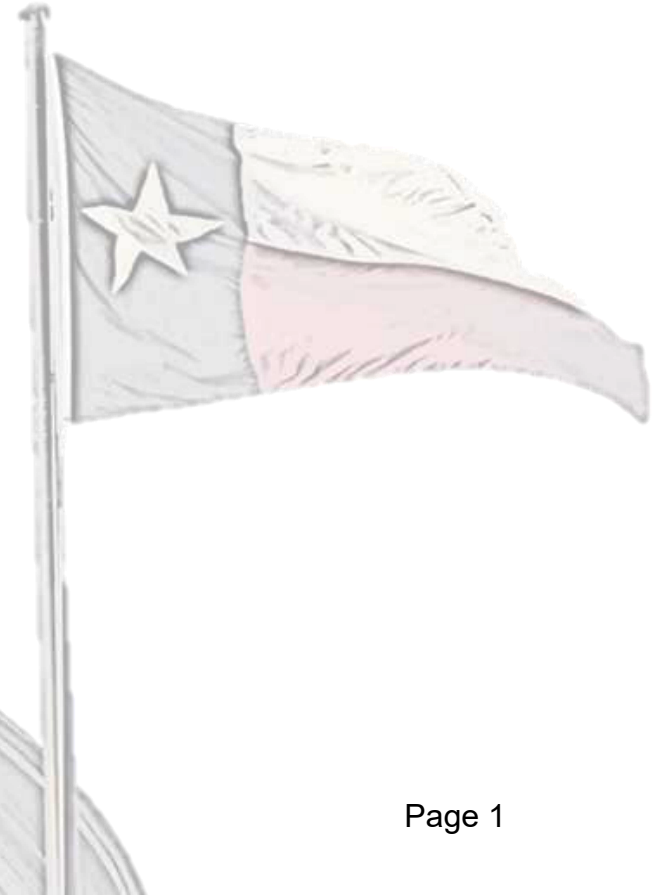




# Testimony before the House Ways and Means Committee

Jennifer Rabb, President  
Texas Taxpayers and Research Association

February 25, 2025





# How Does Texas SALT Compare?

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.

# Property Tax Relief

## Individual Tax Burden Ranking – 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
<b>Texas</b>	<b>\$2,200</b>	<b>11</b>
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

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
<b>Texas</b>	<b>\$4,822</b>	<b>36</b>
West Virginia	\$4,712	37



# How Does Texas SALT Compare?

## 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).

# Property Tax Relief

## Business Tax Burden Rankings – COST 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
<b>Texas</b>	<b>5.3</b>	<b>20</b>
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

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
<b>Texas</b>	<b>9.5</b>	<b>15</b>
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





# Property Tax Relief

## 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
<b>Texas</b>	<b>7</b>	<b>46</b>	<b>1</b>	<b>36</b>	<b>40</b>
Tennessee	8	48	1	47	33
North Dakota	9	7	17	15	4
Indiana	10	8	16	17	5



