



**Testimony on SJR 2 and SB 4
Senate Committee on Local Government
February 11, 2025**

**Jennifer Rabb, President
Texas Taxpayers and Research Association**

1. Texas is already a desirable place for individuals to live from a tax perspective.
 - In FY2021 (latest data available) and before 2023 tax relief, Texas had:
 - 11th highest property tax burden for individuals; and
 - 36th highest total state and local tax (SALT) burden for individuals
 - Texas has likely improved in both rankings after the 2023 property tax relief.
2. Texas is competing for capital investment.
 - In FY2023/TY 2022 (latest data available) and before 2023 tax relief, Texas had:
 - 20th highest effective tax rate (all SALT) for businesses; and
 - 15th highest business SALT burden for per Texas employee.
 - Texas may have improved in both rankings after the 2023 property tax relief, which is paid for by General Revenue. A majority of GR is contributed by businesses.
 - In the Tax Foundation's 2025 State Tax Competitiveness Index, Texas ranked:
 - 40th most competitive in property tax for taxation of business personal property (BPP) and inventory and having a split roll, among other factors; and
 - 7th most competitive overall (largely attributable to having no personal income tax).
3. With \$100,000 homestead exemption:
 - 43% of homestead property and 93% of business property is on the school district tax rolls.
 - 307 school districts (30%) had an average home value below \$100,000 (TY2023).
 - A high homestead exemption creates an incentive for homeowners to vote for tax rate increases that they will not have to pay but other property owners will.
 - Tax rate increases also increase the cost of equalization to the state.

4. If the homestead exemption were increased to \$140,000:
 - 31% of homestead property and 93% of business property is on the school district tax rolls.
 - 492 school districts (49%) had an average home value below \$140,000 (TY2023).
 - Exacerbates the incentive to vote for tax increases to be paid for by others.
 - Tax rate increases also increase the cost of equalization to the state.
5. An exemption for BPP would improve the tax climate in Texas.
 - Narrow the split between homestead and business property on the school district tax roll.
 - Since personal property is taxed only to businesses and not to individuals, a BPP exemption would address an inequity that has existed since 1978.
 - Attract capital investment in personal property, which is highly mobile.

Individual Tax Burden Rankings

Tax Foundation

FY 2021

State & Local Property Tax Collections per Capita		
Fiscal Year 2021		
State	Collections per Capita	Rank
New Jersey	\$3,539	1
New York	\$3,359	2
New Hampshire	\$3,294	3
Connecticut	\$3,292	4
Vermont	\$2,991	5
Maine	\$2,821	6
Massachusetts	\$2,801	7
Illinois	\$2,473	8
Rhode Island	\$2,465	9
Alaska	\$2,326	10
Texas	\$2,200	11
Nebraska	\$2,169	12
Wyoming	\$2,156	13
California	\$2,100	14
Colorado	\$2,066	15
Iowa	\$1,936	16
Virginia	\$1,911	17
Washington	\$1,895	18
Minnesota	\$1,868	19
Montana	\$1,827	20
Oregon	\$1,816	21
Maryland	\$1,816	22
Kansas	\$1,791	23
Wisconsin	\$1,782	24
Pennsylvania	\$1,681	25
Michigan	\$1,662	26
South Dakota	\$1,648	27
Hawaii	\$1,608	28
Florida	\$1,608	29
North Dakota	\$1,567	30
Ohio	\$1,552	31
Georgia	\$1,390	32
South Carolina	\$1,368	33
Missouri	\$1,333	34
Arizona	\$1,244	35
Utah	\$1,221	36
Nevada	\$1,209	37
Mississippi	\$1,208	38
Indiana	\$1,208	39
North Carolina	\$1,116	40
Idaho	\$1,097	41
Delaware	\$1,097	42
West Virginia	\$1,080	43
Louisiana	\$996	44
Kentucky	\$968	45
New Mexico	\$936	46
Tennessee	\$921	47
Oklahoma	\$914	48
Arkansas	\$831	49
Alabama	\$658	50

