TTARA
RESEARCH FOUNDATION

May 2008

Types of Property Taxed in Texas

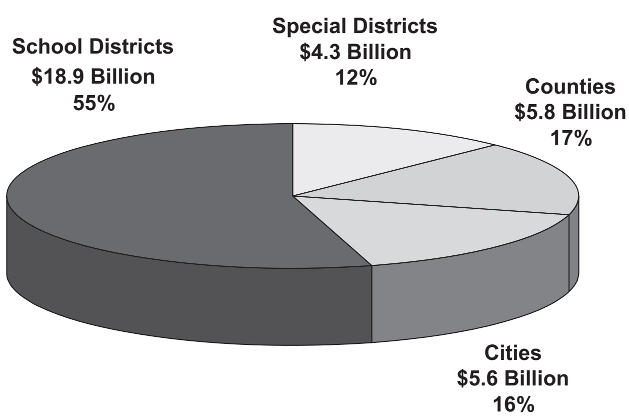
Taxing Jurisdictions

Property in Texas is taxed by over 3,800 local entities. This includes 1,026 school districts, 1,054 cities, and 254 counties. In addition, there are over 1,500 special districts that have been created to carry out specific government functions that are financed in large part through property taxes. These include hospital districts, junior college districts, municipal utility districts, drainage districts, water districts, road districts, fire districts, and library districts. Total tax rates (including debt) for all of these entities range from a low of $0.02 to a high of $2.83.

	Number of Entities	**High Rate**	**Low Rate**	**Avg Rate**
School Districts (2007)	1,026	$1.67	$0.70	$1.19
Cities (2006)	1,054	$1.50	$0.02	$0.49
Special Districts (2006)	1,529	$2.83	$0.01	$0.40
Counties (2006)	254	$1.03	$0.18	$0.51
Total	**3,863**			

The property tax revenue raised by all of these local taxing jurisdictions is the single largest revenue source in the state. The 2007 tax levy will generate an estimated **$34.6 Billion** for taxing jurisdictions in the 2008 fiscal year. School districts accounted for 55% of the total, followed by counties at 17%, cities at 16%, and special districts at 12%.

2007 Estimated Property Tax Levy $34.6 Billion



Data Source: 2007 Preliminary ISD Self Report, Comptroller's Property Tax Division

TTARA estimate for county, city and special district levy based on 2006 levy

Even after a one-third reduction in school maintenance and operations tax rates, the amount of local property taxes in Texas are very close to the **total** amount of **all** state taxes. The property tax is two-thirds greater than the amount of state sales tax revenue, the single largest revenue source for state government. If not for the tax rate reduction, property tax revenue would most likely exceed all state taxes.

Fiscal 2008 Revenue from Major Taxes (Billions)

Local Property Tax	**$34.6**
State Sales Tax	20.4
Franchise (Margin) Tax	5.9
Motor Vehicle Sales Tax	3.4
Motor Fuels Tax	3.1
Other Taxes	6.6
Total State Taxes	**$39.5**

Source for state taxes: Comptroller's Biennial Revenue Estimate

Property Values

The market value of property subject to the property tax in Texas is $1.88 trillion. This tax base is made up of various types of property. Single family homes is the largest category of property at $847.15 billion, or 45% of the tax base. The second largest category of property is commercial real property which totals $251.82 billion or 13.4% of the tax base. The table below summarizes the different categories of property.

1/1/07 Texas School District Market Value $1.9 Trillion

Single Family Homes	$847.15	45.0%
Commercial Real (office, wholesale, retail, restaurants, hotels)	251.82	13.4%
Farm & Ranch Land	188.90	10.0%
Commercial Personal (merchandise, furniture & equipment)	111.31	5.9%
Oil, Gas and Minerals	95.13	5.1%
Industrial Real (manufacturers,chemical/power plants, refineries)	85.93	4.6%
Industrial Personal (equipment, barges, trucks, drilling rigs)	83.57	4.4%
Multi-Family (apartment complexes)	77.04	4.1%
Utilities (power lines, telephone, cable, pipelines, railroads)	44.72	2.4%
Farm & Ranch Improvements (farm houses, brns, silos)	40.08	2.1%
Vacant Lots (undeveloped residential tracts, building sites)	37.82	2.0%
Real Property Inventory (unsold housing developments)	9.27	1.0%
Mobile Homes	5.63	
Special Inventory (dealer inventory – cars, boats, farm)	4.61	
Non-business Vehicles	0.23	
Total	**$1,883.23**	

Data Source: 2007 Preliminary ISD Self Report, Comptroller's Property Tax Division

Taxing entities grant various exemptions which are deducted from the market value of property within their jurisdiction before the property is taxed. In addition, farm and ranch land is taxed on the basis of “productivity value” which is based on the land’s capacity to produce agricultural products, an approach that offers a substantial reduction from market value. Because the data for school districts is the most current and complete, it is used for most of the calculations in this paper. School districts removed a total of $374 billion in value through exemptions and productivity valuation in 2007 which are summarized in the table below.

