

Testimony to House Ways & Means Committee on Property Taxes

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For over four decades, Every Texan has been a research and advocacy organization working to strengthen public policy to expand opportunity for all Texans.

The 2026-27 state budget provides for \$150 billion in general revenue spending, including \$51 billion in property tax cuts. Those large, permanent tax cuts are only made possible by historically large carryover balances in 2023 and 2025. **Every Texan opposed those tax cuts** out of concern for their sustainability and their impact on public services. Property taxes are stable and transparent. In states like Texas property tax revenue is especially vital without an income tax.

Every Texan recognizes, however, that millions of Texans are struggling with housing affordability.¹ The key question is: **Can we efficiently lower property taxes for Texans most in need, while ensuring Texas provides sufficient funding for crucial state and local public services**, including education, health care, infrastructure, disaster relief, and more?

Bottom Line: The state legislature can and should stop cutting property taxes.

Continued property tax cuts are not responsible policy choices and are not fiscally sustainable. The state's fiscal picture is quite different from what it was in 2023 and 2025 (with a \$33 billion and a \$24 billion carryover balance, respectively). In expectation of a leaner biennium, state leadership has asked agencies to cut their 2028-29 base budget requests by 3% from 2026-27 levels. In this context, continued tax cuts make little sense. For schools, property tax cuts mean a greater reliance on state dollars. For local governments, tax cuts mean cuts to services – anything from police, fire, and EMS to road repair and playground equipment. Furthermore, ongoing federal funding reductions to SNAP, Medicaid, disaster recovery funding, and other areas will require more outlays from the state.

Property tax cuts force the state or local governments to lean more heavily on sales tax revenue. Sales taxes pose two fundamental flaws. First, they are less fair because they are regressive. Low-income people pay a higher proportion of their income on taxable goods which means they pay a disproportionate share of sales taxes compared to wealthier Texans. Testimony in the Senate Finance Committee suggested that replacing all property tax revenue with a sales tax increase would require a tax rate of over 20%, which would hit lower-income Texans especially hard. Secondly, sales tax revenue is volatile. The economy is uncertain, and

¹ <https://everytexan.org/2026/04/08/two-property-tax-plans-one-fiscal-reality/>



Texans are facing unpredictable effects from tariffs, higher oil prices, and persistent inflation. During periods of high sales tax revenue, it is easy to think those conditions are permanent. The next time the economy takes a downturn, sales tax revenue will likely plummet. Policymakers may face sudden and difficult choices without more stable components of revenue. Property taxes offer a solution because they are fairly stable year-to-year.

Renters did not benefit from previous tax cuts. Thirty-eight percent of Texas households are renters, and according to the Texas Affiliation of Affordable Housing Providers, 45% of Texas renters are housing-cost-burdened.² Supporting low-income renters should be a higher priority than supporting wealthy homeowners. Homestead exemptions do not benefit renters at all. Other forms of property tax cuts, like rate compression, do not require landlords pass those cuts along to tenants.

Taxes are the price we pay to maintain our democracy. Like voting and jury service, paying taxes is a responsibility we all share. School taxes are not simply a fee that parents pay to send their children to school; they are the price we all pay to fund public education. In turn, public education, guaranteed to all Texas children by our constitution, helps ensure a well-educated and healthy workforce, strong middle-income households, and opportunities for economic mobility. Our economy rests on a strong system of public education and we all must pay our fair share to support it.

There are other ways to address affordability. Housing is only a piece of the affordability crisis and property taxes are only a piece of housing costs. The Legislature must think bigger than repeated property tax cuts for homeowners and address other issues, such as insurance.

Some tax cut methods are better than others.

