

Oppose Shifting the Property Tax Burden to Business

AECT Position: Oppose

Background

- Legislation has been filed that would lower the existing 10 percent cap on annual increases in homestead appraisals to 5% or less. This would exacerbate the disparity between homestead appraisals and business appraisals, effectively creating a split tax roll.
- This measure would shift hundreds of millions of dollars in tax burden to business properties over time and would reduce local governments' tax bases by billions of dollars.
- Other proposals would raise homestead exemptions, immediately walling off a large portion of the value of homesteads while leaving business properties on the tax rolls at full value. This would have a similar effect, shifting the tax burden while narrowing the total tax base.

Discussion

- AECT supports a tax system that distributes the tax burden across all segments of the economy so that no segment pays disproportionately more than the others. Data published by the Comptroller's Business Tax Advisory Committee shows that the industry sector in which electric companies operate pays nearly double its share of taxes compared to its share of the Texas economy.
- An artificial lowering of values does not reduce property taxes. Annual rollback calculations allowed for taxing units automatically rise to new, higher rates. Tax levies would rise on properties not affected by the new cap or exemption.
- In Florida, the 3% homestead cap shifted over \$250 billion in tax base during its first 10 years. Under Texas' property tax rates, such a shift to business would be greater than the entire Texas franchise tax, and would be on top of property taxes already paid by Texas businesses.
- Homestead exemptions already account for an 86% – and growing – share of the exemptions from the school property tax base, though homes account for less than half of the market value of property. Businesses bear the majority of the property tax while receiving only small exemptions.
- A lowered appraisal cap would benefit only those homes that are rising in value at rates above the cap. Homesteads in areas of the state where values rise more slowly would actually bear an increase in the statewide share of the school tax.
- Property tax rate reductions provided in recent legislative sessions was paid for primarily by business, not by homeowners, through reforms to the franchise tax.
- Because appraisal caps cause the tax system to lag the economy, they can allow taxable values on homes to keep rising while market values are falling.