1/1/07 School District Exemptions and Special Valuations
$374.89 Billion (Value)

Reduction due to Productivity Valuation	$158.63	42.3%
$15,000 Homestead (state mandated)	70.99	18.9%
Over 65 Freeze Loss	42.05	11.2%
Local Option % Homestead	30.50	8.1%
10% Residential Value Cap	20.76	5.6%
Freeport Exemption (goods in state 175 days or less)	19.15	5.1%
$10,000 Over 65 Homestead	12.97	3.5%
Pollution Control Exemption	8.20	2.2%
Local Option Over 65 or Disabled	6.80	1.8%
TX Economic Dev Act (Chapter 313)	1.98	
Veteran/Surviving Spouse Homestead	1.61	
Low Income Housing	0.41	1.3%
Tax Abatements	0.36	
Historical Designations	0.31	
Solar and Other	0.17	
Total	**$374.89**	

Data Source: 2007 Preliminary ISD Self Report, Comptroller’s Property Tax Division

In order to calculate tax levies presented in this analysis, a number of steps are taken. Exemptions are deducted from the category of property to which they apply in order to arrive at a taxable value of property. The reduction due to productivity valuation is the largest of the adjustments to market value and is deducted from farm and ranch land. The numerous homestead exemptions and historical designations are deducted from single family homes, mobile homes and farm and ranch improvements (which includes farm houses). The freeport exemption – an exemption given to property that is brought into the state for assembling, storing, manufacturing, processing, or fabricating purposes and is then transported outside of the state within 175 days – is deducted from commercial and industrial personal property. The pollution control, Texas Economic Development Act, tax abatement, and solar exemptions are deducted from industrial real and personal, commercial real, and utility property. The low income housing exemption is deducted from multi-family property (apartment complexes).

Once the exemptions are deducted, a taxable value is calculated for each taxing entity, and their tax rate is applied to every $100 of this value. Taxable values totaled $1.51 trillion -- 80% of market value -- for school districts on January 1, 2007 and are listed in the table below.

1/1/07 Texas School District Taxable Value $1.5 Trillion

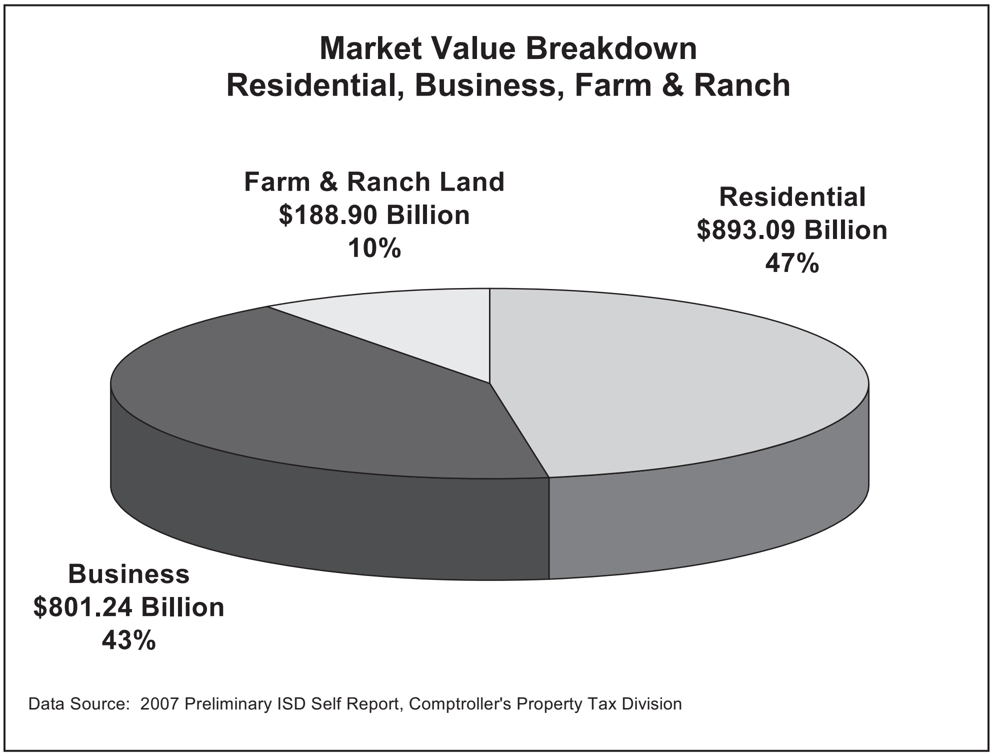
Single Family Homes	$672.44	44.6%
Commercial Real (office, wholesale, retail, restaurants, hotels)	251.34	16.7%
Farm & Ranch Land	30.27	2.0%
Commercial Personal (merchandise, furniture & equipment)	100.17	6.6%
Oil, Gas and Minerals	95.13	6.3%
Industrial Real (manufacturers,chemical/power plants, refineries)	79.23	5.3%
Industrial Personal (equipment, barges, trucks, drilling rigs)	72.78	4.8%
Multi-Family (apartment complexes)	76.63	5.1%
Utilities (power lines, telephone, cable, pipelines, railroads)	43.94	2.9%
Farm & Ranch Improvements (farm houses, barns, silos)	30.18	2.0%
Vacant Lots (undeveloped residential tracts, building sites)	37.82	2.5%
Real Property Inventory (unsold housing developments)	9.27	
Mobile Homes	5.63	1.2%
Special Inventory (dealer inventory – cars, boats, farm)	4.61	
Non-business Vehicles	0.23	
Total	**$1,508.34**	

