



February 23, 2009

Dear Colleague,

The current economic downturn began in late 2007 as a housing crisis, which should serve as a stark reminder of the urgency of property tax reforms this session.

Property, be it a home, business, farm, or ranch, is at the root of economic prosperity. Yet even as banks, auto manufacturers, and other private businesses are bailed-out, exorbitant property taxes continue to deprive families and business owners of their basic property rights and increase the burden of running a business or owning a home. Statistics from the U.S. Census Bureau show Texas has one of the lowest home ownership rates in the nation (ranking 43 out of the 50 states).

Property tax relief is imperative this session to keep Texans in their homes and to spur economic growth. We should also begin a long-term effort to eliminate school district maintenance & operations property taxes so that we may fully fund public schools with a fairer source of revenue that keeps the state out of court and ends the “Robin Hood” system. Even the *Dallas Morning News* called on the Legislature to “move the state’s school funding off the property tax.” (Editorial; February 20, 2009)

Recently, the Property Tax Task Force of the Texas Conservative Coalition Research Institute (TCCRI) issued its Final Report. Based on that report, property tax policy priorities for the 81st Texas Legislature may include:

- **Constitutionally dedicating twenty-five percent of surplus revenue to property tax relief.**

In 2006 and 2007, the Legislature appropriated billions of dollars to property tax rate relief, which has lowered school district maintenance and operations tax rates by one-third. We must continue this precedent by returning twenty-five percent of all future surplus revenues to taxpayers in the form of property tax relief.

- **Requiring local taxing entities to adjust their tax rates to account for appraisal growth.**

Under the current property tax system, local taxing entities can rely on appraisal increases to grow their tax revenues even if they do not raise the rate at which property taxes are levied. This feature of the property tax system undermines the principle of truth-in-taxation and allows tax burdens to grow by stealth.

Truth-in-taxation would be applied to the property tax system if local taxing entities were required to adjust their tax rates to account for appraisal growth. Taxing entities should then be required to obtain voter approval for any increase in the effective tax rate that is over and above the rate of population growth plus inflation.

- **Appraisal reform:** With the current ten percent appraisal cap, the tax bill on a residential property can double every seven-and-a-half years *even if the tax rate remains the same*.

- **Limit appraisals to once every two years.**

Amending current law so that appraisal districts are only permitted to appraise a property once every two years would have the practical effect of lowering the annual appraisal cap from 10 percent to 5 percent.

- **Apply the appraisal cap equally to all real property.**

Appraisal caps are an imperfect remedy for an afflicted tax system. The problems associated with appraisal caps simply underscore the problems with property taxes in general. Applying the appraisal cap uniformly to homes and businesses will provide immediate, short-term relief for businesses, which will drive economic growth and job creation.

- **Establishing that residential use should determine the “market value” of a property for appraisal purposes.**

Appraisal standards typically include a provision for “highest and best use,” which is the use of a property that would yield the highest probable property value possible. In many instances this use would be commercial rather than residential, leading to unjustly high property tax bills on residences. Passing this legislation is integral to restoring property rights as it is directly related to the infamous *Kelo* case handed down by the U.S. Supreme Court.

- **Making locally-elected officials directly accountable for appraisal increases.**

Direct accountability must be brought to the appraisal process, which is a cause of rising property taxes. Elected heads of taxing entities should serve on appraisal district boards of directors to realize real and long overdue accountability and responsiveness in the administration of the property tax. As long as unelected officials are responsible for appraisal increases, homeowners and businesses can never have direct recourse in the most burdensome state tax.

- **Imposing revenue caps on local taxing entities**

Under the current system of property taxation, the tax burden is affected by property appraisals (which can increase up to ten percent per year), the tax rate, rollback elections, and bond issues and debt. Imposing revenue caps on local taxing entities would provide one simple method by which taxpayers are protected from increases in the overall tax burden..

Property taxes must be significantly reformed this session, and we must begin working toward a fairer means of funding public education. For more background and information on these policy priorities, please see the Final Report of the TCCRI Property Tax Task Force, which is available online at www.txccri.org.

We look forward to working with you on these and other measures to provide much-needed tax relief to home and business owners.

Sincerely,



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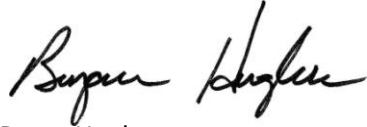
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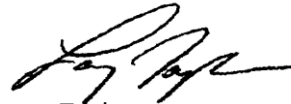
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