State & Local Tax Collections per Capita		
Fiscal Year 2021		
State	Collections per Capita	Rank
New York	\$10,380	1
Connecticut	\$9,469	2
California	\$9,229	3
New Jersey	\$8,308	4
Massachusetts	\$8,110	5
Hawaii	\$7,778	6
Vermont	\$7,527	7
Minnesota	\$7,451	8
Illinois	\$7,379	9
Maryland	\$7,248	10
North Dakota	\$7,007	11
Maine	\$6,757	12
Delaware	\$6,668	13
Washington	\$6,644	14
Oregon	\$6,498	15
Rhode Island	\$6,497	16
Colorado	\$6,387	17
Nebraska	\$6,345	18
Pennsylvania	\$6,264	19
Virginia	\$6,179	20
Kansas	\$5,945	21
Iowa	\$5,926	22
Wisconsin	\$5,700	23
Utah	\$5,616	24
New Hampshire	\$5,386	25
Indiana	\$5,354	26
Ohio	\$5,343	27
Wyoming	\$5,194	28
New Mexico	\$5,179	29
Nevada	\$5,080	30
Montana	\$5,065	31
Michigan	\$4,981	32
North Carolina	\$4,859	33
Louisiana	\$4,856	34
Arkansas	\$4,842	35
Texas	\$4,822	36
West Virginia	\$4,712	37
Kentucky	\$4,671	38
Missouri	\$4,635	39
South Dakota	\$4,619	40
Arizona	\$4,606	41
Georgia	\$4,551	42
Idaho	\$4,541	43
Oklahoma	\$4,450	44
Mississippi	\$4,449	45
South Carolina	\$4,375	46
Florida	\$4,339	47
Tennessee	\$4,236	48
Alabama	\$4,227	49
Alaska	\$4,189	50

Business Tax Burden Rankings

Council on State Taxation

FY 2023

State & Local Business Taxes by Total Effective Business Tax Rate		
Fiscal Year 2023		
State	TEBTR (%)	Rank
Vermont	8.9	1
North Dakota	8.7	2
New Mexico	8.7	3
Wyoming	7.6	4
Maine	7.6	5
Alaska	7.3	6
Hawaii	7	7
West Virginia	6.8	8
Mississippi	6.7	9
New York	6.3	10
Delaware	5.8	11
Nevada	5.6	12
Montana	5.6	13
Oklahoma	5.6	14
Louisiana	5.5	15
Illinois	5.5	16
Rhode Island	5.5	17
California	5.4	18
South Carolina	5.3	19
Texas	5.3	20
New Jersey	5.3	21
Kentucky	5.1	22
Oregon	5.1	23
Alabama	5	24
Kansas	5	25
Florida	4.9	26
South Dakota	4.8	27
Idaho	4.8	28
Pennsylvania	4.7	29
Nebraska	4.7	30
Iowa	4.7	31
Virginia	4.7	32
Minnesota	4.7	33
Washington	4.7	34
Arkansas	4.7	35
Colorado	4.6	36
Maryland	4.6	37
Tennessee	4.5	38
New Hampshire	4.4	39
Ohio	4.3	40
Wisconsin	4.3	41
Arizona	4.2	42
Massachusetts	4	43
Connecticut	4	44
Missouri	3.8	45
Indiana	3.8	46
Michigan	3.8	47
Georgia	3.8	48
Utah	3.8	49
North Carolina	3.5	50

