



ALTERNATIVES TO PROPERTY TAX CUTS

ENSURING A JUST + EQUITABLE TAX SYSTEM FOR EVERY TEXAN

Since 2019, the Legislature has repeatedly cut property taxes, with a total cost of **\$51 billion** so far. But we can't keep cutting property taxes session after session while neglecting other needs in our state budget. **We've had enough across-the-board property tax cuts.**

After our first year of People's Budget engagement, we know one thing: Texans believe it is time to prioritize quality public services by seriously investing in education, health care, and infrastructure.

Tax cuts jeopardize those investments.

Our state tax system is regressive. It asks low-income Texans – disproportionately people of color – to pay more. Across-the-board property tax cuts tilt the system even more and **are fundamentally unfair.**

Most Property Tax Cuts Unfairly Benefit the Wealthy

Depending on the method, half the benefits of property tax cuts often go to households making more than \$195,000 a year.

■ Flat Homestead Exemption ■ Rate Compression ■ Appraisal Cap ■ Percentage Homestead Exemption

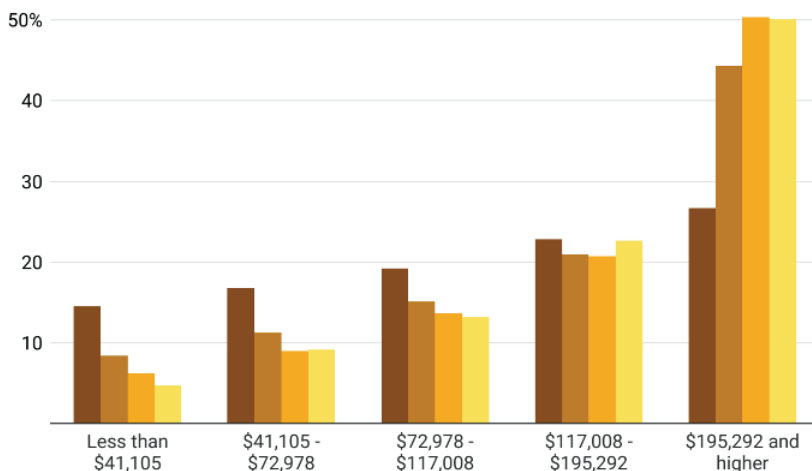


Chart: Every Texan

Source: Texas Comptroller of Public Accounts, Tax Exemptions and Tax Incidence Report, January 2025

Notes: Vertical axis represents the percent of benefit of tax cuts realized by each income quintile of Texas residents

Texas Real Estate Is Taxed at \$1.5 Trillion Below Market Value

The difference between market and taxable value for school districts has surged since 2021.

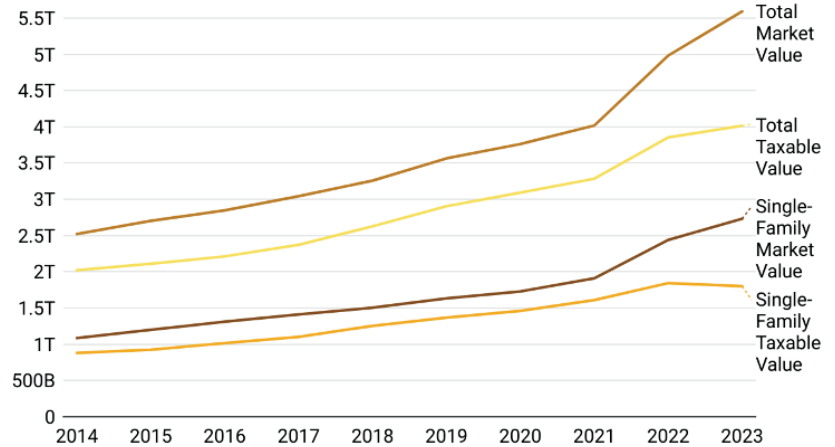


Chart: Every Texan

Source: Texas Comptroller of Public Accounts, Biennial Property Tax Report



WHAT'S WRONG WITH APPRAISAL CAPS?

Appraisal caps are a common way to cut property taxes, aiming to curb yearly increases in rising tax bills. But appraisal caps distort the real estate market, discourage sales, and **disproportionately favor wealthier and longer-term property owners.** According to the Texas Comptroller, more than half the benefits of appraisal caps go to Texas households making over \$195,000 a year.

