

House Committee on Ways and Means

Honorable Dustin Burrows, Chairman

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House Bill 2

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Testimony of Dale Craymer

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Good morning Mr. Chairman and members. My name is Dale Craymer, President of the Texas Taxpayers and Research Association, a non-profit membership association focusing on Texas state and local tax and fiscal policy. I am here this morning to testify on House Bill 2.

HB 2 has three basic pillars (Figure 1):

1. Tax visibility
2. Process Reforms, primarily with Appraisal Review Boards, and
3. Tax rate constraints.

Tax Visibility. We hear the word “transparency” used in talking about this bill, but I quibble with that word. HB 2 does not make your property tax bill more transparent; it does just the opposite. It makes your bill more visible, and consequently, more understandable. That is exactly what the system needs.

Today, the property tax system is a black box. You get an appraisal from someone who’s never seen nor been in your house or on your property. Several months later you see these confusing notices appear in the paper about tax rates and hearings—dozens or even hundreds of them. Finally, in October you get a tax bill with anywhere from 4 to 8 different jurisdictions—half of which you’ve never heard of—telling you how much you owe them.

Debbie Cartwright in our office will provide more details in her testimony, so I won’t belabor the point, but we strongly support the provisions of HB2 that provide taxpayers a real time website on which they can see how proposed tax rates are going to affect their tax bill, who the decisionmakers are, and how they can make their opinion known BEFORE those rates are adopted. This process is standardized with uniform worksheets promulgated by the Comptroller that will be publicly available to taxpayers.

Process Reforms. HB 2 provides improved training for Appraisal Review Board members and special panels with specific expertise to hear disputes over complex properties, along with a number of other reforms we view very positively:

- Time and dates of hearings,
- Access to evidence from the CAD,
- Protections against abusive determinations (ARB can’t raise your value), and
- Protections against political influence over the appraisal process (taxing unit can’t challenge).

Tax Constraint. We do have two areas of the bill that lead us to be neutral over-all on the bill, at this time.

First, Section 42 on pages 69 and 70 strikes the provision in current law requiring voter approval before a school district may impose a tax rate higher than \$1.04 per \$100 of value. We would ask that the provision in current law be retained, regardless of what is done with school tax relief. Otherwise, within 5 years, property owners could see their school M&O tax rate climb to \$1.17 without ever having an opportunity to vote on the increase. This would negate any

benefits we might otherwise see with city, county, and special districts' tax rates. We would note that even at the \$1.04 tax rate, under our school finance system school districts are guaranteed that they receive full funding for enrollment growth as well as additional equity funding based rising values.

Second, in 2017 we supported the House and Senate property tax bills in both the regular and special sessions that provided for either a 6% or 4% voter-approval threshold. We believe that the 8% rollback threshold in current law does not reflect the realities of today's inflation and economic environment (Figure 2). The 8% threshold was set when inflation was in double digits. We also believe the current petition requirement for an election to be unworkable, particularly in larger jurisdictions. We believe an election to exceed the rollback threshold should be mandatory, as HB2 provides; however, we cannot advise that a 2.5% rollback threshold is the appropriate level.

Finally, I would like to address other pertinent items for consideration in the bill.

First, we strongly support uniform school tax rate compression as property values increase—either the Governor's 2.5% or, perhaps and hopefully, even a rate lower than that. I understand that may be included in the school finance bill. If it is not, we would like to see such a provision added to this bill.

Second, while HB2 increases the reporting requirements of data concerning property taxes, it is critical that the data be accurate. We would ask that the legislation provide the Comptroller the authority and resources to verify and correct property tax data submitted. Any of us who have worked with the data files have found it is sometimes sent to the agency with, for example, decimal errors that must be manually corrected for accurate analysis.

Third, I would suggest considering using a maintenance and operations levy, rather than the total levy, as the basis for determining a small district, allowing them to remain under the current 8 percent rollback. Voter-approved debt service would be excluded from the threshold, as this obligation has already been approved in an election. I would, however, suggest including debt service on any non-voter approved debt, such as certifications of obligation, in the threshold determination.

Finally, the increasing use of certificates of obligation without voter authorization is a troubling development in many jurisdictions. I would suggest, at a minimum, that non-voter approved debt be excluded from the calculation of the debt service tax rate.

I very much appreciate the opportunity to be here this morning and am happy to answer any questions.

Figure 1

The Three Pillars of HB2

1. Tax Visibility	2. Process Reforms	3. Tax Constraint
<ul style="list-style-type: none"> • Creates a “real time” tax webpage that allows property owners to see how each taxing unit’s <u>proposed</u> tax rate will impact their tax bill before the rate is acted upon (eliminates current tax notice on appraisal notification). • Chief appraiser must appoint a tax notice officer to oversee the new notice requirements • “Real time tax” estimate provides information about each taxing unit’s proposed tax rates and a way to contact the officials who will vote on the rate • Requires taxing units to maintain a webpage with basic tax and financial information • Comptroller develops standardized tax calculation forms, which taxing units are required to use, have certified, and include in their budget document • Changes the term “effective tax rate” to “no new revenue tax rate” • Jurisdiction has to post tax data 14 days before they may adopt tax rate 	<ul style="list-style-type: none"> • Creates a Comptroller’s Property Tax Administration Advisory Board to assist in the agency’s responsibilities • Increases the minimum ARB member training requirement to 8 hours and requires 4 hours of classroom training • Enhances arbitrator training and eliminates the current county residency requirement • Appraisal districts must use Comptroller appraisal manuals • Creates ARB customer survey • Requires large counties to provide special ARB panels with expertise in complex property valuation • ARB member term limits (3) in larger counties • Allows ARB decisions to be majority-decided • Moves certain appraisal deadlines forward to allow for a November election • CAD must provide property owner copies of pertinent information about their appraisal and information to be used as evidence before the ARB • ARB may not increase the value of a property above the CAD’s estimate • ARB decision must be delivered by certified mail • Allows for scheduling of consecutive hearings for agents • ARB hearings may not be scheduled after 7:00 p.m. or on Sundays 	<ul style="list-style-type: none"> • Reduces rollback rate for large jurisdictions to 2.5% (versus 8% in current law) • Makes a tax rate election mandatory if a taxing unit adopts a tax rate higher than the rollback rate (eliminates the current petition requirement) • Tax rate election is to be on November general election date • Taxing units in a declared disaster area are exempted from the 2.5% rollback rate for no more than 5 years • Limits the estimate of tax collection rates to no less than the lowest actual rate of the past 3 years • Eliminates the requirement for a school district to have an election to approve an M&O tax rate higher than \$1.04; however, a rate increase of more than 2.5% requires an election •

Figure 2

Inflation and the Rollback Rate

