

Legislative Update –IPT Luncheon San Antonio

Jim Popp; Popp Hutcheson (popp@property-tax.com)

➤ **Legislative Landscape**

- **Mike Villarreal**
- **New members**
- **Ways & Means and Senate Finance**
- **Comptroller**
- **Lt. Governor**

➤ **School Finance**

- **Equity, adequacy and state property tax**
- **Effect**
- **Remedy**

➤ **Equal and Uniform Remedy Attack**

➤ **Other Potential Legislative Issues**

- **Property Tax Relief.**
- **Appraisal of Complex Properties by the Comptroller**
- **State Tax Commission for Complex Properties**
- **Elimination or Change of the Comptroller Ratio Study**
- **Moving the Property Tax Division of the Comptroller's Office to a separate entity**
- **Providing more Comptroller oversight on the appraisal process in general.**
- **Two way attorney fees or elimination of attorney fees.**
- **Elimination of simultaneous exchange of expert witness appraisals**

DO NOT SURRENDER YOUR REMEDY FOR FAIR **PROPERTY TAXATION**

The first sentence of the Constitution related to taxation mandates that taxation shall be equal and uniform. The implementation of this constitutional right referred to as the "equity remedy" is set forth in Sections 41.43 and 42.26 of the Property Tax Code. The equity remedy provides that you are entitled to fair taxation in comparison to similar properties.

Last legislative session, Senator Wendy Davis introduced a bill to eliminate the equity remedy. Now chief appraisers and taxing units are working and have hired a lobbyist to attempt to take away this right. Newspaper sound bites inaccurately state that the equity remedy is shifting taxes to residential property owners and provides a loophole for commercial property owners. These allegations are false.

The elimination of the equity remedy would have the following impact on Texas taxpayers:

- **It would take away a taxpayers constitutional right to equal and uniform taxation;**
- **It would result in a significant property tax increase for residential and commercial property owners;**
- **It would remove the only method to correct mistakes on the part of chief appraisers that result in unfair tax treatment;**
- **It would allow chief appraisers to engage in "sales chasing" in which chief appraisers value a property at the sales price but do not change the value of comparable property;**
- **It will allow taxing units a stealth increase in taxes without raising tax rates;**
- **It will reduce business investment in Texas by reducing taxpayer confidence in appraisal district accountability.**

THE EQUITY REMEDY AND PROPERTY TAXES: JUST THE FACTS

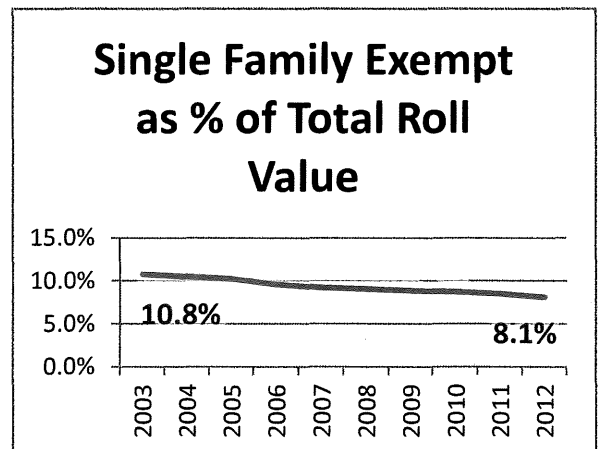
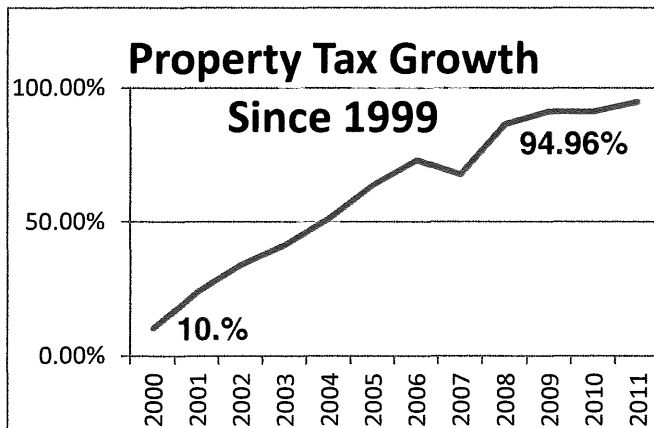
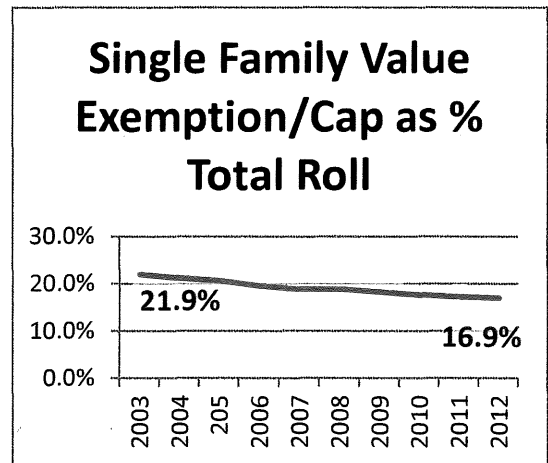
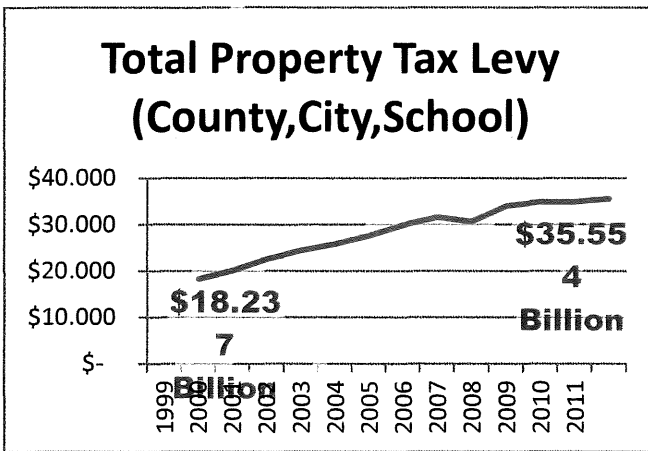
Chief appraisers and taxing units want to eliminate the only method for taxpayers to insure fair taxation. They want to repeal the so-called "equity remedy" which is the statutory enactment of the constitutional mandate of equal and uniform taxation. They allege that reductions from litigation are dramatically adversely affecting the property tax system. The facts do not support this allegation. Reductions from litigation are insignificant compared to all the reductions in the system.

