

# TEXAS TASK FORCE ON APPRAISAL REFORM

FINDINGS AND RECOMMENDATIONS

2007

*A report by the Texas Task Force on Appraisal Reform*



January 8, 2006

The Honorable Rick Perry  
Governor, State of Texas  
State Capitol  
Austin, TX 78701

Dear Governor Perry:

Along with the fourteen other members of the Texas Task Force on Appraisal Reform, I am pleased to present our final report.

When you established the Task Force, you charged us with seeking reforms that would bring greater fairness to the property tax appraisal system. We conducted eleven public hearings across the state and received testimony from several hundred home and business owners who have been significantly impacted by rapidly increasing property appraisals along with public officials and community leaders.

We considered a wide range of options addressing the complex issue of appraisal reform. We present the recommendations enclosed in this report as the most useful in terms of immediately addressing the problems within the current system.

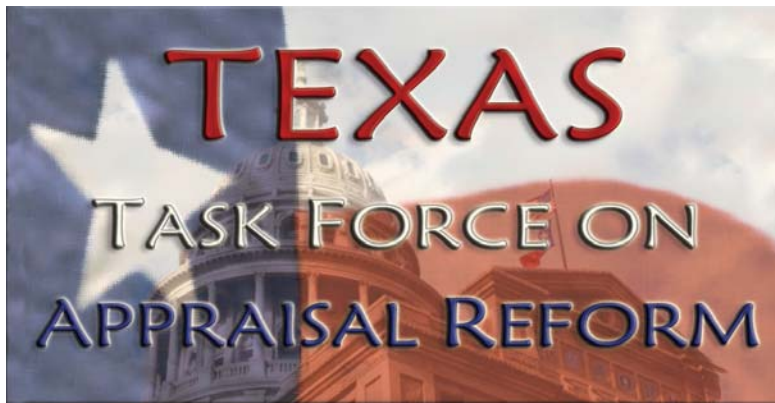
We took our charge seriously and believe you will find that we fulfilled the mission you assigned us. We remain committed to working with you and the legislature to ensure that the needed reforms are made to provide the citizens of this state with much-needed relief from the burden of skyrocketing property taxes.

We are grateful to you for the opportunity to serve our state. We share your desire to improve the future for all Texans and thank you for your continued leadership.

Sincerely,

*Tom Pauken*

Tom Pauken  
Chairman, Texas Task Force on Appraisal Reform



# **FINDINGS AND RECOMMENDATIONS**

**A REPORT FROM THE TEXAS TASK FORCE ON APPRAISAL REFORM**

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**AVIS WUKASCH**

**JANUARY 2007**

**PRESENTED TO:**  
**GOVERNOR RICK PERRY**  
**LIEUTENANT GOVERNOR DAVID DEWHURST**  
**SPEAKER TOM CRADDICK**  
**MEMBERS OF THE 80TH TEXAS LEGISLATURE**





# TEXAS TASK FORCE ON APPRAISAL REFORM

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# STATEMENT OF TOM PAUKEN

## CHAIRMAN, TEXAS TASK FORCE ON APPRAISAL REFORM

Texas holds the dubious distinction of having the ninth highest property taxes in the nation as a percentage of personal income. Property taxes in Texas have grown from a total levy of less than \$9 billion in 1985 to more than \$30 billion in 2004. That represents a 233% increase in property taxes in less than 20 years. Compare that with inflation growth of 76% during the same period. From 2000 to 2004, property taxes on single family residential homes in the major metropolitan areas of Austin, Dallas, Ft. Worth, Houston, and San Antonio rose by a staggering 46%. Houston, Dallas, and Ft. Worth showed the highest property tax increases on homes with 50%, 49% and 48% increases respectively.

The problem of skyrocketing property taxes is not just limited to the most populated metropolitan areas in Texas. As we traveled across the state, we heard disturbing news about the impact of these skyrocketing property taxes on individuals and families. Because of the cost of high property taxes in El Paso, Texas, people who live and work there are selling their homes and moving across the border to New Mexico. In Wharton County, taxpayers told me they are having to sell properties that have been in their families for generations because of a huge jump in appraised values in that area this past year. We heard testimony about working class families of modest means being forced out of coastal communities where they have lived for decades because of huge increases in their appraised values and their property taxes.