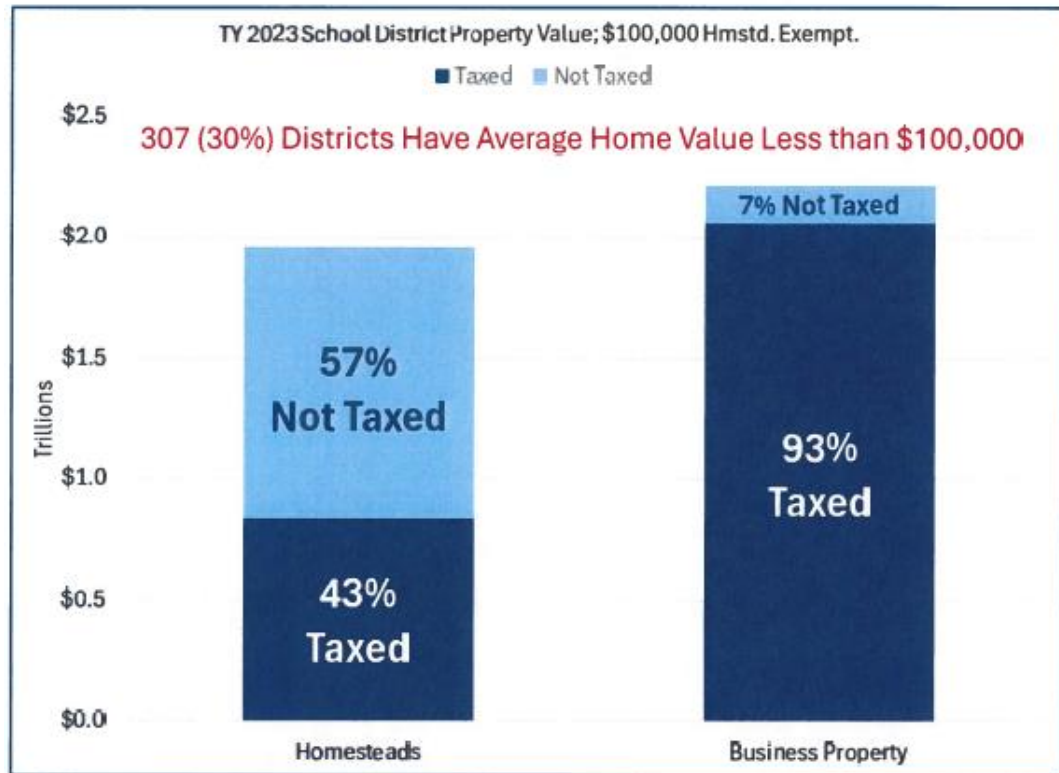
# Property Tax Reduction for the Long Run

1. To make Texans better off in the long run (by increasing tax base and jobs), property tax reduction should focus on reducing taxes on the invested capital Texas seeks to attract.
2. The 2023 property tax relief shifted the tax burden in Texas from homes to businesses.
  - Who received the relief: Single-family homes received 86% of the 2023 property tax relief. All other property (mostly business property) received 14% of the tax relief.
  - Who paid for the relief: Property tax relief is funded by state revenue from taxes paid primarily (56.4%) by businesses.
3. The shift of the tax burden to business is now structural.
  - In 2023, 43% of homestead property value and 93% of business property value was on the school property tax roll. This difference is now baked into the Texas Constitution.
  - The only source of revenue to fund current and future property tax relief is General Revenue, the tax portion of which is paid primarily by business.

# Property Tax Relief

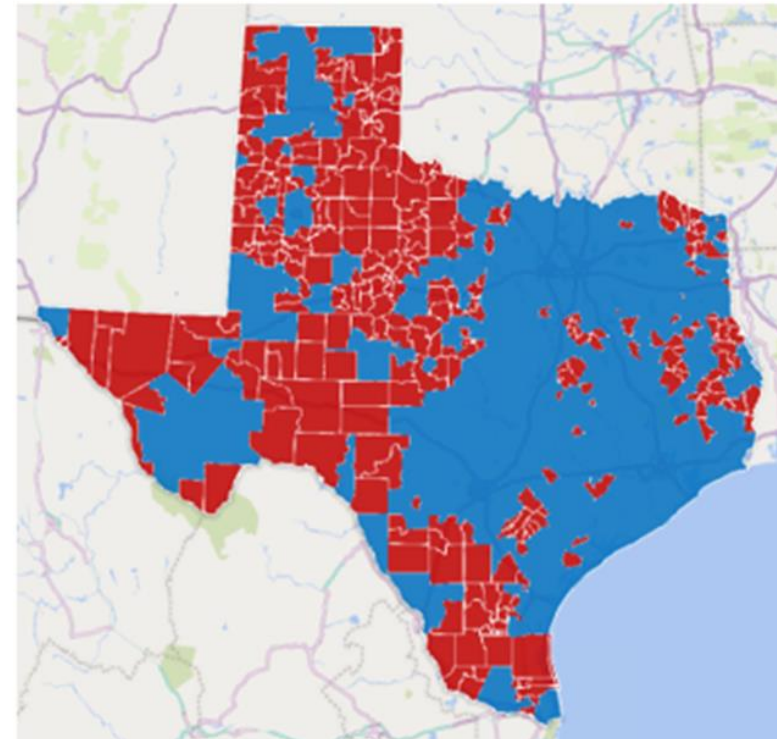
## School District Homestead Exemption (Current Law)

