

Senate Committee on Property Tax

Honorable Paul Bettencourt, Chairman

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Senate Bill 2

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Testimony of Dale Craymer

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Good morning Mr. Chairman and senators. 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 Senate Bill 2.

I would like to commend this committee, Senator Bettencourt, Lt. Governor Patrick and Governor Abbott for not giving up on the very contentious and controversial topic of property tax reform.

SB 2 has three basic pillars:

1. Tax visibility
2. Appraisal Review Board Reforms, and
3. Tax rate adoption provisions

Tax Visibility. We hear the word “transparency” used in talking about this bill, but I quibble with that word. SB 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 be testifying later with Travis Central Appraisal District Chief Appraiser Marya Crigler, so I won’t belabor the point, but we strongly support the provisions of SB2 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.

ARB Reforms. SB 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 Rate Adoption Provisions. We do have two areas of the bill that lead us to be neutral over-all on the bill, at this time.

First, the bill strikes the current requirement by which voters may determine if their local schools may impose a tax rate for maintenance and operations (M&O) above \$1.04. 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 senate property tax bills in both the regular and special sessions. We believe that the 8% rollback threshold in current law does not reflect the realities of today's inflation and economic environment. Nor do we find the current petition requirement for an election to be workable in larger jurisdictions. We believe an election to exceed the rollback threshold should be mandatory, as SB2 provides; however, we are unable, at this time, to say 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. While 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 SB2 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.

Finally, 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 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. The increasing use of certificates of obligation without voter authorization is a troubling development in many jurisdictions.

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