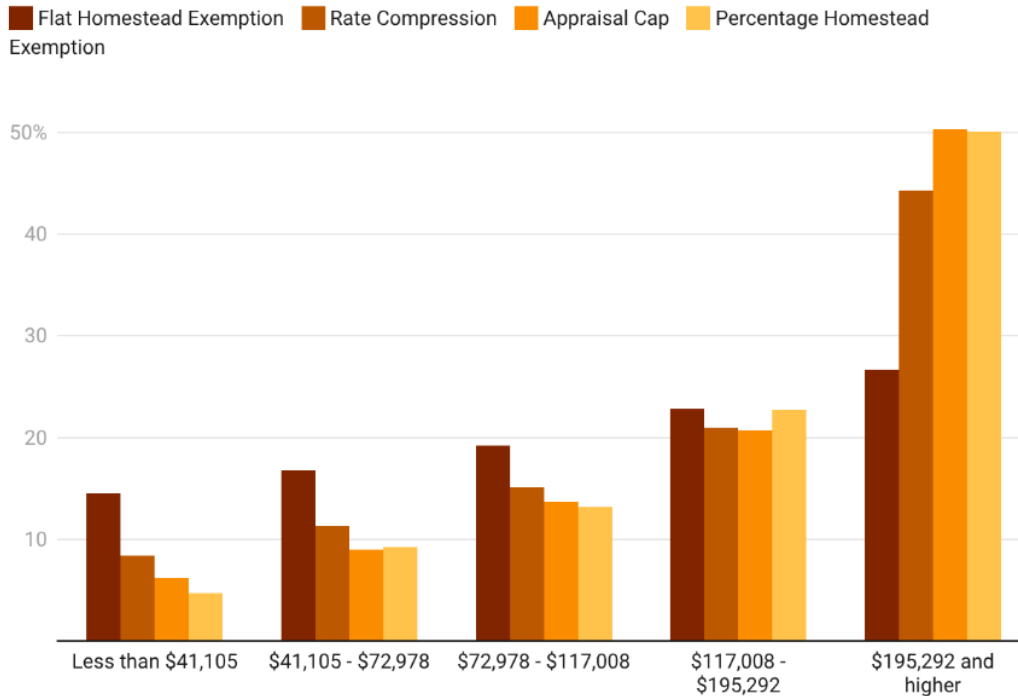
Homestead exemptions

The Comptroller's Exemptions and Incidence reports repeatedly show that homestead exemptions are the fairest, most equitable way to reduce property taxes for homeowners. The benefits of the flat-dollar homestead exemption are much more equitably distributed among household income quintiles than other methods of cutting property taxes, including tax rate compression, appraisal caps, and percentage exemptions.

² https://housingfortexas.org/wp-content/uploads/2026/07/Build-Texas-Report_flipbook.pdf
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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.



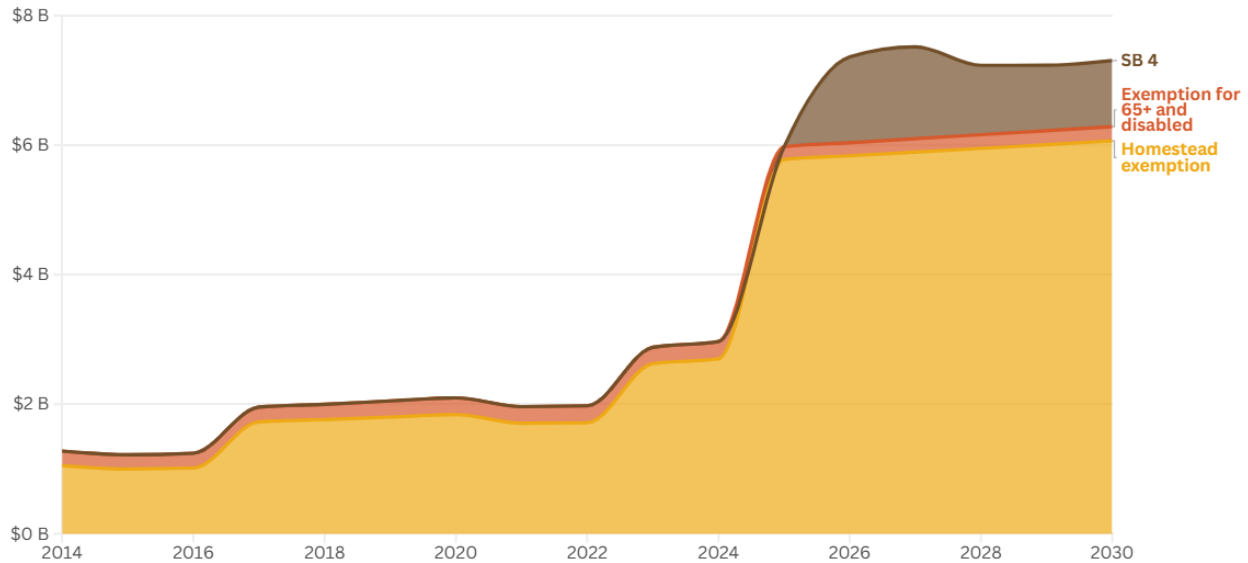
Vertical axis represents the percent of benefit of tax cuts realized by each income quintile of Texas residents.