State & Local Business Taxes per Employee		
Fiscal Year 2023		
State	Business Taxes per Employee (\$1000s)	Rank
North Dakota	15.7	1
Alaska	14.8	2
New York	14.4	3
Wyoming	13.8	4
New Mexico	12.1	5
Vermont	11.9	6
Delaware	11.5	7
California	11.2	8
Hawaii	11	9
Maine	10.3	10
Washington	10.1	11
New Jersey	9.7	12
West Virginia	9.6	13
Illinois	9.6	14
Texas	9.5	15
Nevada	8.4	16
Louisiana	8.2	17
Oklahoma	8.2	18
Mississippi	8	19
Colorado	8	20
Oregon	7.9	21
Connecticut	7.9	22
Rhode Island	7.8	23
Tennessee	6.8	24
Maryland	7.6	25
Massachusetts	7.6	26
South Dakota	7.6	27
Kansas	7.6	28
Virginia	7.5	29
Nebraska	7.5	30
Minnesota	7.4	31
Florida	7.3	32
Montana	7.3	33
Pennsylvania	7.3	34
Iowa	7.1	35
South Carolina	7.1	36
New Hampshire	7	37
Kentucky	6.7	38
Alabama	6.7	39
Ohio	6.5	40
Idaho	6.4	41
Indiana	6.3	42
Arizona	6.2	43
Georgia	6.1	44
Wisconsin	5.9	45
Utah	5.7	46
Arkansas	5.5	47
Michigan	5.5	48
North Carolina	5.4	49
Missouri	5.2	50

2025 State Tax Competitiveness Index Tax Foundation

Tax Foundation 2025 State Tax Competitiveness Index					
State	Overall Rank	Individual			
		Corporate Tax Rank	Income Tax Rank	Sales Tax Rank	Property Tax Rank
Wyoming	1	1	1	7	44
South Dakota	2	1	1	31	10
Alaska	3	34	1	5	30
Florida	4	16	1	14	21
Montana	5	19	10	3	18
New Hampshire	6	32	12	1	39
Texas	7	46	1	36	40
Tennessee	8	48	1	47	33
North Dakota	9	7	17	15	4
Indiana	10	8	16	17	5

Texas scores well in the overall index due to having no individual income taxes. The study weights the individual income tax component at 30.5% while the property tax component is weighted at 14.9%, resulting in Texas' high overall ranking.

Texas gained 2 spots in the property tax ranking from 2024 (#42) to 2025 (#40). Key Factors, each weighted equally, in calculating the property tax ranking include:

- Effective property tax rate as a percentage of individual income
- Taxation of business tangible personal property (TPP)
- TPP de minimis exemptions
- Inventory tax
- Intangible property tax
- Split roll taxation
- Local taxing unit limitation on property tax growth

Estimated Initial Incidence of General Revenue Funds FY2025 (in billions)

Source of General Revenue	Contribution to GR	Business Share	%	Consumer Share	%	Unknown Share	%	Other	%
Limited Sales and Use Tax*	\$44.15	\$18.28	41.4%	\$25.87	58.6%	\$ -	-	\$ -	-
Oil Production Tax	\$5.54	\$5.54	100.0%	\$0.00	0%	\$ -	-	\$ -	-
Motor Vehicle Sales and Use Tax*	\$5.45	\$2.29	42.1%	\$3.16	57.9%	\$ -	-	\$ -	-
Franchise/Business Margins Tax	\$5.38	\$5.38	100.0%	\$0.00	0%	\$ -	-	\$ -	-
Natural Gas Production Tax	\$2.13	\$2.13	100.0%	\$0.00	0%	\$ -	-	\$ -	-
Insurance Premium Taxes	\$4.02	\$4.02	100.0%	\$0.00	0%	\$ -	-	\$ -	-
Gasoline Tax*	\$0.04	\$0.01	24.2%	\$0.03	75.8%	\$ -	-	\$ -	-
Total taxes for which incidence is available	\$66.72	\$37.66	56.4%	\$29.06	43.6%	\$0.00		\$ -	
Other taxes and fees for which incidence is not available	\$4.49					\$4.49	100%		
Non-tax and non-fee sources of revenue	\$12.39					\$ -		\$12.39	100%
Total Est. Net General Revenue-Related Funds FY2025	\$83.60	\$37.66	45.0%	\$29.06	34.8%	\$4.49	5.4%	\$12.39	14.8%

* Amount excludes tax allocated to Texas Parks and Wildlife Department, Texas Historical Commission and State Highway Fund.