**\$100,000 Homestead Exemption (Current Law)**



**\$100,000 Homestead Exemption (Current Law)**

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







# Property Tax Relief

## Est. Initial Incidence of GR Funds FY2025

Source of General Revenue	Contribution to GR	Business		Consumer		Unknow		Other	%
		Share	%	Share	%	n Share	%		
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%	\$ -	-	\$ -	-
<b>Total taxes for which incidence is available</b>	<b>\$66.72</b>	<b>\$37.66</b>	<b>56.4%</b>	<b>\$29.06</b>	<b>43.6%</b>	<b>\$0.00</b>		<b>\$ -</b>	
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%
<b>Total Est. Net General Revenue-Related Funds FY2025</b>	<b>\$83.60</b>	<b>\$37.66</b>	<b>45.0%</b>	<b>\$29.06</b>	<b>34.8%</b>	<b>\$4.49</b>	<b>5.4%</b>	<b>\$12.39</b>	<b>14.8%</b>

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

# Property Tax Relief

## Est. Initial Incidence of Property Tax Relief Funds FY2025

Source of General Revenue	Contribution to PTRF	Business Share	%	Consumer Share	%	Unknow n 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%	\$ -	-	\$ -	-
<b>Total taxes for which incidence is available</b>	<b>\$1.924</b>	<b>\$1.90</b>	<b>99.0%</b>	<b>\$0.02</b>	<b>1.0%</b>	<b>\$0.00</b>		<b>\$ -</b>	
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%
<b>Total Est. Net General Revenue-Related Funds FY2025</b>	<b>\$2.54</b>	<b>\$1.90</b>	<b>75.0%</b>	<b>\$0.02</b>	<b>0.8%</b>	<b>\$0.604</b>	<b>23.8%</b>	<b>\$0.011</b>	<b>0.4%</b>

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.