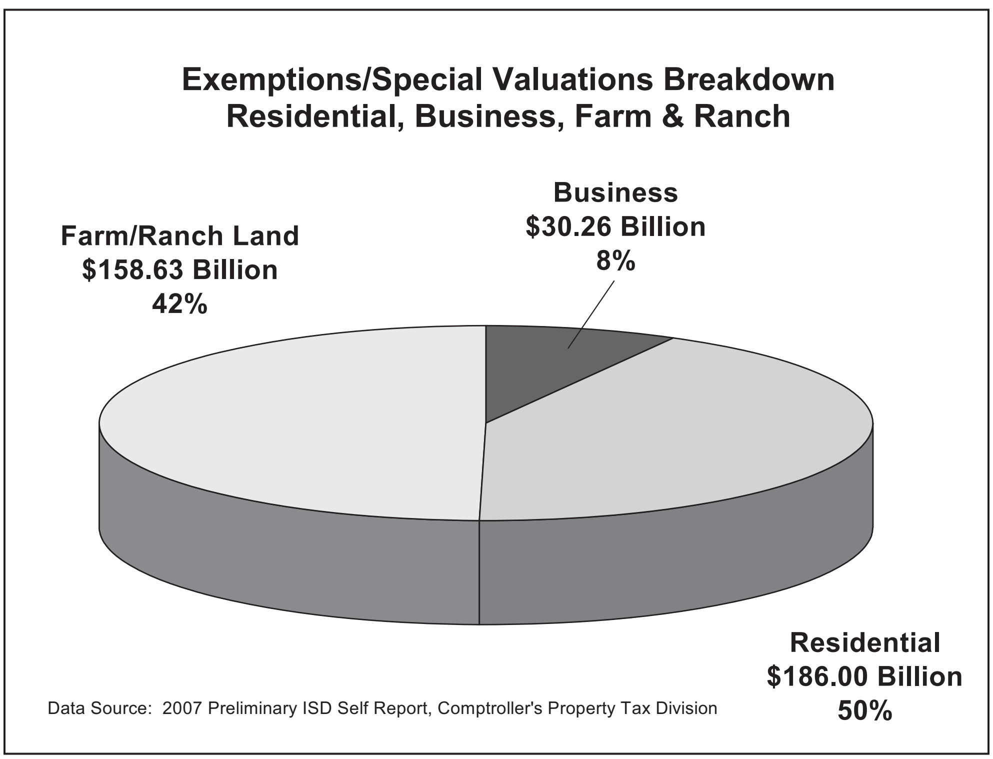
Data Source: 2007 Preliminary ISD Self Report, Comptroller’s Property Tax Division

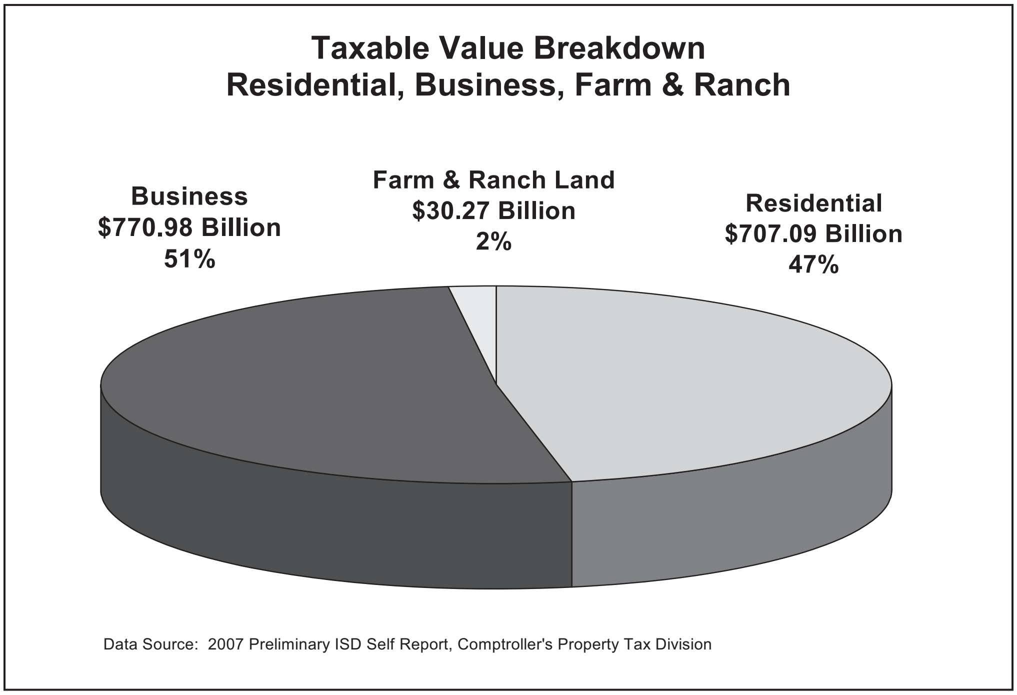
Residential, Business and Farm and Ranch Property