Estimated Initial Incidence of Property Tax Relief Fund FY2025 (in billions)

Source of General Revenue	Contribution to PTRF	Business Share	%	Consumer Share	%	Unknown Share	%	Other	%
Motor Vehicle Sales and Use Tax*	\$0.034	\$0.015	42.1%	\$0.020	57.9%	\$ -	-	\$ -	-
Franchise/Business Margins Tax	\$1.890	\$1.890	100%	\$0.000	0%	\$ -	-	\$ -	-
Total taxes for which incidence is available	\$1.924	\$1.90	99.0%	\$0.02	1.0%	\$0.00		\$ -	
Other taxes and fees for which incidence is not available	\$0.604					\$0.604	100%		
Non-tax and non-fee sources of revenue	\$0.011					\$ -		\$0.011	100%
Total Est. Net General Revenue-Related Funds FY2025	\$2.54	\$1.90	75.0%	\$0.02	0.8%	\$0.604	23.8%	\$0.011	0.4%

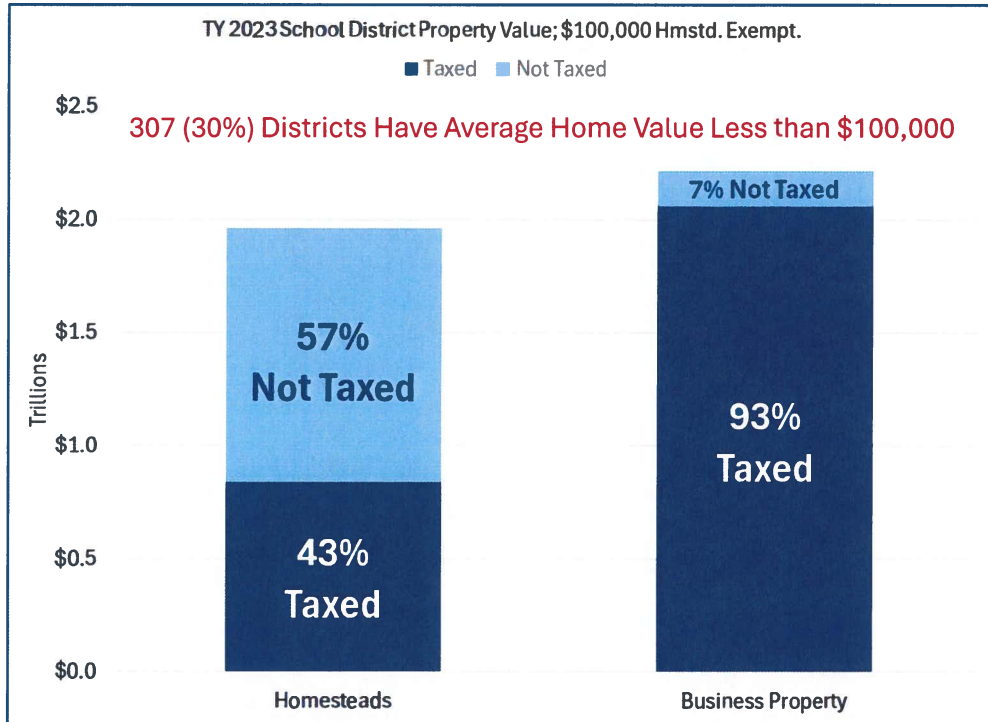
Sources:

Contribution to GR figures are from Biennial Revenue Estimate 2026-2027 Biennium, Table A-3.