Chart: Every Texan • Source: Texas Comptroller of Public Accounts, Tax Exemptions and Tax Incidence Report, January 2025. • Created with Datawrapper

There are several reasons not to keep increasing the mandatory school district homestead exemption – especially after substantial increases in recent years. Now \$140,000, Since 2015, the homestead exemption has risen from \$15,000 to \$140,000 – more than 800%. To add, homeowners 65 and up and disabled homeowners receive an extra \$60,000 off the assessed value of their homes. This has come at great cost to the state as it contributes to the lost revenue via the school funding formulas.

Texas State Cost of Homestead Exemptions

Lost revenue from mandatory homestead exemptions is now over \$7 billion a year.



Sources: Comptroller of Public Accounts, Legislative Budget Board • Homestead exemption values are projected estimates taken from the Comptroller's biennial Tax Exemption and Tax Incidence reports, 2014-2025. Cost of SB 4 (89(R)) depicts the projected impact of the bill on general revenue-related funds through 2030, as found in the LBB fiscal note for the bill.

Repeated increases to the homestead exemption produce diminishing returns, especially for homeowners with lower-value homes. Our \$140,000 homestead exemption alone, not including other property tax breaks, means that at least 1.2 million homeowners statewide – or about 17% of households – pay nothing in school property taxes. More than 60% of seniors pay nothing in school property taxes, according to Sen. Paul Bettencourt's office. The \$140,000 exemption also means that in the 84 Texas counties with a median home value at or below that amount, half the homeowners pay no school property taxes.³ Continuing to increase homestead exemptions does nothing for them. Instead, the state is extending tax breaks to increasingly wealthier homeowners. Furthermore, removing those homeowners from the tax rolls disconnects them from the responsibilities of supporting schools in their communities.

The benefits of incremental increases in the homestead exemption pale in comparison to the rising cost of living. Continuing to provide meaningful across-the-board tax cuts gets more expensive over time. For every \$40,000 increase in the homestead exemption, an example \$1/\$100 school tax rate – close to the 2025 state median rate⁴ – generates a \$400 annual savings on property taxes. By contrast, according to EPI's Family Budget Calculator, a two-adult, two-child family in the Houston MSA needs \$18,348 for housing, \$11,127 for food, \$19,649 for

³ Every Texan analysis of 5-Year American Community Survey, 2024.

⁴ <https://comptroller.texas.gov/taxes/property-tax/rates/>

child care, and \$17,478 for health care.⁵ Median homeowners' insurance has also increased dramatically, now almost \$3,000 a year in 2024 and consuming 4.7% of a median family's income.⁶

Tax rate compression

Other methods of cutting property taxes are much more inequitable. Cuts based on percentage of property value, such as tax rate compression, can confer up to half of their benefits on Texas's very top earners. Business and rental property owners benefit from rate compression, but landlords often have no incentive to pass along property tax savings to tenants unless a community has a well-functioning, competitive rental market. Although recent strides to relax housing regulations have led to higher supply of housing stock and therefore a more competitive market, most of the state lags.