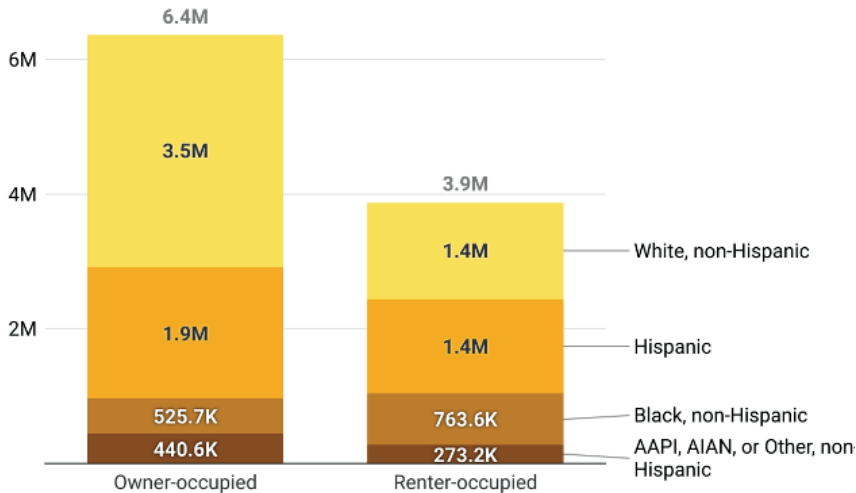
Appraisal caps represent a subsidy for wealthy homeowners that grows more and more every year and shifts tax liability onto owners of more modest homes, renters, and commercial and industrial real estate. **The more expensive the home, the bigger the benefit.**



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Texas Households by Housing Status and Race/Ethnicity



Source: Every Texan analysis of U.S. Census Bureau 2021 American Community Survey 5-year Public Use Microdata Sample (PUMS)

Our property tax revenue is essential for funding all the state and local services that Texans depend on. Yet many Texans are still burdened by the combination of our state’s rising housing costs and its upside-down, regressive tax system.

Approximately **3.7 million** Texas households are housing cost-burdened, paying more than 30% of their income in housing. This includes 51% of renter households, who are **disproportionately** Hispanic (35.9%) and Black (19.6%).

ALTERNATIVES TO ACROSS-THE-BOARD CUTS

WE CAN HELP RENTERS AND LOW-INCOME TEXAS HOMEOWNERS MORE EQUITABLY WHILE MINIMIZING THE HARM TO OUR SCHOOLS AND PUBLIC INSTITUTIONS.

FLAT-DOLLAR, LOCAL-OPTION HOMESTEAD EXEMPTION

As shown in the chart above, a flat-dollar homestead exemption is a relatively equitable way to cut taxes. A \$100,000 exemption made a meaningful difference for owners of more modest homes. While schools can provide that dollar-value exemption, cities, counties, and other entities cannot. **The Legislature should pass a bill allowing local governments to offer flat-dollar homestead exemptions.**

RENTER’S REBATE

Texas renters – 37% of households in our state – pay property taxes indirectly and are finding housing increasingly unaffordable. A renter’s rebate would ask renters to submit information on their annual rent costs, and the state would reimburse them a certain percentage. **A 15% rent rebate to all four million renter households in Texas would return the median rent payer \$200 a year, with a modest cost to the state of about \$800 million plus administrative costs.**

CIRCUIT BREAKER

A circuit breaker limits property tax bills based on household income. Because the policy is targeted, it is efficient and cost-effective. Currently, 29 states and DC provide a circuit breaker, while another 16 offer some other form of an income-based property tax cut. About two-thirds of states extend the tax breaks to renters. **A meaningful circuit breaker to help Texas’s 4 million renting households could be implemented for approximately \$2.7 billion or less depending on how the policy is designed.**

STATE EITC / COST-OF-LIVING REFUND

The federal Earned Income Tax Credit (EITC) – fully refundable and popular – is so effective that 31 states and DC have their own versions of it. At a 25% match of the federal EITC, a state EITC – which we refer to as a Cost-of-Living Refund (COLR) – could return \$640 per year to 2.9 million tax-filing households. **Such a policy would help improve the lives of 7.9 million Texans, including 3.2 million children, at an approximate cost to the state budget of \$2.3 billion each year.** Such a program could be modeled on Washington’s ambitious, successful Working Families Tax Credit (WFTC).