When comparing property values and tax burdens, it is often helpful to divide the various categories of property into three groups: residential, business, and farm and ranch. Residential property is comprised of single family homes (which includes all owner-occupied dwellings such as condominiums), farm & ranch improvements, mobile homes and non-business vehicles. Business property includes commercial, industrial, oil, gas & minerals, utilities, multi-family residential, real property inventory, vacant lots, and special inventory.

After combining categories of property into these three groups, residential property totals $893.09 billion and accounts for 47% of the total, business property is $801.24 billion or 43%, and farm and Ranch Land encompasses the remaining $188.90 billion or 10%. Residential property receives 50% of all exemptions totaling $186 billion, farm and ranch productivity valuation is 42% of the total at $158.63 billion, and business exemptions account for the remaining 8% at $30.26 billion.


Market Value Breakdown
Residential, Business, Farm & Ranch
Farm & Ranch Land
$188.90 Billion
10%
Residential
$893.09 Billion
47%
Business
$801.24 Billion
43%
Data Source: 2007 Preliminary ISD Self Report, Comptroller's Property Tax Division


Exemptions/Special Valuations Breakdown
Residential, Business, Farm & Ranch
Business
$30.26 Billion
8%
Farm/Ranch Land
$158.63 Billion
42%
Residential
$186.00 Billion
50%
Data Source: 2007 Preliminary ISD Self Report, Comptroller's Property Tax Division



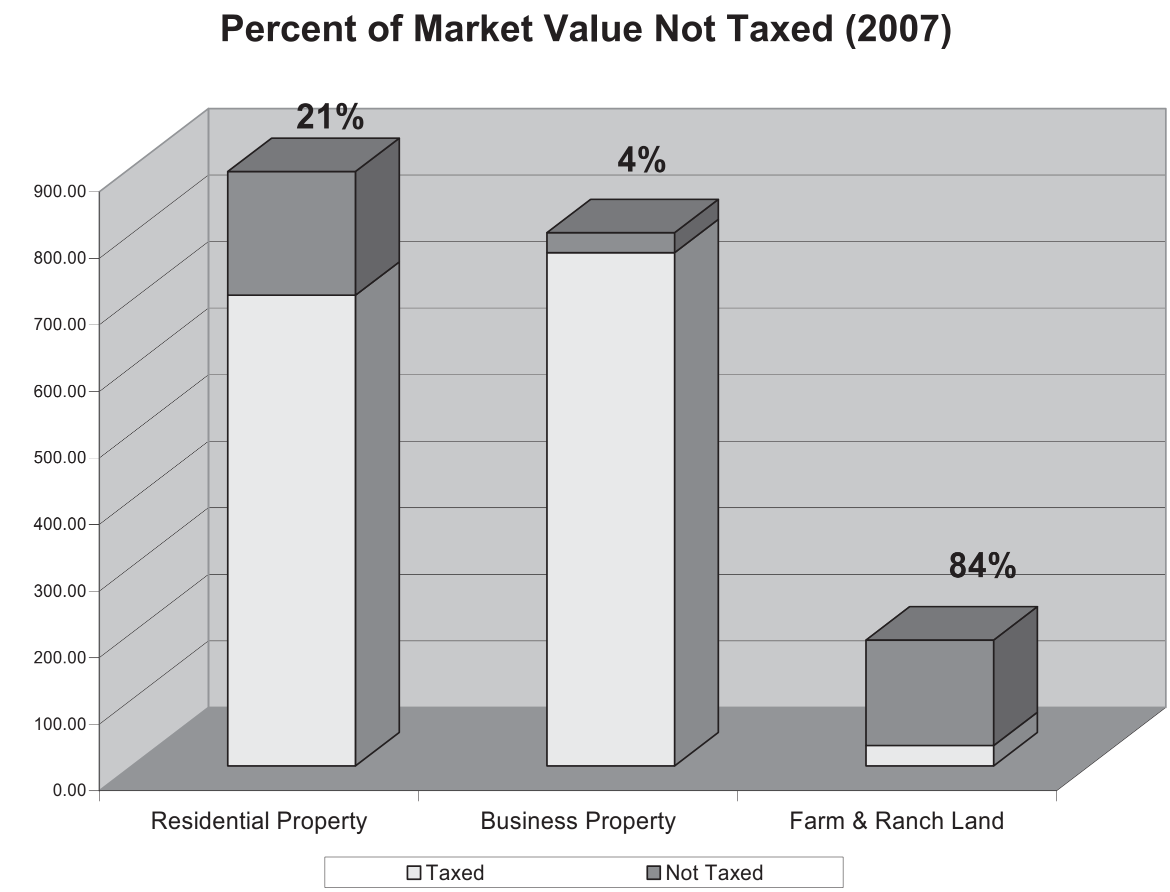
Deducting exemptions and special valuations from market value to arrive at taxable values for the different types of property inevitably causes a shift in the proportion of taxes paid by each category of property. Those categories with a large amount of value deducted comprise a smaller percentage of the tax base, while those categories with little value deducted make up a larger percentage of the tax base. This shift is illustrated in the chart below.