Appraisal caps

Appraisal caps are a common way to cut property taxes, aiming to curb yearly increases in rising tax bills. Appraisal caps distort the real estate market and discourage sales. They represent a subsidy for wealthy and long-term homeowners that grows every year and shifts tax liability onto less-wealthy owners, new homebuyers, renters, and commercial and industrial real estate. California's Prop 13 remains the worst-case example of how markets can stagnate and valuations can dramatically diverge when low appraisal caps and irregular appraisals are taken too far.

Alternatives

Policymakers can balance affordability and responsible preservation of revenue. There are ways to help Texans most in need without providing costly, across-the-board tax cuts to all property owners.

Institute a state income tax. A progressive state income tax would be a game-changer in our state. Property taxes and sales taxes could likely be cut. Or we could finally fund our schools appropriately – either by providing a meaningful increase in the basic allotment to make up for inflation, or, more ambitiously, by bringing Texas' rank in per-pupil funding to the national average. Currently, Texas ranks among the lowest in all 50 states.

Offer local-option flat homestead exemptions. Today, local governments are permitted to offer a percentage-based homestead exemption. However, as a rule, percentage-based exemptions are more costly, less economically efficient, and less fair than flat-dollar exemptions. The

⁵ <https://www.epi.org/resources/budget/>

⁶ <https://kinder.rice.edu/urbanedge/homeowners-insurance-premiums-continue-spike-these-texans-pay-biggest-price>

Legislature could allow local governments to offer flat-dollar exemptions, better targeting property tax breaks and likely being less costly to local governments if the existing exemptions are eliminated.

Provide an income-driven property tax refund. Income is a better indicator of housing-cost burden than home values (see Appendix). Texas is one of only five states that does not have any sort of income-driven property tax break.⁷ Those states set a property tax payment threshold determined by a household's income and mortgage (or rent) payment. Targeted property tax cuts based on income can efficiently assist those most in need – renters and/or low-income homeowners – while ensuring the wealthy continue to pay their fair share.

Income-based property tax refunds have several variables that can be tuned to control who benefits from the policy, how much they benefit, and the overall cost. Every Texan has calculated that a meaningful program for renters could be implemented at a reasonable starting cost of about \$40 million a year.

Variables include:

- Percent of rent assumed to be property taxes (e.g., 10, 15, or 20%)
- Percent of income above which the refund operates (e.g., 3, 5, or 7%)
- Maximum benefit
- Maximum household income for eligibility

Minnesota and Michigan are good examples. Both states offer tax breaks to homeowners and renters based on income. Michigan's maximum credit is \$1,700, while Minnesota's is \$3,310, with an average credit of \$1,129 in 2021. Minnesota's program is particularly noteworthy for its contribution to making the state tax code far less regressive.⁸ New Hampshire, meanwhile, operates a property tax refund program even without a state income tax.

One cost-effective way to pilot such a program might be to extend it to seniors who rent. Though most seniors own their home, about 457,000 renter households are headed by seniors. Every Texan analysis of 2023 ACS microdata found that 65% (about 300,000) of 65-and-up renter households were housing-cost-burdened.⁹

Provide a renter's refund. Potentially more costly than an income-based property tax refund, a refund of a portion of rent paid would provide simpler and immediate help to cost-burdened renters. One 2023 House proposal would have given a 10% refund on rent paid that year.