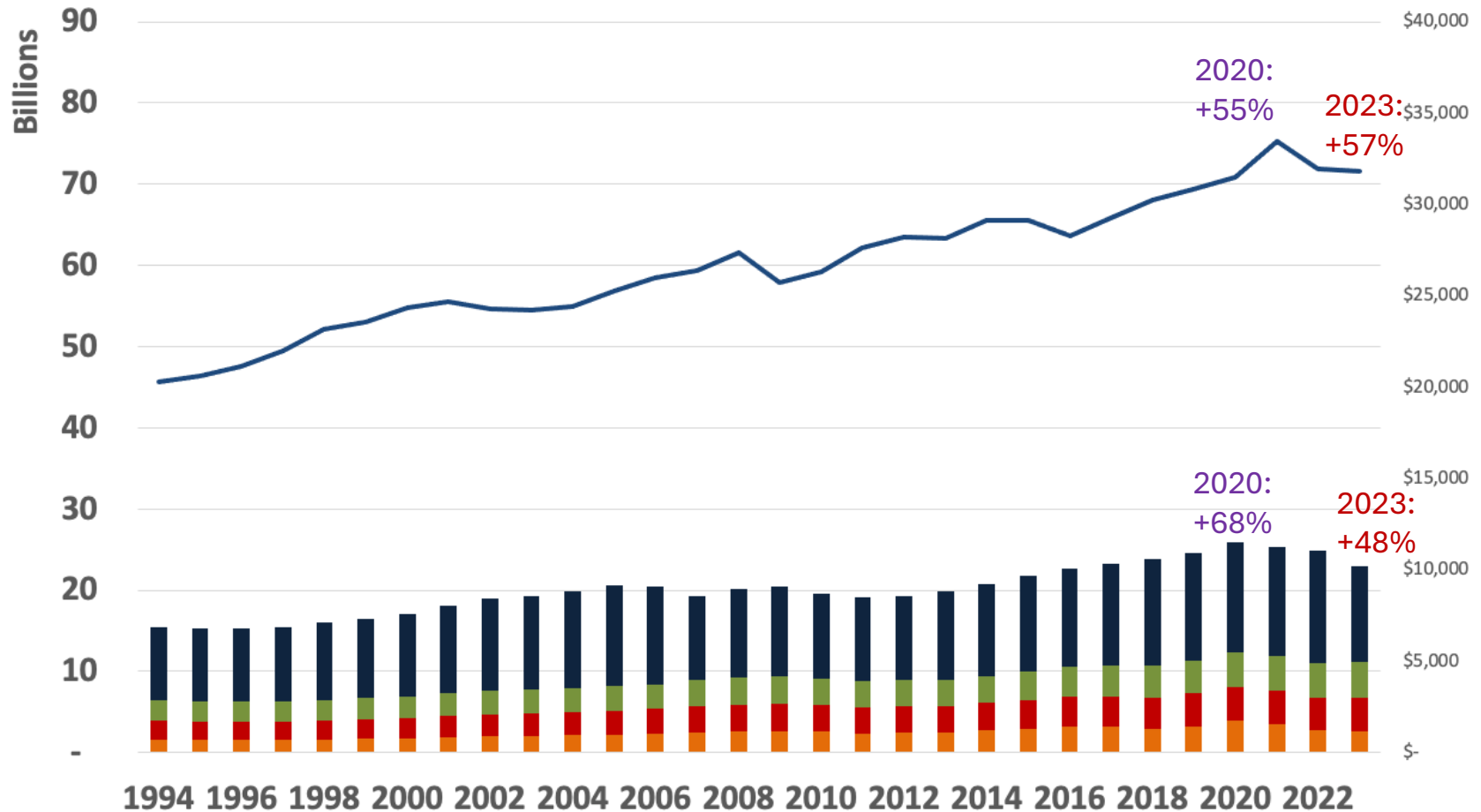
# Property Tax Reduction for the Long Run

4. **Future property tax reduction should consider the growth of personal income and growth of property tax levies.** To make property tax affordable for most, levies should grow slower than income.
5. **Future property tax reduction should offset the structural shift of the tax burden to businesses that occurred in 2023:**
  - **Additional compression would benefit all property owners in proportion to taxable value and would not exacerbate the shift of the tax burden.** For additional compression to reach all school districts, the legislature will have to buy down the "equity band."
  - **Exemption of business personal property would partially reverse the shift of the tax burden.** In 2023 dollars, the cost of exempting BPP from school district property tax, and making up the difference with additional state funding to school districts, would be \$3.4 billion per year.
  - **BUT increasing the homestead exemption would exacerbate the shift of the tax burden.** With the \$100,000 homestead exemption, the proper relationship between personal income and property tax levies has already been achieved.



