

- SUBJECT:** Limiting increase in real property appraisals to five percent per year
- COMMITTEE:** Local Government Ways and Means — favorable, without amendment
- VOTE:** 4 ayes — Hill, Hegar, Mowery, Quintanilla  
2 nays — McReynolds, Puente  
1 absent — Laubenberg
- WITNESSES:** For — George B. Allen, Texas Apartment Association; Paul Bettencourt  
Against — Daniel Casey, Texas School Alliance; Dick Lavine, Center for Public Policy Priorities
- BACKGROUND:** In November 1997, Texas voters approved Proposition 2 (SJR 43 by Cain), amending Texas Constitution, Art. 8, sec. 1 to allow the Legislature to limit to 10 percent the maximum average annual increase in the appraised value of a residence homestead. The enabling legislation, SB 841 by Cain, took effect January 1, 1998. Under Art. 8, sec. 1, the limitation on appraisal increases takes effect on the effective date of the enabling law or on January 1 of the tax year following the first tax year in which the owner qualifies the property for a homestead exemption. The limitation expires on January 1 of the first tax year that neither the owner nor the owner's spouse or surviving spouse qualifies for a homestead exemption.
- DIGEST:** HJR 4 would amend the Constitution, Art. 8, sec. 1 to allow the Legislature to limit the average percentage increase in appraised values for real property, rather than only for residence homesteads, to 5 percent per year. The limitation would take effect in the tax year following the first tax year in which the owner owned the property on January 1, or, if the property was a residence homestead, in the tax year following the first tax year in which the owner qualified the property for a homestead exemption. The limitation would expire on January 1 of the first tax year after the owner sold or transferred the property, but the Legislature could extend the limitation for a residence homestead to the owner's spouse or surviving spouse.

The proposal would be presented to voters at an election on Tuesday, November 4, 2003. The ballot proposal would read: “The constitutional amendment authorizing the legislature to limit the maximum average annual increase in the appraised value of real property for ad valorem tax purposes to five percent or more. ”

**SUPPORTERS  
SAY:**

Taxpayers have received no meaningful relief from excessively high property taxes despite the 10 percent limitation on appraisal increases enacted in 1997. In the past five years, the average property-tax bill for a Houston homeowner has increased by 73 percent, and Dallas homeowners have paid an average increase of more than 27 percent in the past two years. High-growth areas in Central Texas also have seen large increases. Between 1993 and 2001, the average school tax on homes in Williamson County rose by 70 percent, and Travis County homeowners saw a hike of 64 percent. School-district tax rates for maintenance and operations are capped at \$1.50 per \$100 of appraised value, and other provisions limit the growth of tax rates for counties, cities, and special districts. Therefore, the tax increases can be attributed to increases in appraised values, despite the limitations in Art. 8, sec. 1. The Legislature should be able to restrict appraisal increases to 5 percent each tax year.

Removing the restriction that the limit apply only to residence homesteads would help restore equity in the property tax system. Lower property taxes would benefit apartment renters and business owners as well as homeowners. Providing tax relief for all property owners also would address constitutional questions regarding equal and uniform taxation.

HJR 4 would continue the policy of helping homeowners in areas with rapidly appreciating property values level out their property-tax payments to make them more affordable. The higher value still would be taxed, but increases would be spread out in a reasonable manner to avoid the increases seen even within the current 10 percent annual limit.

**OPPONENTS  
SAY:**

The Constitution requires that taxation be equal and uniform and that all taxable property be taxed in proportion to its value. HJR 4 nominally would allow the Legislature to limit increases in appraisals of all real property, but the amendment still could lead to disparate and unfair tax policies. Owners of existing homes would see limits on their appraisals and tax bills, while neighbors moving in across the street might not benefit from the limitation.

School districts, counties, and cities have been forced to cut services and lay off employees despite the revenues from higher taxes based on increased property appraisals. HJR 4 would not reverse the trend of property owners paying higher taxes for decreased services.

**OTHER  
OPPONENTS  
SAY:**

Efforts during the past decade to provide property-tax relief highlight the fact that Texas' tax system needs to be overhauled completely. Texas has relied on essentially the same structure of state and local taxes since it first imposed a sales tax in the early 1960s. Today, the sales tax and the local property tax account for more than three-fourths of local and state tax collections. The reason that sales and property taxes are so high is that Texas, like six other states, has no personal income tax, which constitutionally would be dedicated mostly to school property tax reduction. If the state's tax system included income-based taxes, the state would not need to limit property appraisals artificially.

The limitation on appraisal increases should be reduced to 5 percent — or even 2 percent — only for residence homesteads. Owners of apartments and businesses are in a better position to pay their share of property taxes than are homeowners, many of whom live on fixed incomes.

**NOTES:**

HB 3223 by Bohac, et al., the enabling legislation for HJR 4, is on today's House Major State Calendar.

HJR 32 by Wong and Heflin would allow the Legislature to limit the yearly increase in appraisals of a residence homestead to 5 percent. HJR 45 by Howard would allow the Legislature to set that limit at 2 percent. The Local Government Ways and Means Committee considered both joint resolutions in a public hearing on March 13 and left them pending.