



**Testimony to Senate Finance Committee on Property Tax Cuts**  
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Every Texan is an independent public policy organization that uses data and analysis to advocate for solutions that enable Texans of all backgrounds to reach their full potential.

Every Texan opposes most property tax cuts because they defund our schools and other public institutions. We oppose [tax compression](#) because it prioritizes tax cuts for wealthy property owners over making investments in our students and teachers. However, the flat-dollar homestead exemption increase last session helped make the overall tax cut package more equitable. Dick Lavine of our office strongly supported that component in his testimony before this committee, and we appreciate Senator Bettencourt's work to include it.

Once again we are expecting a large carryover balance next session, perhaps over \$20 billion. More property tax cuts are likely on the table.

First, elimination of all property taxes is a non-starter. Property taxes are essential for the support of our public schools, city and county governments and more. Public funding of public services is a vital component of the social contract.

Without a state income tax or local property taxes, Texas would be left with a one-legged revenue stool, with a much bigger sales tax – 20% to 25% – as our primary source of revenue. To offset all property tax revenue statewide, the sales tax would have to be raised to about 23%, according to the [Texas Taxpayers and Research Association](#), citing analysis by the Comptroller of Public Accounts.<sup>1</sup>

Sales taxes are inherently regressive. Texas already has the seventh-most regressive tax system in the country, according to a [January report](#) by the Institute on Taxation and Economic Policy.<sup>2</sup> Hitting low- and middle-income Texas families with this punishingly higher rate would seriously damage their budgets and the state economy. Further, sales taxes are more volatile, and therefore a less reliable source of revenue for our schools during downturns.

The large carryover balances the state has experienced are temporary, thanks to higher tax collections, inflation, and the influx of federal COVID aid. Many states have learned the hard way that permanent tax cuts in response to temporary surpluses are a bad idea. Recessions happen.

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<sup>1</sup> Dale Craymer, "Bad Math: Replacing property taxes with higher sales taxes doesn't add up for Texans." Texas Taxpayers and Research Association, 2018.

[https://ttara.org/wp-content/uploads/2018/09/TribTalk\\_SalesPropertyTaxSwapOpEd\\_2\\_5\\_18.pdf](https://ttara.org/wp-content/uploads/2018/09/TribTalk_SalesPropertyTaxSwapOpEd_2_5_18.pdf)

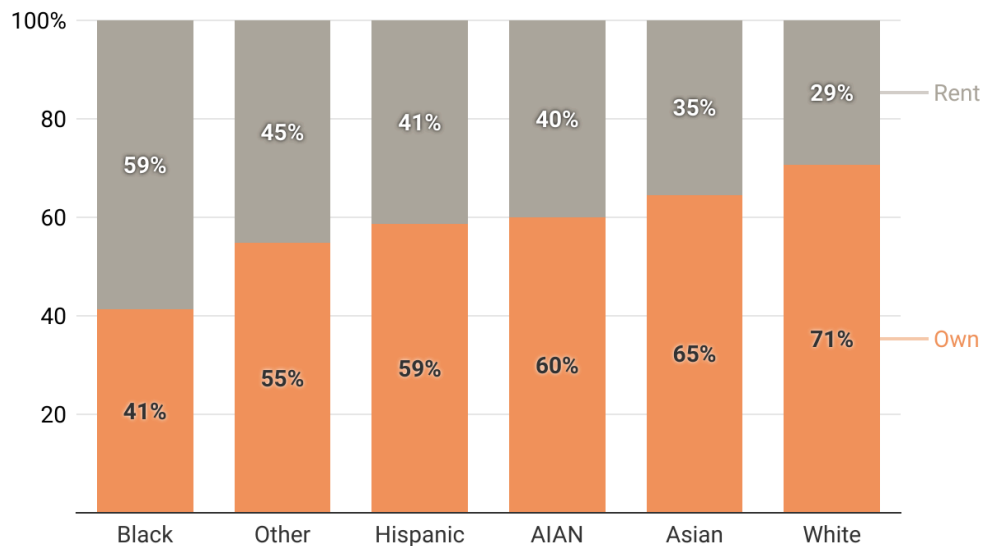
<sup>2</sup> Institute on Taxation and Economic Policy, Who Pays? Seventh Edition, 2024.

<https://itep.org/whopays-7th-edition/>

Hurricanes happen. Unforeseen emergencies can cause a state’s positive balance to quickly vanish. In 2021 through 2023, according to an [analysis](#) by the Center on Budget and Policy Priorities, the states of Arizona, North Carolina and West Virginia cut income taxes especially aggressively, for example. They are all now expecting more than 10% drops in their general revenue over the next five years.<sup>3</sup>

Finally, we cannot support additional property tax cuts that do not directly help renters – 38% of Texas households and disproportionately Texans of color.<sup>4</sup>

**Housing Type of Texans by Race and Ethnicity in 2022**



Source: Every Texan analysis of U.S. Census Bureau, American Community Survey 2022 5-Year, Table S2502.



Some suggest that landlords pass property tax cuts on to tenants. Yet there is little evidence of a relationship between property tax cuts and decreases in rent. While some markets in Texas are happily seeing lower rents this year, experts attribute that more to the rapid construction of new housing supply.

A consensus seems to be emerging that state policies to encourage adding housing supply may be more effective in addressing the housing affordability crisis than simply cutting taxes again. Yet if those policy changes pass, it will take time for them to have an appreciable impact on

<sup>3</sup> Wesley Tharpe, “States’ Recent Tax-Cut Spree Creates Big Risks for Families and Communities,” Center on Budget and Policy Priorities, Nov. 2023.

<sup>4</sup> U.S. Census Bureau. “Demographic Characteristics for Occupied Housing Units.” American Community Survey, ACS 5-Year Estimates Subject Tables, Table S2502, 2022, <https://data.census.gov/table/ACSST5Y2022.S2502?q=tenure&g=040XX00US48>. Accessed on September 3, 2024.

housing markets. Meanwhile, renters have to deal with inflation now, and communities of color are hit the hardest.

Options to address rising costs for renters include a renters' rebate, a true circuit breaker policy that returns some money to renters depending on their ability to pay, and a utility rebate to help low-income Texans with the skyrocketing cost of electricity prices.

The Legislature should also explore a Cost of Living Rebate, similar to a state Earned Income Tax Credit. This program would provide a refund of sales tax payments to eligible low-income Texans. At a 25% match of the federal EITC, for instance, the Cost of Living Rebate would reduce the regressivity of Texas' tax system by returning an average of \$640 to 2.5 million Texas tax filers. 31 states and DC currently have EITCs, including Washington, which also does not have a state income tax.

Last session, the Legislature cut property taxes. This session, the Legislature should acknowledge the essential revenue they provide and make more permanent investments in the future of Texas.