In hearings and in written communications to us, Texas homeowners and other property owners have told our Task Force that property taxes in Texas have become so burdensome as to become almost oppressive. Frustration and anger among taxpayers in Texas is mounting. Property owners tell us that something must be done to fix this broken system – and that it must be done quickly.

Governor Perry and the Texas Legislature took the first step to do just that in 2006 with the passage of the school finance reform legislation which expanded the business tax in order to cut school property taxes by one-third over a three-year period.

Unfortunately, much of the promised property tax relief in that first year was negated by the “hidden tax” of higher appraised values (what I have called the “stealth tax”) combined with higher tax rates which local government entities then utilized to increase spending at a significant pace.

Taxpayers know that there is something fundamentally wrong with our current appraisal and property tax system. Yet, because of the confusing and complex nature of the existing process, it is difficult for the average homeowner to determine who is accountable for property tax hikes that are far in excess of the rate of inflation.

Some local taxing entities lay the blame on the appraisal districts. The appraisal districts respond that they simply set the “fair market value” of properties and that is the taxing entities which determine how much of those increased revenues garnered from higher appraised values should be spent – and what, if any of those increases, should be returned to the taxpayers in the form of reduced property tax rates. One important result that needs to come out of these hearings is greater accountability within the appraisal process itself.

As we have listened to testimony from taxpayers and local government officials, one of the major surprises to me – and to many of our Task Force members – has been how differently those two groups view the appraisal reform issue. Taxpayers and local taxing entities are like ships passing in the night when it comes to their view of the seriousness of the problem.

Most taxpayers we have heard from – I would put the percentage at 80% or more – want the local voters to have a say when growth in government spending exceeds reasonable levels because of “appraisal creep” and/or higher tax rates.

Yet, an even higher percentage of those who represent local taxing entities – and their powerful lobbying organizations in Austin – have made it abundantly clear that they will oppose to the bitter end any reasonable checks and balances on local government spending that we might propose. It is apparent that these taxing entities like the system the way it is when it comes to spending that “stealth tax” of higher appraisal values which result in higher property taxes.

When Gov. Perry asked me to take on this assignment of heading up his task force on appraisal reform, I initially assumed that we could reach a reasonable agreement on improvements in the appraisal system which all of the affected parties would be willing to accept. It has been made abundantly clear to me over the past few months however, that there is tremendous institutional resistance to any serious reform of the appraisal system which would slow the growth of local government spending paid for by higher property taxes.

Some opponents of appraisal reform already have boldly proclaimed that our suggested recommendations to the Texas Legislature are “d.o.a”, dead-on-arrival. Well, that is for the people of Texas, and their elected legislators in Austin, to determine. Our recommendations and the summary of our findings are enclosed.

Let the debate begin.

## EXECUTIVE SUMMARY

The recently passed school finance reform legislation, was designed to reduce our heavy reliance on school property taxes to fund public education in Texas. Over a two-year period, school M&O property tax rates are to be lowered by 1/3rd (or approximately 50 cents per one hundred dollars of assessed value) and paid for by an expanded business tax. Unfortunately, the “stealth tax” of rising appraisal values combined with the lack of limits on increased tax collections by governmental entities threatens to negate much of that promised property tax relief. During the six-year period ending in 2004, ad valorem tax revenue collected by local government entities increased on average by over 55% while Texas’ population growth and the Consumer Price Index combined only grew by 27%. The disparity over inflation and population growth added an additional 50 cents per \$100 of assessed value to the combined ad valorem tax rates over that six-year period alone, and, if replicated over the next six years, would completely erase the recently enacted savings.

Property taxes are neither simple nor transparent. Nor are they just. The calculation of the effective tax rate misleads taxpayers into believing ad valorem tax revenue growth is being controlled while it is not. Furthermore, virtually all members of our task force favor a tax policy that would gradually wean Texas away from its heavy reliance on property taxes.