# Property Tax Relief

## Total Levies & Personal Income 1994-2023, Pop. & Infl. Adj. (1994 \$)



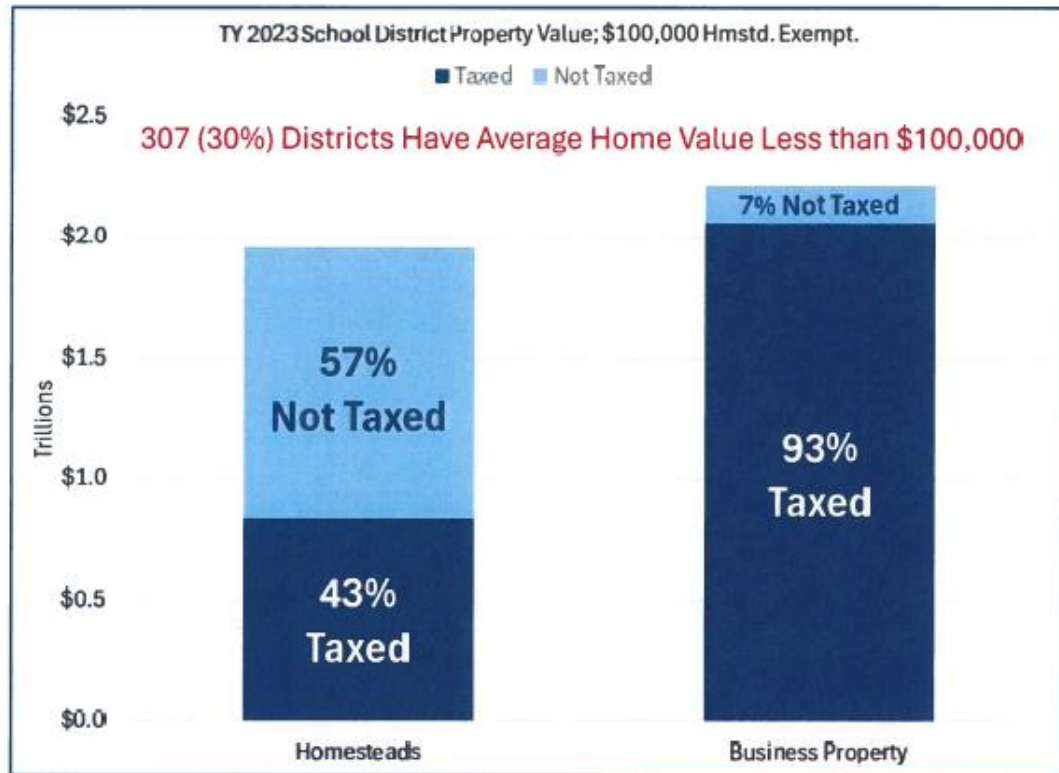
The reversal was due to legislation in 2019 and 2023.

— Personal Income (1994 \$)

