

Commentary: What to expect from Legislature's playbook on property tax

OPINION By Dale Craymer - Special to the American-Statesman

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"Neither the Senate nor the House plan would have cut your property taxes — and neither addressed school finance, the biggest driver of rising property tax bills," writes Dale Craymer of the Texas Taxpayers and Research Association.

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Texas lawmakers will soon convene in special session to tackle "property tax reform," just as local taxing districts across the state begin their budget work to determine how much Texans will pay in taxes for next year.

While the Legislature imposes a number of taxes, the property tax isn't one of them. That falls to a multitude of local governments including school districts, cities, counties and a plethora of special districts, such as junior colleges, hospitals, roads, and water and wastewater districts.

However, the Legislature can have a tremendous impact on your tax bill because it writes the laws that control how local entities set their property taxes.

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While the House and Senate failed to agree during the regular session on how to best improve the property tax system, both offered thoughtful plans that would have given taxpayers valuable new tools

to combat rising tax bills. Texans will be hopeful during the special session for some type of help.

Here's how the current property tax system works: Each spring a county's appraisal district prepares an estimate of each property's value. Along with the appraisal notice, taxpayers get a meaningless estimate of their upcoming property tax bill. That estimate is wrong on two counts. First, it's based on a preliminary value. Property owners may protest their appraisals — and the resulting value to which tax rates will apply may be lower. Second, the rates used to calculate the tax estimate are the prior year's rates, not those proposed for the current year. The actual rates that determine your final tax bill won't be set until well into summer.

Property tax rates aren't permanent; they are set each year. Taxing units start their budget process by calculating an "effective" tax rate – one that would basically raise the same amount of revenue as the previous year. If local property values are rising, the effective tax rate automatically adjusts downward.

Cities, counties and special districts can adopt a tax rate that raises up to 8 percent more revenue than raised by the effective tax rate before voters may petition for a tax rollback election. That growth rate was set in 1981, when inflation was in double digits. At the time, it was a meaningful constraint on local budgets.

Today, with inflation at a trickle, an 8 percent tax increase is huge. And if voters want to challenge an increase, the petition requirements to spark a tax election are daunting, allowing just 90 days to gather signatures from 7 percent to 10 percent of a jurisdiction's registered voters.

The Senate-passed bill would have lowered the rollback rate to 5 percent and replaced the petition requirements with a mandatory ratification election. This would force jurisdictions to make their case to taxpayers in years they seek extraordinary tax increases.

The House-passed bill did not address the rollback limits, but instead provided a valuable new tool for those who choose to be involved. The House proposed a new tax notice based on a property's final value and on the actual tax rates jurisdictions propose to adopt. For the first time, taxpayers could directly see how each jurisdiction's budget choices would affect their tax bills.

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The truth is neither the Senate nor the House plan would have cut your property taxes — and neither addressed school finance, the biggest driver of rising property tax bills. But that wasn't the ultimate goal; it was to protect against spiraling tax increases. In combination, the House and Senate bills would have given taxpayers valuable new tools to use to get involved in the process in an informed way.

Now is the time for you to act on two fronts to determine the size of the property tax checks you'll be writing in the years to come. First, encourage your legislators to come to an agreement on these meaningful property tax reforms during the upcoming special session. Second, actively participate in the coming weeks as local governments set their tax rates for the coming year. Both could have a big impact on your wallet.

Craymer is president of the Texas Taxpayers and Research Association.