In the meantime, however, our mission is to make recommendations to improve the existing property tax and appraisal system. To that end, the Texas Task Force on Appraisal Reform presents a series of recommendations to address the issues of restraining excessive ad valorem tax revenue growth, skyrocketing appraisal values, truth in taxation, fairness in the appraisal process itself, unfunded state mandates, and sales price disclosure. We also propose a mechanism whereby county and municipal taxing entities could reduce their reliance on property taxes while funding local services at current levels.

The members of the Texas Task Force on Appraisal reform wish to emphasize that recommendations in this report should not be viewed individually but rather as a package of reform for the property tax and appraisal system. Members of the task force do not favor some items included in the report as stand-alone items. The package must stand together due to the complex nature of the issues discussed and their interrelationship with each other. Furthermore, piecemeal adoption of some of the recommendations included in this report could potentially undermine the goal of providing Texas with an equitable and transparent property tax and appraisal system and even make the system worse.



## MEMBERSHIP OF THE TASK FORCE

*The Texas Task Force on Appraisal Reform ("Task Force") is hereby created.*

*The Task Force shall examine relevant issues and make recommendations for changes to the appraisal process used to raise property tax revenue for local government services.*

*~ Governor Perry's Executive Order RP60, August 21, 2006*

### GOVERNOR'S APPOINTEES

**Thomas W. Pauken of Dallas** is president of TWP, Inc. He is a member of the State Bar of Texas and serves on the board of trustees of the Intercollegiate Studies Institute. Pauken is a member of the Knights of Columbus and a life member of the Veterans of Foreign Wars. He formerly served on the National Advisory Council on Vocational Education and the Commercial Space Transportation Advisory Committee of the U.S. Department of Transportation. Pauken served on the White House staff under President Reagan and as Reagan's Director of Action, an independent agency designed to encourage volunteerism. Action is the predecessor agency to today's Americorp. He also has been vice president and corporate counsel of a Dallas-based venture-capital company and on the board of various public and private companies. A graduate of Georgetown University, Pauken received a law degree from Southern Methodist University School of Law.

**Gary O. Boren of Lubbock** is the vice president of G. Boren Services, Inc., where he previously served as a general manager. Boren is a city council member of District 3, the City of Lubbock. He is a member of the Texas Work Source Board and is the advisory board director of the American Bank of Commerce. Boren has previously served as president, vice president and member of the board of trustees of the Lubbock Independent School District and as chairman of the Lubbock Chamber of Commerce. He is a member of various organizations at Texas Tech University, including the Chancellor's Council, the Red Raider Club and the Society of the Spur. Boren received a bachelor's degree from Texas Tech University.

**L. Curtis Culwell of Garland** is the superintendent of the Garland Independent School District. He formerly served as president and vice president of the Texas School Alliance, and is a former member of the National Association of Secondary School Principals. Culwell also previously served on the board of directors of the Texas Principals Leadership Initiative and the Texas Academic Decathlon. He is a member of the American Association of School Administrators and the University Interscholastic League Legislative Council. He previously served as chairman of the March of Dimes Walk America and as a board member of the Lubbock Chamber of Commerce, the United Way of Lubbock, the Foundation of Excellence and the Lubbock Regional Arts Association. He received his bachelor's degree from Sam Houston State University and both his master's and doctorate degrees in educational administration from Texas A&M University -Commerce.

**Robert A. Eckels of Houston** serves as the Harris County Judge. He also serves as director of the county's Office of Homeland Security and Emergency Management. A former state representative, Eckels is a member of the State Bar of Texas and chairman of the Harris County Juvenile Board and the National Association of Counties. He also served as president of the County Judges and Commissioners Association of Texas and serves on an advisory committee to President Bush's Homeland Security Council. He is past president of the County Executives of America. A graduate of the University of Houston, Eckels received a law degree from the South Texas College of Law.

**John David Franz of Hidalgo** is the mayor of the City of Hidalgo and is an attorney in private practice. Franz is a former director and past president of the Lower Rio Grande Valley Development Council, and serves as a member of the urban county advisory board of Hidalgo County and as an ex-officio member of the Hidalgo-McAllen-Reynosa International Bridge Board. He is also a member of the Texas Trial Lawyers Association. A graduate of Pan American University, Franz received a law degree from the University of Texas School of Law.