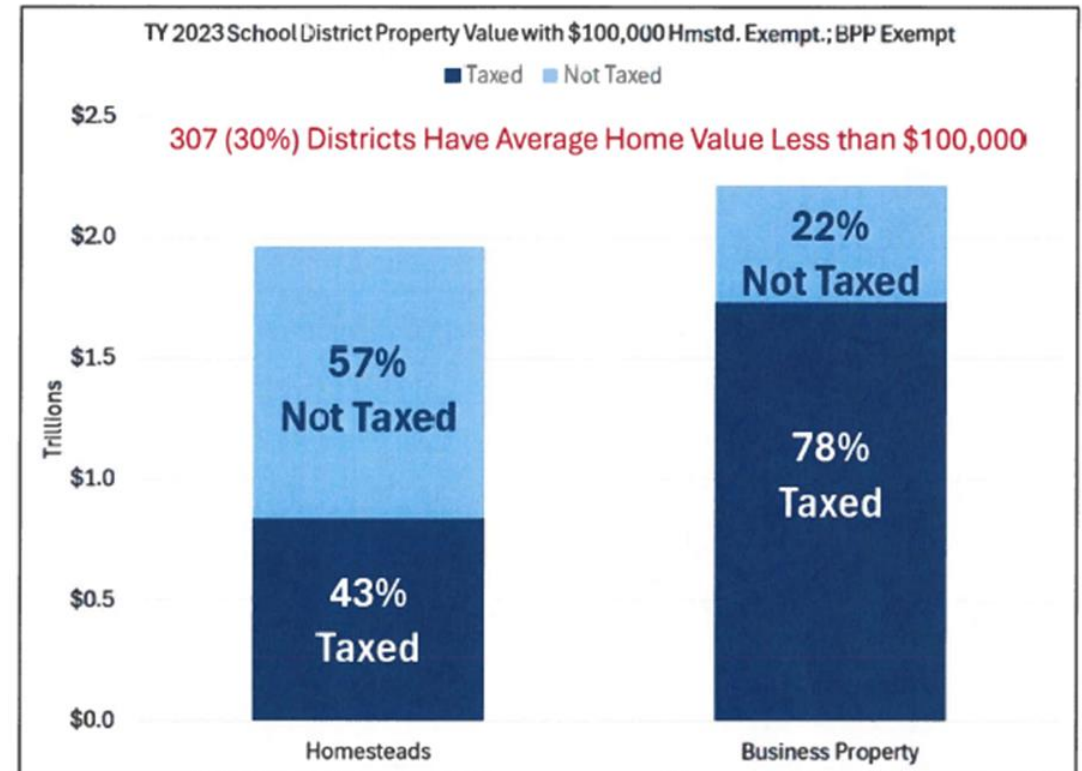
# Property Tax Relief

## School District Homestead Exemption with BPP Exemption

**\$100,000 Homestead Exemption (Current Law)**



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







# Property Tax Relief

## BPP Exemption Levels

School District Property Tax Reduction for BPP at Various Levels of BPP Exemption, Compared to TY2023											
	TY 2023	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
	Levy	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption
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
<b>Total Levy</b>	<b>\$3.4B</b>	<b>\$3.1B</b>	<b>\$2.7B</b>	<b>\$2.4B</b>	<b>\$2.0B</b>	<b>\$1.7B</b>	<b>\$1.4B</b>	<b>\$1.0B</b>	<b>\$0.7B</b>	<b>\$0.3B</b>	<b>\$0</b>
<b>Reduction in Levy*</b>		<b>\$0.3B</b>	<b>\$0.7B</b>	<b>\$1.0B</b>	<b>\$1.4B</b>	<b>\$1.7B</b>	<b>\$1.4B</b>	<b>\$2.4B</b>	<b>\$2.7B</b>	<b>\$3.1B</b>	<b>\$3.4B</b>

\* State cost to replace property tax revenue with state dollars

% of Business Property & Homestead Property on School District Tax Rolls at Various Levels of BPP Exemption, Compared to TY2023											
	TY 2023	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
		Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption	Exemption
% 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%



# Property Tax Reduction for the Long Run

## 5. The most effective way to limit property tax is to control tax rates.

- Compression of school M&O tax rates reduces school property tax.
- But other tax rates can rise and erode that reduction.
- Prevent the erosion of tax relief by limiting the growth of tax rates.
  - Close loopholes in NNRTTR and VATR calculations.
  - Require greater transparency on the debt + property tax connection.
  - Require a supermajority vote for tax increases.
- Removing value from the tax roll does not reduce property tax.
  - Unless the state makes taxing units whole for the lost value.
  - Why doesn't removing value reduce property tax? Because tax rates automatically rise as values fall.



# Property Tax Relief

## Other Taxing Units Response to School District Tax Relief

Tax Year 2023 Reduction (Increase) in Property Taxes	
	Billions \$
School District M&O Taxes	<b>-\$5.193</b>
School District I&S Taxes	+\$0.837
<b>School District Net Tax Reduction</b>	<b>-\$4.356</b>
<b>Counties</b>	
Counties	+\$1.547
Cities	+\$1.413
Special Districts	+\$0.982
<b>Total Other Jurisdictions</b>	<b>+\$3.942</b>
<b>Net Property Tax Decrease TY 2023</b>	
	<b>-\$0.414</b>



# Testimony before the House Ways and Means Committee

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