Market Value vs. Taxable Value

	Market Value (Billions)	Taxable Value (Billions)	% Market	% Taxable
Residential	$ 893.09	$ 707.09	47%	47%
Business	801.24	770.98	**43%**	**51%**
Farm/Ranch	188.90	30.27	**10%**	**2%**
Total	$ 1,883.23	$1,508.34		

Data Source: 2007 Preliminary ISD Self Report, Comptroller's Property Tax Division

While the percentage of both market and taxable values borne by residential property remains the same at 47%, a shift occurs between business property and farm and ranch land. Business property increases from 43% of total market value to 51% of taxable value. Conversely, farm and ranch land decreases from 10% of market value to only 2% of total taxable value. This shift occurs because 84% of farm and ranch land is removed from the tax roll as a result of the productivity valuation, while only 4% of business property is taken off of the tax roll by exemptions. This is illustrated in the chart below.



Data Source: 2007 Preliminary ISD Self Report, Comptroller's Property Tax Division

2007 Effective School District Tax Rates

To illustrate the proportion of tax burden carried by each type of property, an "effective tax rate on market value" can be calculated by dividing taxes levied on that property by the market value. This is then compared with the "effective tax rate on taxable value" to determine the impact that exemptions have on the tax rate levied. The average 2007 school district effective tax rate on *taxable* value was $1.25, while the effective rate on *market* value was $1.00. This shows that on average, taxes paid to school districts in 2007 on all property actually equate to an effective tax rate of $1.00 rather than $1.25 if no value had been taken off the tax roll. As shown in the chart below, taxes paid on residential property equate to a rate of $1.01 instead of $1.27, taxes paid on business property equate to a rate of $1.19 instead of $1.24, and taxes paid on farm and ranch property equate to a rate of $0.20 instead of $1.23.

Effective School District Tax Rates (2007)

	2007 Market Value (Billions)	2007 Taxable Value (Billions)	2007 School Tax Levy (Billions)	Effective Rate on Taxable Value	Effective Rate on Market Value	Impact on Rate due to Tax Base Reduction
Residential Property	893.09	707.09	$8.998	$1.27	**$1.01**	**$0.26**
Business Property	801.24	770.98	$9.527	$1.24	**$1.19**	**$0.05**
Farm/Ranch Property	188.90	30.27	$0.372	$1.23	**$0.20**	**$1.03**
Total	**$1,883.23**	**$1,508.34**	**$18.897**	**$1.25**	**$1.00**	**$0.25**

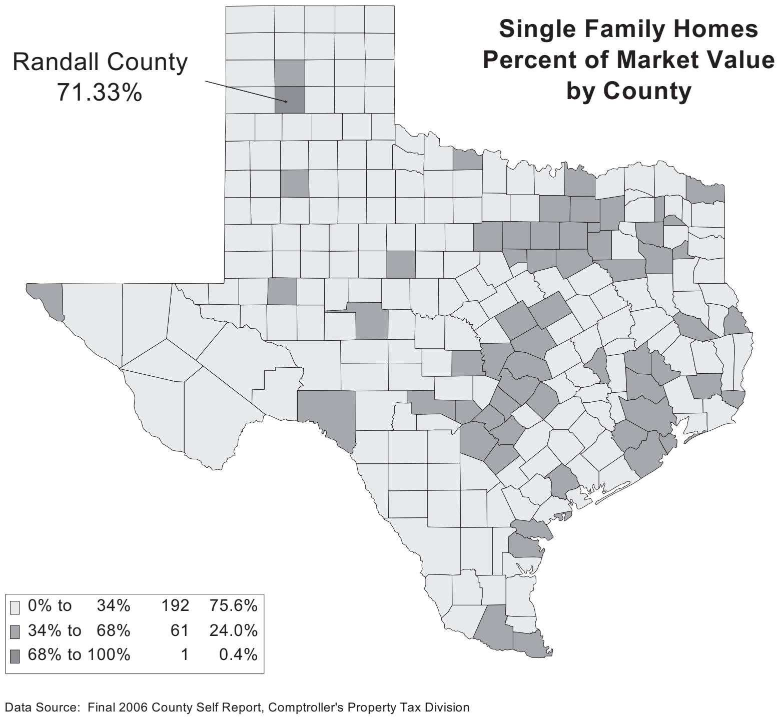
Data Source: 2007 Preliminary ISD Self Report, Comptroller's Property Tax Division