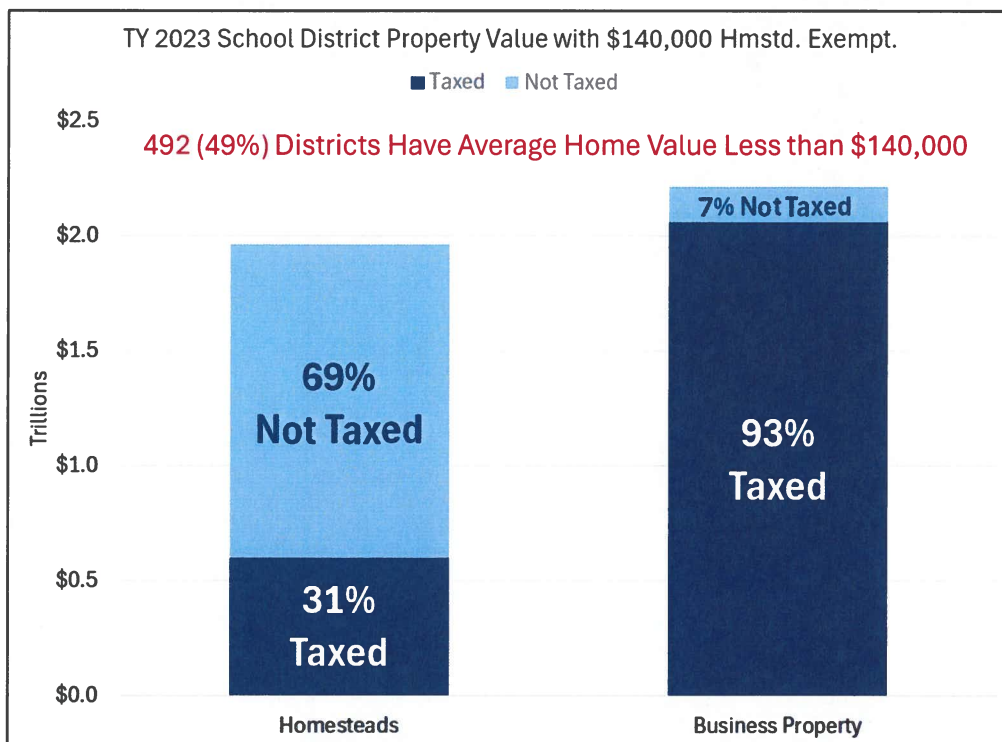
Contribution to Property Tax Relief Fund figures are from Biennial Revenue Estimate 2026-2027 Biennium, Table A-10.

The business and consumer share percentages are from the Comptroller's Tax Exemptions & Tax Incidence Report - January 2025.

\$100,000 Homestead Exemption (Current Law)

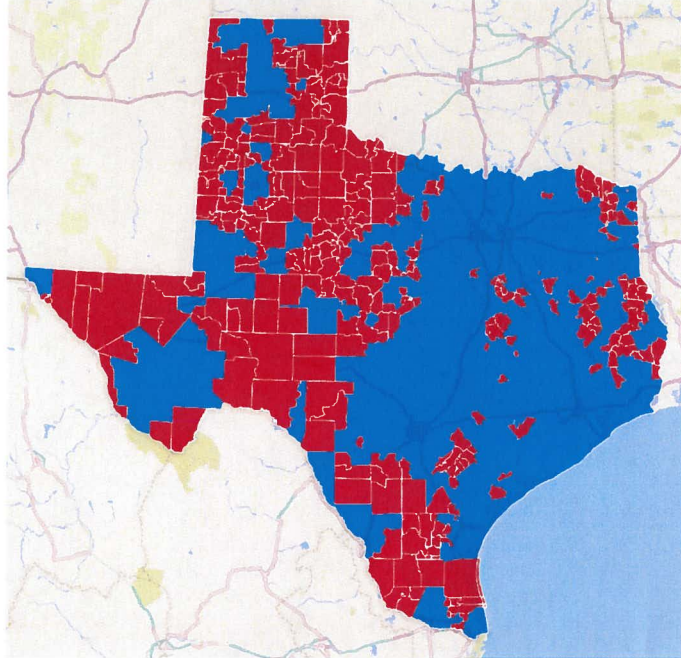


\$140,000 Homestead Exemption (SJR 2 and SB 4)