Provide a temporary exemption or other tax break for first time homebuyers. While it is important to ensure older homeowners can stay in their homes, the next generation of

⁷ <https://itep.org/property-tax-affordability-circuit-breaker-credits/>

⁸ <https://itep.org/testimony-iteps-brakeyshia-samms-on-housing-affordability-with-the-illinois-committee-on-housing-and-community/>

⁹ <https://public.flourish.studio/visualisation/22813082/>

homeowners is struggling to get on the property ladder. Though Texans 65 and over make up about 15% of the state population, about 30% of owner-occupied homes are owned by seniors. Texas has an interest in preventing our state from becoming a state of renters. To ensure stable homeownership across generations and into the future, the state could invest in a tax break for first-time buyers.

Maximize take-up of the existing homestead exemption. Research by the Child Poverty Action Lab has shown that homestead exemption take-up rates tend to be lower in lower-income tracts in Dallas County.¹⁰ Homeowners should be getting the exemptions they are already due under existing law. The Legislature could provide additional funding for appraisal districts to conduct outreach and engagement to ensure more homeowners are aware of and are claiming the exemptions to which they are entitled.

Eliminate other costly tax exemptions. The business and professional services exemption is a good example. This exemption disproportionately benefits wealthier Texans, who spend more of their income on those services. Eliminating the exemption could bring in up to \$12 billion in revenue each year. The sales and use tax exemption for data centers has received a great deal of attention from lawmakers this year, and appears likely to be eliminated next session to save the state over a billion dollars annually. Other exemptions, including those on high-cost natural gas extraction, could also be scrutinized.

Appraisals

Under the Texas Constitution, property appraisals must be equal, uniform, and linked to market value. Regular and frequent appraisals – preferably done annually – are vital to preserving that link. The difference between market value and taxable value currently stands at \$1.5 trillion – the more they diverge, the less fair the market. Furthermore, more frequent appraisals lead to greater accuracy and greater stability of property valuations.

Researchers have documented a clear pattern of appraisal inequity and regressivity. In a nationwide study published in 2024, researchers at the Government Finance Officers Association (GFAO) concluded that across 90% of the United States, lower-value homes are more likely to be over-assessed, while higher-value homes are more likely to be under-assessed.¹¹ Their findings align with those from other studies going back decades, including studies by experts at the University of Chicago¹² and Harvard Law School.¹³ GFAO's report looks specifically at the positive impacts of appraisal reforms in Cook County, Illinois, and provides

¹⁰ <https://dallashomesteads.tools.cpal.org/>

¹¹ <https://www.gfoa.org/materials/rethinking-property-taxes>

¹² <https://propertytaxproject.uchicago.edu/>

¹³ <https://journals.law.harvard.edu/jol/2025/02/22/your-house-is-worth-more-than-they-think-the-strange-case-of-property-tax-regressivity/>

recommendations such as using modern data science techniques to improve the accuracy of appraisals and conducting local studies to identify why regressivity exists in certain markets.

Ideas to improve the appraisal process in Texas include:

- **Sale price disclosure** - Unlike most other states, Texas does not require buyers or sellers to report sales price information to local authorities. Therefore, Texas appraisal districts lack the most complete and accurate basis for determining property values. The result is that difficult-to-assess commercial properties and high-end homes tend to be undervalued. Owners of these properties pay less than their fair share in taxes to support public services, shifting the financial burden onto less well-off homeowners.
- **Equal and uniform appeal reforms** - Property owners have the right to protest the tax appraisal of their property if they believe the appraisal district has set the appraisal above market value or their appraisal is not equal to a similar property. The challenges presented in this process could be solved with changes to the timing of protests (to deal with a “race to the bottom” of appraisal protests) and the manner in which comparable properties are defined.

Editor’s Notes:

Every Texan works in an ecosystem of evolving policy work. As conditions and factors change, research and analysis may be updated and republished to respond appropriately.