Concentration of Different Types of Property

Texas is a very diverse state and the mix of types property within each county can be dramatically different. The types of property within a taxing jurisdiction can have a large impact on the rate necessary to finance governmental budgets. If a county is primarily comprised of property with a large number of exemptions, the rate would have to be higher than the rate necessary to finance the same budget in a county made up primarily of property with little or no exemptions. The following maps illustrate the concentration of the five major categories of property in Texas.

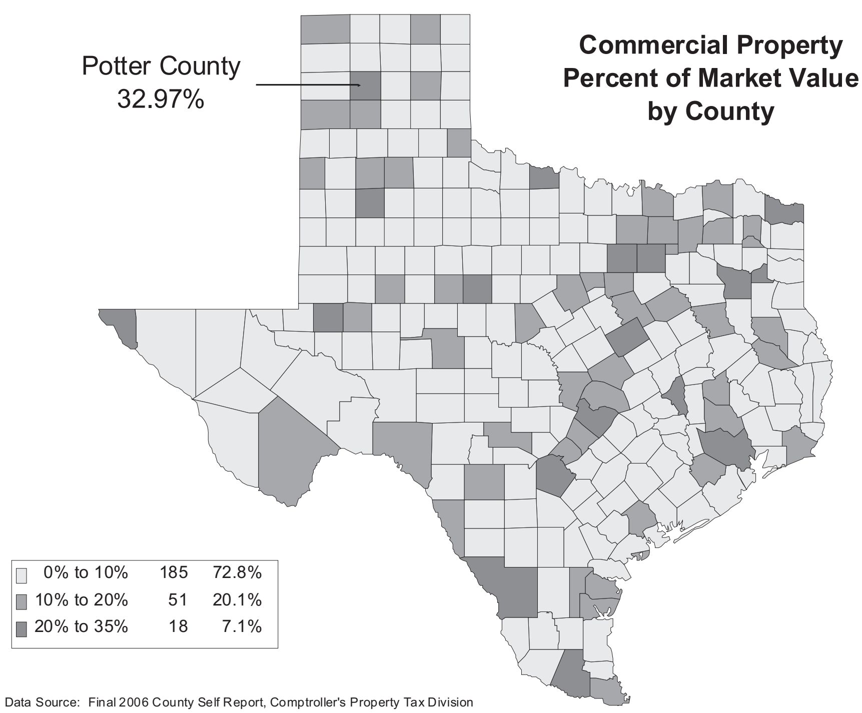
Single Family Homes

As would be expected, counties with major cities such as Abilene, Amarillo, Austin, Corpus Christi, Dallas, El Paso, Houston, Lubbock, McAllen, Midland, San Angelo, and San Antonio located in them -- and adjacent counties -- have the highest concentration of single family homes. **Randall County** has the highest concentration of single family homes at **71%**. The 61 counties with between 34% and 68% single family homes are Angelina, Aransas, Bastrop, Bell, Bexar, Bowie, Brazoria, Brazos, Burnet, Cameron, Camp, Collin, Comal, Coryell, Dallas, Denton, El Paso, Ellis, Fort Bend, Franklin, Galveston, Grayson, Gregg, Guadalupe, Hardin, Harris, Hays, Henderson, Hidalgo, Hood, Hunt, Johnson, Kaufman, Kendall, Kerr, Llano, Lubbock, McLennan, Midland, Montgomery, Nueces, Orange, Palo Pinto, Parker, Potter, Rockwall, Sabine, San Jacinto, San Patricio, Smith, Tarrant, Taylor, Tom Green, Travis, Val Verde, Victoria, Walker, Webb, Wichita, Williamson, Wilson and Wood.



