

Who Benefits from the 2023 Property Tax Relief?

Key Points

- Total school district property tax levies for tax year 2023 were \$4.1 billion (9%) lower than in tax year 2022.
- A total of \$3.5 billion (86%) of the \$4.1 billion of total school district property tax relief was realized by single-family homes. The remaining \$0.6 billion of tax relief was realized by business and other non-homestead property.
- Approximately \$1.1 trillion of homestead value was eliminated from the tax base in TY 2023, while only \$154.1 billion of business property was exempt from taxation.
- Only 43% of homestead value was subject to school district property tax in TY 2023, in contrast to 93% of business value.

The tax relief package passed by the 88th Legislature and approved by voters on November 7, 2023, delivered a great deal of school district property tax relief as promised. However, most of that property tax relief was realized by homeowners and has set Texas on a course of taxing residential and business property unequally.

Based on preliminary 2023 property values released by the Comptroller’s office on January 31, 2024, the Texas Taxpayers and Research Association examined the effect of the property tax relief package on various types of property. The package included (1) compression of school district maintenance & operations (M&O) rates by approximately \$0.20, (2) 150% increase in the school district state mandated homestead exemption to \$100,000 (from \$40,000), and (3) adjustment of the 65 and over/disabled “tax freeze” to reflect these actions, resulting in lower maximum tax bills for those individuals.

Overall, statewide total school district property tax levies for tax year (TY) 2023 were 9% lower than in

tax year 2022, falling to \$39.8 billion from \$43.9 billion. Levies for maintenance and operations (M&O) were reduced by 15% to \$28.6 billion from \$33.6 billion, but the savings was mitigated by a 9% increase in school district property taxes levied to pay debt service (I&S) from \$10.3 billion to \$11.2 billion (Table 1).

Owners of single-family homes benefited most from the property tax relief package. A total of \$3.5 billion (86%) of the \$4.1 billion of total property tax relief was realized by single-family homes due to the combination of tax rate compression, homestead exemption increase, and 65+/disabled tax freeze adjustments. School district property tax levies on single-family homes fell by 17% to \$17.5 billion from \$21.0 billion. The remaining \$0.6 billion (14%) of tax savings was spread across various business and farm and ranch properties (Table 2).

When added to all other types of homestead exemptions (local option, over 65, disabled, veteran, first responders, 10% appraisal cap, tax deferrals, historical designations), the 150% increase in the

Table 1
Tax Year 2023 – TY 2022 School District Property Tax Levies (Billions)

	TY 2023	TY 2022	\$ Difference	% Difference
School District M&O Taxes	\$28.6	\$33.6	(\$5.0)	(15%)
School District I&S Taxes	\$11.2	\$10.3	\$0.9	9%
Total School District Taxes	\$39.8	\$43.9	(\$4.1)	(9%)

Source: 2023 Preliminary ISD Self Report, Comptroller’s Property Tax Assistance Division; TTARA calculations

Who Benefits from the 2023 Property Tax Relief?

Table 2
Tax Year 2023 – Tax Year 2022 School District Property Tax Levies by Category of Property (Billions)

	TY 2023	TY 2022	\$ Difference	% Difference	% of Tax Relief
Single Family	\$17.483	\$21.037	(\$3.554)	(17%)	85.8%
Multi-Family	\$3.736	\$3.734	\$0.002	--	--
Mobile Homes	\$0.085	\$0.102	(\$0.017)	(16%)	0.4%
Vacant Lots	\$0.886	\$0.897	(\$0.011)	(1%)	0.3%
Commercial Real	\$7.111	\$7.448	(\$0.337)	(4%)	8.1%
Commercial Personal	\$2.009	\$2.050	(\$0.041)	(2%)	1.0%
Industrial Real	\$1.886	\$1.946	(\$0.060)	(3%)	1.4%
Industrial Personal	\$1.415	\$1.358	\$0.056	4%	(1.4%)
Oil, Gas & Minerals	\$2.347	\$2.267	\$0.080	3%	(1.9%)
Utilities	\$1.176	\$1.230	(\$0.054)	(4%)	1.3%
Real Property Inventory (new homes/lots)	\$0.249	\$0.222	\$0.027	12%	(0.6%)
Special Inventory (dealer inventory)	\$0.117	\$0.129	(\$0.012)	(9%)	0.3%
Farm & Ranch Land	\$0.185	\$0.212	(\$0.027)	(13%)	0.6%
Farm & Ranch Improvements	\$1.087	\$1.281	(\$0.194)	(15%)	4.7%
Vehicles	\$0.000	\$0.001	(\$0.001)	--	--
Intangible Personal (stock value-ins. co.)	\$0.000	\$0.000	--	--	--
TOTAL	\$39.772	\$43.914	(\$4.142)	(9.4%)	100.0%

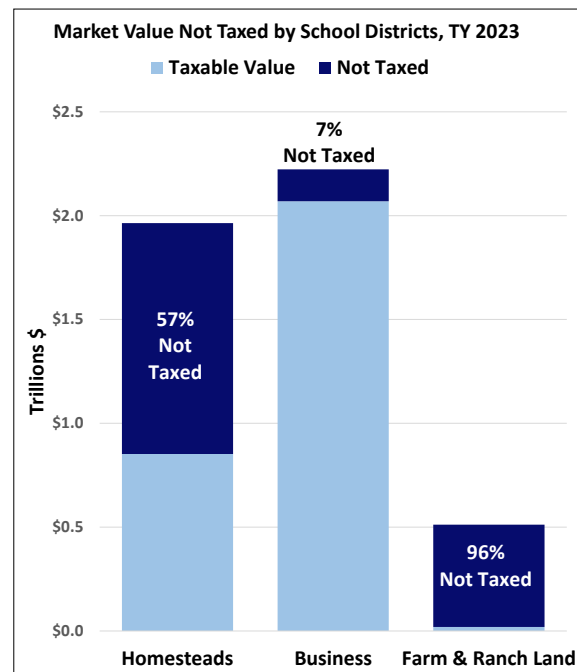
Source: 2023 Preliminary ISD Self Report, Comptroller's Property Tax Assistance Division; TTARA calculations

mandatory statewide school district homestead exemption to \$100,000 from \$40,000 resulted in the elimination of \$1.1 trillion of homestead value (owner-occupied single-family homes) from the tax base. Consequently, 57% of the total market value of homesteads in the state was not subject to a school district property tax in 2023 (70% of single-family homes are homesteads.)

In contrast to the dramatic expansion of the homestead exemption, existing exemptions from school district property taxes for business property and productivity valuations for farm and ranch land were unchanged by the tax relief package. The total amount of business property (commercial, industrial, oil & gas, utilities, multi-family, inventories, vacant lots) exempt from school district property tax in 2023 was \$154.1 billion, only 7% of the \$2.2 trillion in total market value. Special productivity valuations for farm and ranch land removed 96% of its \$493 billion in market value from the school district tax rolls in 2023.

In summary, while the tax relief package passed by the 88th Legislature and approved by voters on November 7, 2023, delivered a great deal of school district property tax relief to homeowners as promised, it also dramatically altered the structure of the school district property tax base and enshrined that structure in the Texas Constitution.

Only 43% of the total market value of homestead property statewide was subject to school district property tax in 2023, in contrast to 93% of the market value of business property. This disparity will continue unless the constitution is amended to eliminate it, but will have less significance if the state continues to compress school district M&O tax rates.



Source: 2023 Preliminary ISD Self Report, Comptroller's Property Tax Assistance Division; TTARA calculations