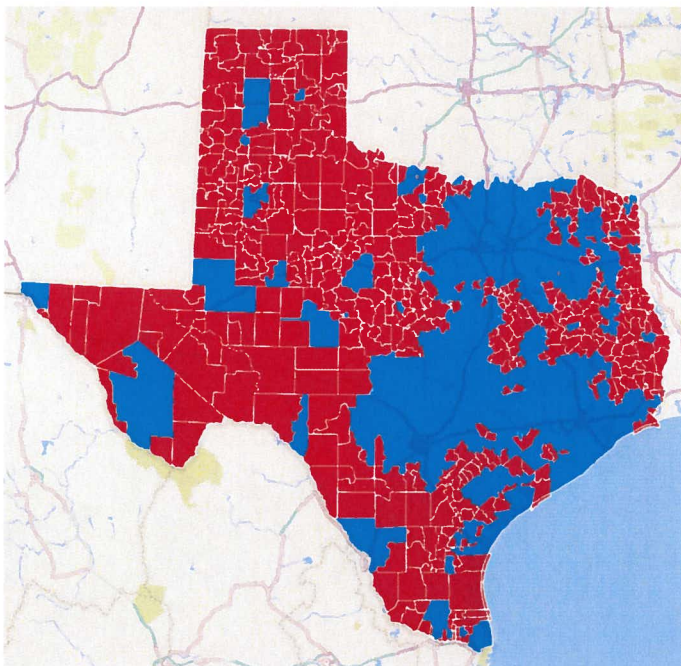
\$100,000 Homestead Exemption (Current Law)

307 (30%) Districts Have Average Home Value Less Than \$100,000

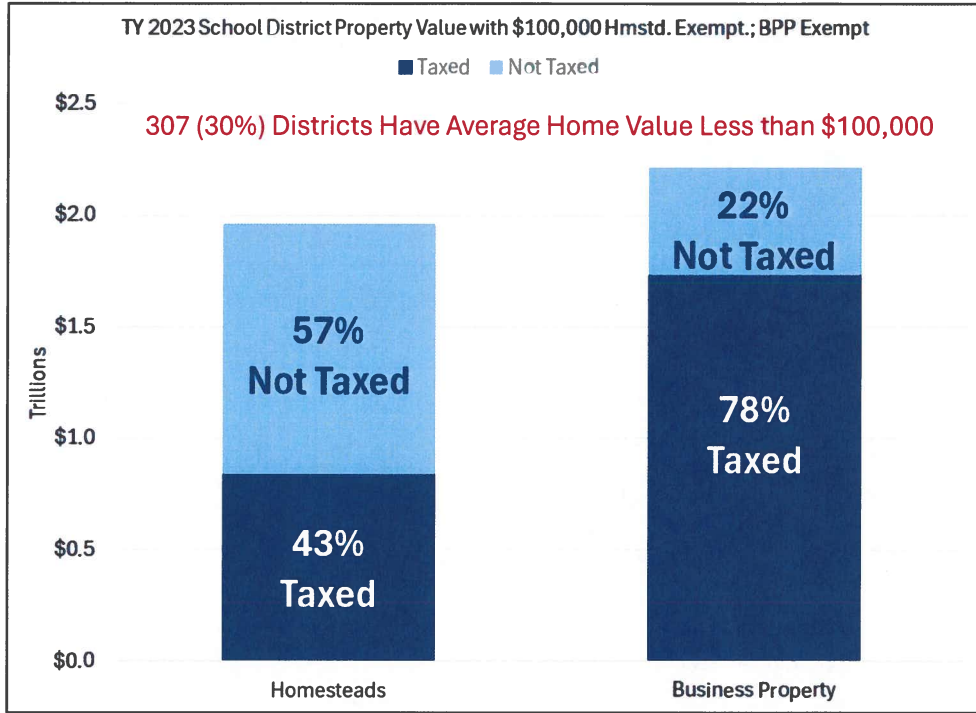


\$140,000 Homestead Exemption (SJR 2 and SB 4)

