

Study of circuit-breaker property tax limitation based on income

HB 3983 by Rodriguez (Watson)

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DIGEST:

HB 3983 would have required the comptroller to conduct a study on property-tax circuit-breaker programs. The study would have examined the ability of such programs to limit the amount of ad valorem taxes that could be imposed on a residence homestead based on the owner's annual income. The study would have focused on design, methods of implementation, and administration of different circuit-breaker models. The bill would have established an advisory committee, chaired and appointed by the comptroller, which would have authored a final report for submission to the Legislature.

The bill also would have made changes to homestead preservation reinvestment zones, including establishing rules for the composition and operating procedures of a board of directors; changing the effective date of a homestead preservation zone; and changing the formula that determines how much a county pays into a tax increment fund.

GOVERNOR'S REASON FOR VETO:

"I am vetoing House Bill No. 3983 because I have serious concerns about language in the bill that requires the comptroller to conduct a study of 'circuit breaker' property tax programs used in other states.

"'Circuit breaker' programs are designed to provide property tax relief to certain individuals based upon their income. The cost of this type of program is usually borne by the state, while the local governments still receive their full share of the property tax. In some states, renters are also eligible for rebates despite the fact that they do not directly pay the property tax.

"These programs have several negative effects. One negative effect is that it breaks the link between what taxpayers pay and what they receive in local services. Under a 'circuit breaker,' some taxpayers will effectively pay no tax but receive the same services and amenities as other taxpayers who do not benefit from the program.

"Such a program would also have a significant cost to the state, since the purpose of the program is to allow local governments to enjoy the political benefits of a tax break without having to carry the cost. This allows them to avoid tough decisions about the level of taxation that the community can bear and what services the voters want them to provide.

"Finally, if such a program were to be adopted in Texas, it would make the distribution of the property tax burden less equitable by shifting it to middle-class property owners. This would make the property tax function more like a progressive

income tax, in that the tax burden would slowly be pushed upwards until only the owners of the most valuable property paid any actual tax.

“Texas property owners could use additional tax relief, and I have worked hard to ensure that they receive relief; however, any solution must be one that makes all property owners better off. This study would undermine all the efforts made to ensure that the property tax has a low rate, is broad-based and is equitable for all Texans.”

RESPONSE:

Rep. Eddie Rodriguez, the bill’s author, said: “It defies belief that the governor would veto a bill simply because an amendment was added that called for the comptroller to conduct a study. A property tax circuit breaker is a tool that reduces the property tax liability for individuals whose property tax payments represent a large portion of their family income. Depending on how it’s structured, property tax relief would take effect as an individual experiences life changes that impact income, such as retirement, reaching the age of seniority, or becoming disabled. The study would have required stakeholder input to assist the comptroller in evaluating and making recommendations about how a circuit breaker system should operate in Texas.

“I believe that it is my job as a legislator to explore as many options as possible to address important issues such as rising property taxes. It seems to me that recommendations from the comptroller and affected stakeholders could only help with the formulation of effective tax policy. I am disappointed that the governor does not seem to share this sentiment. His veto prevents us from exploring this creative and valuable tool to provide relief from the property tax burden of certain vulnerable Texans.”

Sen. Kirk Watson, the Senate sponsor, had no comment on the veto.