

Texas: Governor remains committed to pursuing property tax reform



David M. Kall | Thursday, January 25, 2018

Gov. Greg Abbott made the rounds last week pushing his property tax ideas that establish a revenue growth cap of 2.5 percent per year. This is a continuation of the plan he delivered at last year's state-of-the-state speech that we [described](#) last February, when he said that he wanted to reform the property tax system by imposing a "real revenue cap," and preventing cities from raising property taxes without voter approval.

To this end, lawmakers considered the [Texas Property Tax Reform and Relief Act of 2017](#), but they did not ultimately enact the measure.

A few months later, in July 2017, pursuant to the special session that became necessary to avoid statutory elimination of five agencies (the Texas Medical Board, the Texas State Board of Examiners of Psychologists, the Texas State Board of Examiners of Marriage and Family Therapists, the Texas State Board of Examiners of Professional Counselors, and the Texas State Board of Social Worker Examiners), the Office of the Texas Governor posted an [article](#) featuring an op-ed that Gov. Abbot wrote for the Houston Chronicle.

In the article, the governor "expressed his commitment to reining in skyrocketing property taxes," noted that property taxes are the main funding source for schools, fire and police, and lamented the "obscene and unsustainable increases" in property tax bills that were crushing counties state-wide. There were a number of other items on the special session's agenda, like teacher pay increases and other school-related reforms, but as we [observed](#) at the time, property taxes remained at the forefront of Gov. Abbott's agenda.

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Despite the focus, once again, no reforms were actually enacted.

Now, the governor can expect that after the November 2018 election, he will still be in his seat. He has a “record war chest” for a “likely cakewalk race,” as [US News](#) characterized it. In a press conference on MLK Day, he returned to talk of his property tax plan, and [Texans for Greg Abbott](#) posted its details online, in a document titled “[Bicentennial Blueprint: Framing Our Future.](#)”

The blueprint identifies five tactics for restraining the growth of property taxes:

- a. Establishing a property tax revenue growth cap of 2.5 percent per year.
- b. Prohibit the legislature from imposing unfunded mandates on its political subdivisions.
- c. Requiring appraisal district directors to be locally-elected officials, such as incumbent county commissioners or city council or school board members, and prohibit employees of taxing entities from serving in any capacity with an appraisal district or appraisal review board, because this is “an obvious conflict of interest.”
- d. Improving the rights of property owners in the property tax appraisal process and the property tax appraisal protest process.
- e. Improving property tax transparency by requiring the Office of the Comptroller to develop and maintain a comprehensive database of property tax rates and levies applicable to every property in the state.

In addition, the blueprint calls for improving the transparency of local debt; prohibiting debt from being used for non-specified purposes; restricting the use of certificates of obligation; and requiring a two-thirds supermajority vote to approve issuance of new local debt.

The authors of the blueprint reason that “[a]lthough the state of Texas is constitutionally prohibited from levying property taxes, its political subdivisions (cities, counties, school districts, special districts, etc.) may tax property. Local-level taxation of property has placed Texas the sixth highest in the nation for overall property tax burden, according to the Tax Foundation. There are deep philosophical problems with property taxation generally that mean that Texas’ reliance on this form of taxation must be minimized.”

Among the “philosophical problems” alleged in the blueprint are these:

- Property taxes are assessed in perpetuity regardless of the property owner’s ability to pay the tax and without regard to any ultimate limitation on the amount that can be assessed against a piece of property;
- A costly and intrusive bureaucracy exists to appraise the taxable value of properties and oversee the collection of taxes from each property owner, rendering property taxation a highly inefficient form of taxation;
- Property taxes are the remnants of an antiquated system of taxation that was necessitated because wealth was tied directly to the land: farming & ranching, primarily. As Texas has urbanized and the economy has shifted largely to manufacturing, research and development, retail, and professional services, the system of taxation is outdated. Indeed, wages and economic activity produced by agriculture are dwarfed by other industries.

What is more, the blueprint asserts, federal tax reform, in which state and local taxes, including property taxes, when not incurred through a trade or business, are capped at \$10,000, “creates a new urgency to provide property tax relief.”

“Enough is enough,” said Gov. Abbott at the press conference. The [Texas Tribune](#) highlighted the fact that this time around, his tax reform “plan also offers local leaders something last year’s property tax overhauls didn’t. The state would no longer be able to saddle local governments with providing new services without providing state funding to cover the costs. And when it comes to funding public education — which makes up the majority of local property tax bills — Texas lawmakers would likely be required to put up more state funds under Abbott’s proposal.” This means that lawmakers might need to reform school finance before

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tackling property tax reform, while also contending with the controversy stirred by the fact that schools would be faced with the same revenue caps as cities and counties.

In our above-mentioned July 2017 article, we pointed out that previous attempts to reform property taxes involved caps of four or five percent, from the current eight percent. The 2.5 percent ceiling is thus quite a bit more aggressive, but the governor is feeling bullish. At the MLK Day press conference, the Tribune quoted him as opining that “it will be easy to get it through both the House and Senate because taxpayers in the state of Texas are frustrated...Every member of the House is running for election right now. Every member of the House is hearing they need to do something to constrain property taxes in Texas, and so I know when everyone comes back to the Capitol, they understand they have to do something.”



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