 1 plus \$3 billion from the Economic Stabilization Fund and other sources.
 - SB 2: Reduce rollback rates to 2.5 percent for school districts and to 3.5 percent for others.
- House’s latest proposals:
 - HB 3: Cut school districts’ property taxes with \$2.7 billion in HB 1.
 - CSSB 2: Reduce rollback rates to 2 percent for school districts and 3.5 percent for others.
 - HB 297: Eliminate school districts’ property taxes on January 1, 2022 with an interim committee to consider sales tax swap options, but no change in the upcoming biennium.
- Real cuts plan: Use the \$5 billion currently in HB 1 as outlined in the [Foundation’s plan](#).

Estimated Property Tax Liability Change from 2019 to 2021

Housing/ Policy Changes	Status Quo	Senate CSHB3 +SB2	House HB3 +CSSB2	Real Cuts Plan
\$300,000 Median Price	+\$764	-\$291	+\$87	-\$335
Net Tax Change Statewide	+\$8.3 B	-\$1.8 B	+\$0.9 B	-\$3.5 B