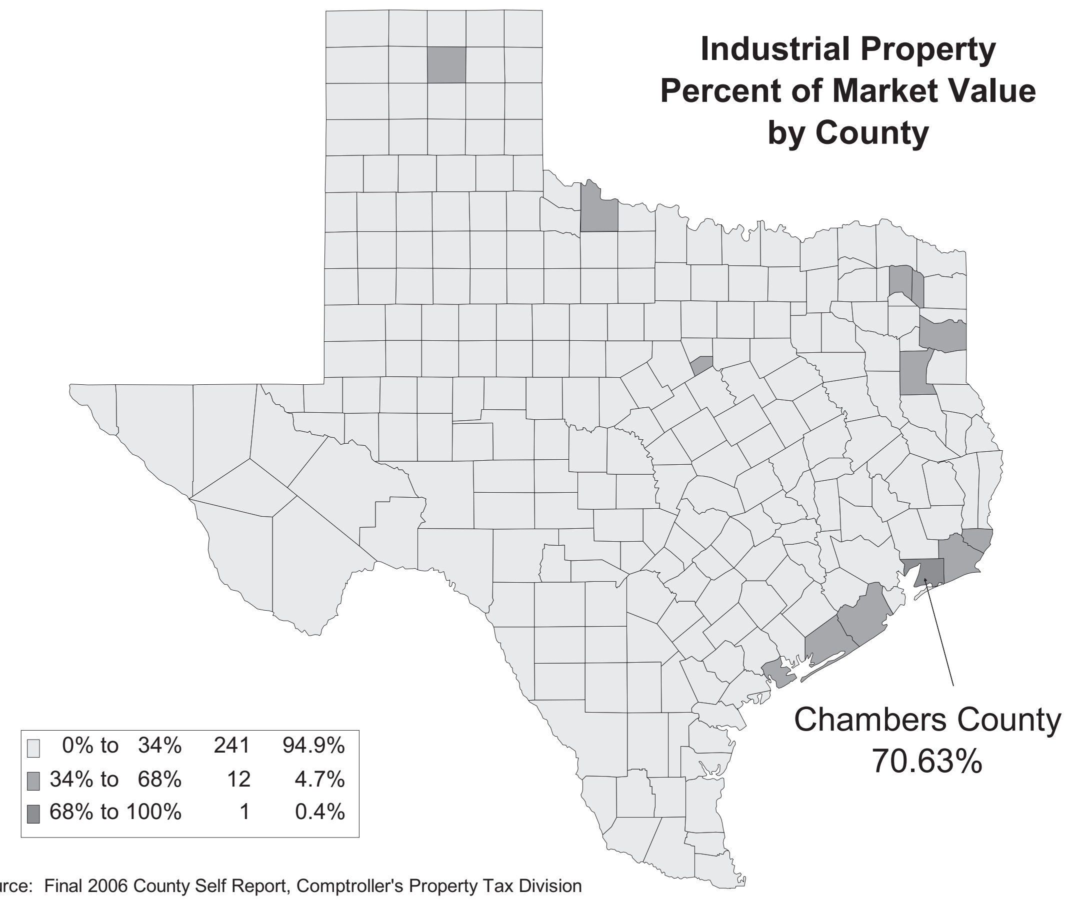
Commercial Property

Commercial Property also tends to be concentrated in counties with large metropolitan areas. **Potter County** has the highest concentration of commercial property at almost **33%**. The other 17 counties with 20% to 35% of their value made up of commercial property are Bexar, Bowie, Burleson, Dallas, Ector, El Paso, Gregg, Harris, Hidalgo, Lubbock, McLennan, Smith, Tarrant, Taylor, Travis, Webb, and Wichita.



Industrial Property

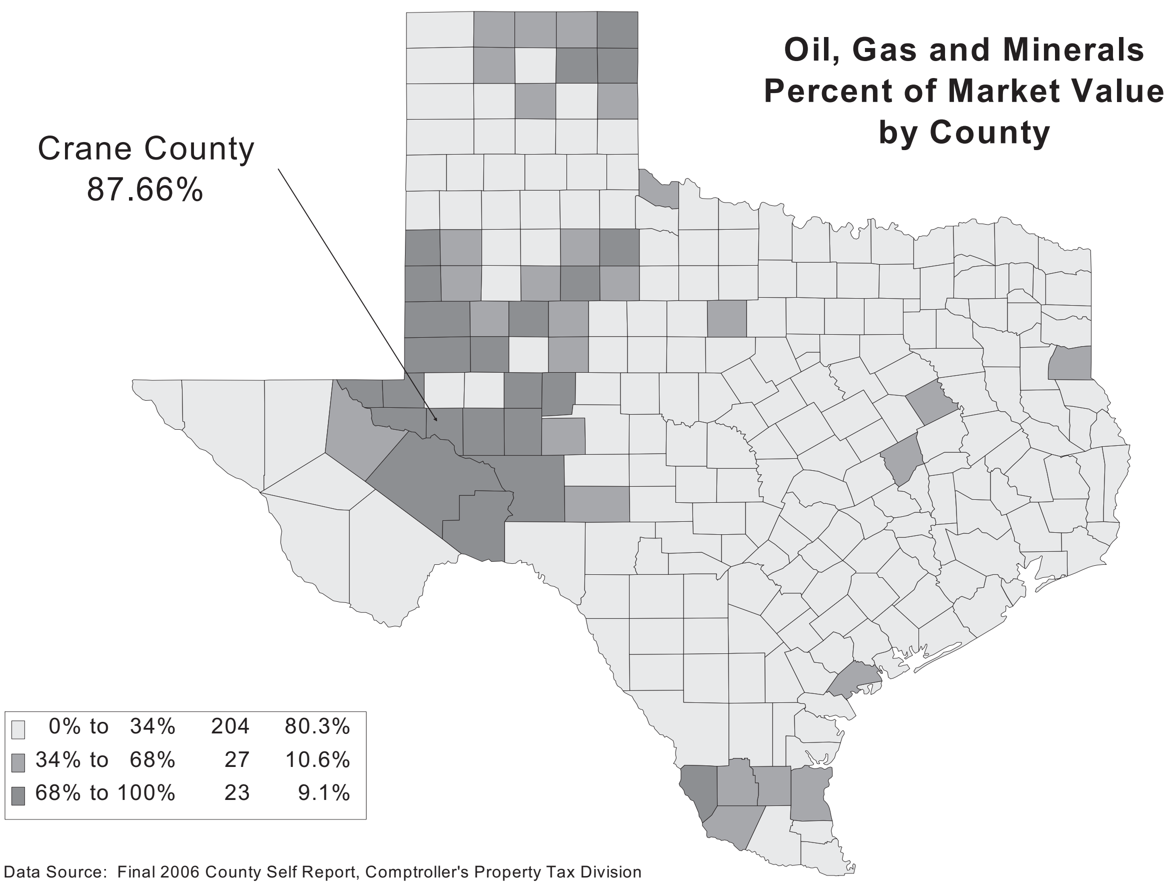
The highest concentrations of industrial property in Texas tend to be located in counties along the coast and north and east areas of the state. **Chambers County** has the highest concentration of industrial property at **over 70%** of total value. Brazoria, Calhoun, Harrison, Hutchinson, Jefferson, Matagorda, Morris, Orange, Rusk, Somervell, Titus, and Wilbarger counties are made up of between 34% and 68% industrial property. The remaining 241 counties contain less than 34% industrial property.