- **Texas is 37th in state and local tax burden per capita and 11th in business environment,**
- **Total reductions from the appraisal roll for exemptions, appraisal cap, ag-use and lawsuits were \$450B,**
- **Lawsuit reductions in 2012 were \$13.75B or 3% of the total reductions granted,**
- **Lawsuit reduction were only 0.6% of the total statewide appraisal roll,**
- **Homestead and appraisal cap deductions were \$161.9B in 2012,**
- **Ag use appraised value deductions in 2012 were \$206B**
- **Some other 2012 deductions: abatements \$16.9B, freeport \$26.2B, tax increment financing \$11.28, and pollution control \$10.49,**
- **In 2003 single family residences comprised 49% of market value and now in 2012 they comprise 47.8% of total market value,**
- **The homestead exemption amount has declined from 21.9% exempt in 2003 to 16.9% exempt in 2012,**
- **From 2000 to 2011 school tax levy has increased 69%, cities 94% and counties 109%**
- **In 2012, \$29B in reductions were made at informal settlements with the appraisal district and \$18B in reductions were made at ARB hearings.**
- **A \$2750 homestead exemption would offset all litigation reductions,**
- **All business type deductions including lawsuits could be offset with a \$15,000 homestead exemption.**

WHY HAS THE HOMEOWNER PROPERTY TAX BURDEN INCREASED IN TEXAS

There has been much comment in the newspapers recently about the increase in homeowner property tax burden. The suggestions of the causes of this have ranged from sky-rocketing appraisals, corporate tax loopholes to shifting of tax burden.

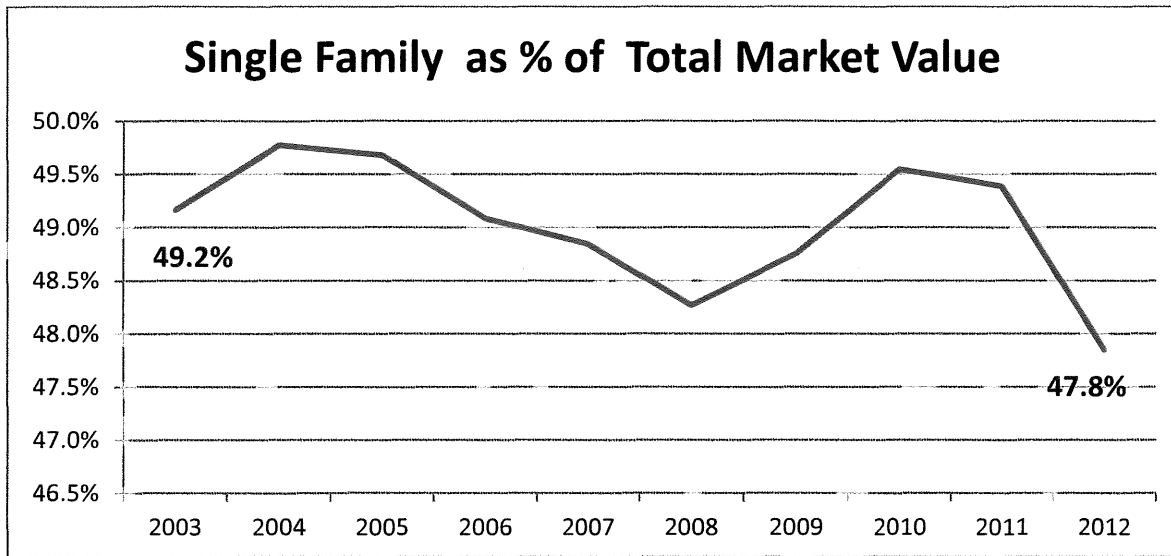
It is clear that the reasons for increased homeowner property tax burden are increased taxing unit spending and decrease in effective homestead exemptions and caps.



THE FACTS DO NOT SUPPORT A SHIFT OF COMMERCIAL TAX BURDEN TO SINGLE FAMILY HOMES

Chief appraisers and taxing units allege that the equity statute has shifted tax burden from commercial property to residential property. The facts do not support this.

From 2003 to 2012, single family residences as a percentage of total market value in the state has fallen from 49.2% to 47.8%.



A shift has occurred in the homestead exemption and appraisal cap effect. From 2003 to 2012, the residence homestead/cap exemption has fallen from 21.9% to 16.9% and from 10.8% to 8.1% of the total market value in the state.

