

## Texas House Bill 2 Best Method of Tax Relief

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Skyrocketing property appraisals have negatively impacted hard working Texans and local businesses for more than 20 years and it is time for the Legislature to stop adding bandages and stop the bleeding.

This session, the Chambers have a different approach to provide relief. The Senate proposes to increase the school exemption and fund compressing school tax rates. The House concurs with funding rate compression, is not opposed to an increased exemption but believes a 5% appraisal cap on all real property would provide superior, sustainable tax relief. I agree and unequivocally support the House solution - HB 2/HJR 1.

Numbers don't lie and are the reason I support HB 2/HJR 1 as they will be better for taxpayers and not adversely impact governments. The chart below is a real single-family home that - even after annual protests - experienced a 38% increase in value over five years. The 5% cap would have limited the increase to 21.5% which represents a reduction of more than 16% - a substantial difference.

Year	Appraised Value	Maximum Taxable w/10% Cap	Maximum Taxable w/5% Cap
2018	\$285,120	\$285,120	\$285,120
2019	\$310,000	\$310,000	\$299,376
2020	\$345,400	\$341,000	\$314,345
2021	\$360,000	\$360,000	\$330,062
2022	\$393,255	\$393,255	\$346,565
% Increase Over 5 Years:		38%	21.5%
Average Annual % Increase:		7.6%	4.3%

For governments, Truth in Taxation calculations compare current and prior year taxable values to establish a No New Revenue Rate. These rates will "self-correct" the calculation and provide governments with capacity to fulfill needs without radical rate increases.

Appraisal caps are not new - reductions have been proposed repeatedly for 20 years including in 2007 when then Senator Dan Patrick proposed a 3% homestead cap (SB 347/SJR 14). HB 2/HJR 1 is fairer as every property owner will have protection against rampant increases in values thus eliminating objections about caps shifting the tax burden. Passage will likely spawn a real estate "gold rush" as investors will have protections never before provided. Lowering the cap will not distort the market as total values will be reflected on appraisal rolls - only the taxable value will be lower. Additionally, when properties sell - or when the market cools - the values will reset to the market level. New owners will also benefit from the 5% limit. An additional side benefit may be smaller appraisal district budgets with potentially fewer protests, arbitrations and lawsuits. The positive influence a reduced appraisal cap will have on property owners and the Texas economy is undeniable.

In 2018, Governor Abbott published a Property Tax Policy Bicentennial Blueprint which acknowledged that under "...the current system of property taxation, the tax burden is affected by property appraisals..." One of his recommendations was to establish a lower revenue cap on taxing entities. Further into the Blueprint, he acknowledged that "Property tax rate relief financed by the Legislature is undermined by appraisal increases..."

Tax relief has INDEED been undermined by property appraisals and, despite noble efforts by the Legislature in recent years, value increases eroded their cuts. I agree with Governor Abbott that providing substantial property tax relief is necessary. I also believe that in order to be substantial it must be sustaining. How? Two options - switch to a price paid basis (putting purchasers in control such as California's Prop 13 in 1978) or lower the appraisal cap and extend it to all real properties as presented by HB 2. The only other options are to

eliminate property taxes and adopt a higher sales tax or income tax. The best interim solution to those options is a lower cap.

Revenue caps may be key to lowering taxes but appraisal caps are the lock. One without the other is useless. Join me - support HB 2/HJR 1.