Data Source: Final 2006 County Self Report, Comptroller's Property Tax Division

Oil, Gas and Minerals

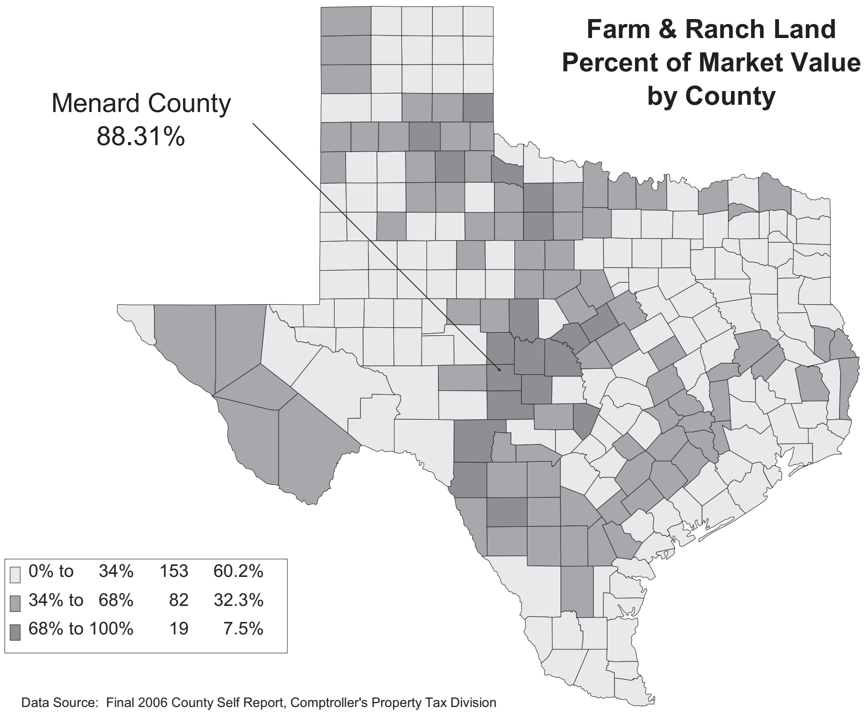
Oil, gas and minerals property is predominately located in west Texas counties. **Crane County** has the highest concentration of oil, gas and minerals property at **over 87%**. Other counties that contain over 68% oil, gas and minerals property are Andrews, Borden, Cochran, Crockett, Gaines, Glasscock, Hemphill, Kent, King, Lipscomb, Loving, Martin, Pecos, Reagan, Sterling, Terrell, Upton, Ward, Winkler, Yoakum, and Zapata.



Data Source: Final 2006 County Self Report, Comptroller's Property Tax Division

Farm and Ranch Land

Farm and ranch land is most heavily concentrated in the center region of the state. **Menard County** has the highest concentration of farm and ranch property at **over 88%**. Other counties made up of more than two-thirds of farm and ranch land are Baylor, Blanco, Briscoe, Coleman, Collingsworth, Concho, Edwards, Foard, Hamilton, Kimble, Kinney, Mason, McCulloch, Mills, Motley, San Saba, Throckmorton and Zavala.



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