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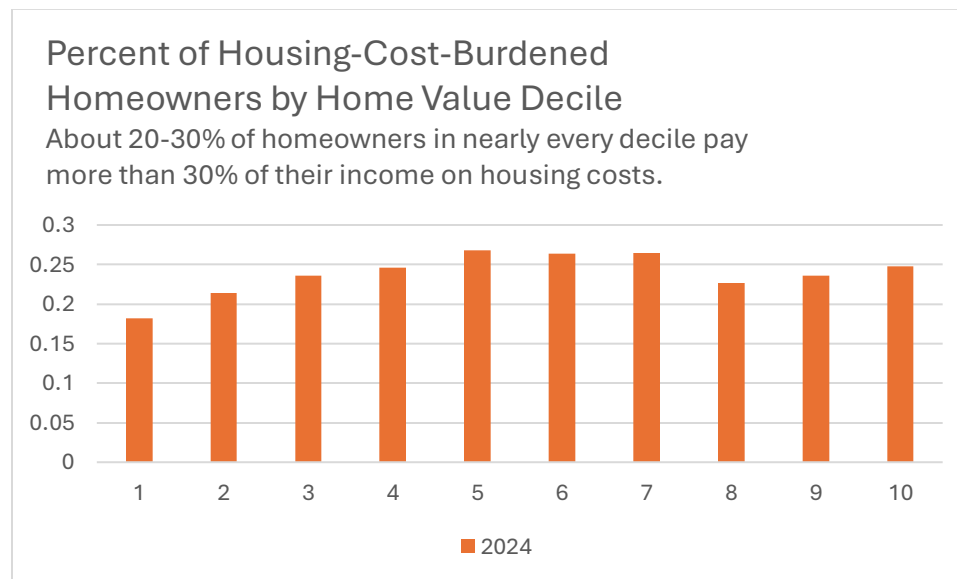
Appendix: Housing-cost-burdened, owner-occupied Texas households

The Legislature should not cut homeowners' property taxes again. If lawmakers choose to do so, they must focus their attention on those who are truly housing-cost-burdened, paying 30% or more of their income in housing costs.

The charts below show the approximately 7 million owner-occupied households in Texas, sliced two ways. In the first chart, households are divided into deciles – ten roughly equal groups of about 700,000 households – by home value; in the second, by household income. The four bars represent the percentage of households in each decile that are housing-cost-burdened for the years 2021-2024.

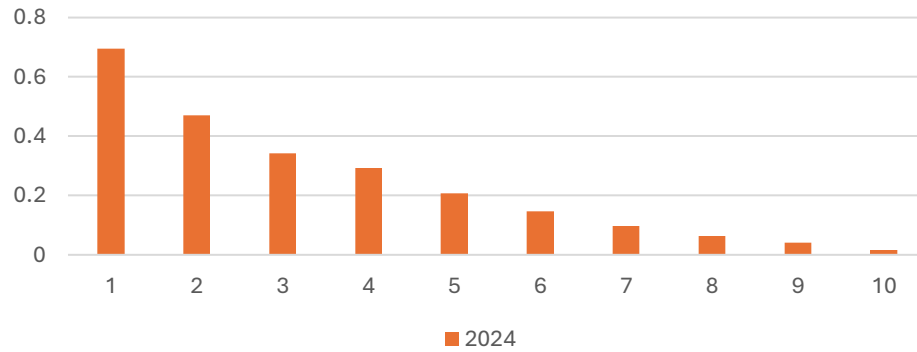
Across-the-board tax cuts mostly provide larger tax cuts for higher value homes. In this analysis, we see that home values do not tell us who needs the most help. About 20-30% of homeowners in almost every decile are housing-cost-burdened. On the other hand, the second chart clearly shows that lower-income homeowners exhibit very high rates of housing cost burden – about 70% of the lowest income group is cost-burdened.

We will continue our analysis of this data, but income appears to be a better indicator of housing cost burden than home values, and **if we want to cut taxes for people who need it the most, we should be targeting by income.**



Percent of Housing-Cost-Burdened Homeowners by Household Income Decile

Homeowners in the bottom income deciles are clearly more cost-burdened.



Source: Every Texan analysis of American Community Survey 1-year public use microdata sample, 2021 through 2024.