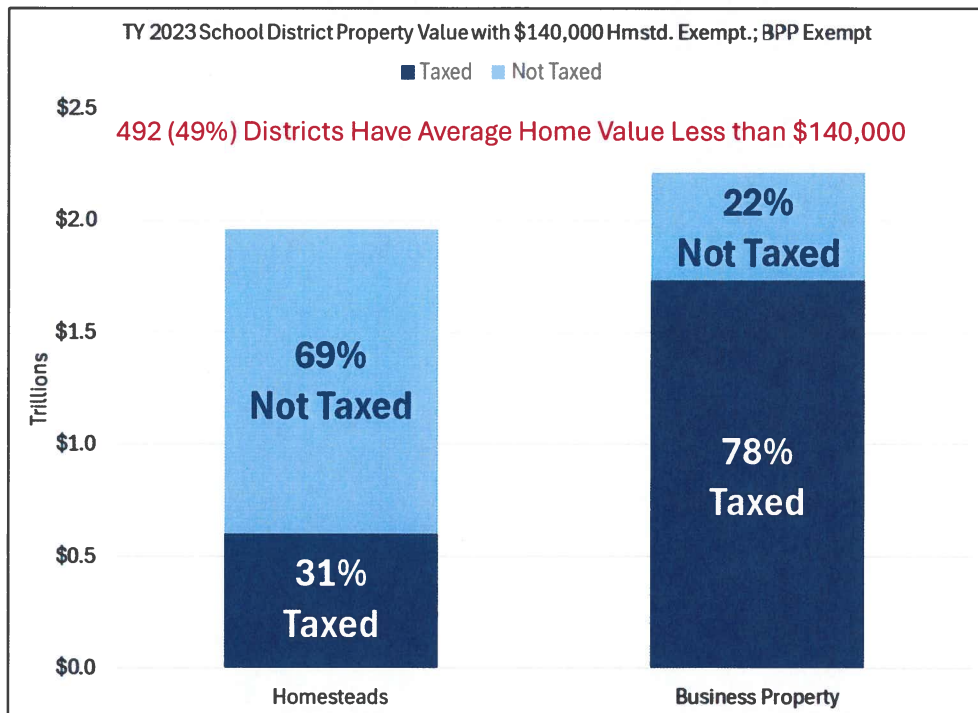
492 (49%) Districts Have Average Home Value Less Than \$140,000



\$100,000 HS Exemption with 100% Exemption for Business Personal Property (BPP)



\$140,000 HS Exemption with 100% Exemption for Business Personal Property (BPP)



School District Property Tax Exemption for Business Personal Property (BPP)

2023 Statewide Totals in Billions of \$

School District Property Tax Reduction for BPP at Various Levels of BPP Exemption, Compared to TY2023																						
		10%		20%		30%		40%		50%		60%		70%		80%		90%		100%		
TY 2023		Levy	Exempt	Levy	Exempt	Levy	Exempt	Levy	Exempt	Levy	Exempt	Levy	Exempt	Levy	Exempt	Levy	Exempt	Levy	Exempt	Levy	Exempt	
Commercial Personal Property		\$2.0	\$1.8	\$1.6	\$1.4	\$1.2	\$1.0	\$0.8	\$0.6	\$0.4	\$0.2	\$0.0										
Industrial Personal Property		\$1.4	\$1.3	\$1.1	\$1.0	\$0.8	\$0.7	\$0.6	\$0.4	\$0.3	\$0.1	\$0.0										
Total Levy		\$3.4B	\$3.1B	\$2.7B	\$2.4B	\$2.0B	\$1.7B	\$1.4B	\$1.0B	\$0.7B	\$0.3B	\$0										
Reduction in Levy*			\$0.3B	\$0.7B	\$1.0B	\$1.4B	\$1.7B	\$1.4B	\$2.4B	\$2.7B	\$3.1B	\$3.4B										

*Approximate annual state cost to replace property tax revenue with state dollars, based on 2023 values.

% of Business Property & Homestead Property on School District Tax Rolls at Various Levels of BPP Exemption, Compared to TY2023																						
		10%		20%		30%		40%		50%		60%		70%		80%		90%		100%		
TY 2023		Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	
% Business Property Taxed		93%	92%	90%	89%	87%	86%	84%	83%	81%	80%	78%										
% Homestead Property Taxed		43%	43%	43%	43%	43%	43%	43%	43%	43%	43%	43%										