**John R. (Bob) Garrett of Tyler** is the president of Fair Management, L.C., and Fair Oil Company of Texas, Inc. He serves as a board member and treasurer of the Tyler Economic Development Council, as a board member of the Tyler Area Chamber of Commerce and is on the steering committee of the Tyler 21 Comprehensive City Plan. Garrett is the Texas representative to the National Association of Home Builders executive committee and is a past president of the Texas Association of Builders and the Tyler Area Builders Association. A graduate of Stephen F. Austin State University, he received a master of business administration degree from the University of Texas at Tyler.

**Robert E. (Bob) Garrett of Amarillo** is owner and broker of Coldwell Banker First Equity Realtors. He formerly served on the board of directors of the Amarillo Chamber of Commerce and is currently chairman of the appraisal district procedures task force of the Texas Association of Realtors, and the National Association of Realtors State and Municipal Government Spending and Taxation Committee. Garrett is a board member of the West Texas A&M University Foundation and is a former board member of the Potter County Appraisal Review Board. He received a bachelor's degree in business administration from West Texas A&M University.

**John E. Nichols of Freeport** is the Director of U.S., State and Local tax for The Dow Chemical Company. He formerly served as an appraiser for the firm of Kennedy Holtkamp, Inc., and has worked as a petroleum engineer for Dowell Schlumberger, Inc. Nichols is a member of the tax advisory group of the Texas Comptroller of Public Accounts, the Committee on State Taxation, the Institute for Professionals in Taxation and the National Tax Association. He is also a member of the Texas Taxpayers and Research Association, the Tax Executives Institute and the International Association of Assessing Officers. He is a published writer in the Journal of Property Tax Management and has received the Institute for Professionals in Taxation's literary award. Nichols received a bachelor's and master's degree in petroleum engineering, and a master's degree in land economics and real estate from Texas A&M University.

**Rolando B. Pablos of San Antonio** is an attorney in private practice. He serves on the board of directors of the Nueces River Authority and the Free Trade Alliance. Pablos serves as a member of the Greater San Antonio Chamber of Commerce public affairs steering committee, the board of directors' executive committee of the San Antonio Hispanic Chamber of Commerce and the advisory council to the University of Texas at San Antonio College of Business. He is also president of Texans for Taxpayer Relief. From 2002 to 2004, he was a member of the board of directors of the Greater San Antonio Chamber of Commerce. A graduate of St. Mary's University, Pablos received a master's degree from the University of Texas at San Antonio and the University of Houston. He received his law degree from St. Mary's University School of Law.

**Brooke Leslie Rollins of Fort Worth** is president and CEO of the Texas Public Policy Foundation. She serves as director of Texas Lyceum and is a member of the State Bar of Texas, the Texas Women's Alliance and the Dallas A&M Club. Rollins previously served as Governor Perry's deputy general counsel and ethics advisor, and later as his policy director. She spent several years as a litigator with Hughes & Luce, L.L.P., in Dallas, and also completed a federal judicial clerkship with the Honorable

Barbara M.G. Lynn, a U.S. Federal District Judge in the Northern District of Texas. Rollins graduated cum laude from Texas A&M University and received a law degree from the University of Texas School of Law.

**Timothy P. Roth of El Paso** is a professor of economics at the University of Texas at El Paso. He is also chairman of the Department of Economics and Finance and is a member of various committees at the university. Roth is a member of the American and Western Economic Associations, the American Statistical Association and the National Association of Scholars. He served as a public member of the Texas Sunset Advisory Commission. Roth also serves as a member of the Mathematical Association of America and the International Atlantic Economic Society. He received a bachelor's degree in economics from Albright College, a master's degree in economics from the State University of New York at Binghamton and a doctorate degree in economics from Texas A&M University.

**Calvin W. Stephens of Dallas** is president and chairman of SSP Consulting, L.C. Stephens is a board member of the Metropolitan YMCA of Dallas, the Southern Methodist University Cox School of Business, the Cotton Bowl Athletic Association and the University of North Texas College of Business Administration. He is a board member and past chairman of the Southern Dallas Development Corporation, and a member of the Leadership Dallas Alumni Association. He served in the U.S. Air Force for three years before being honorably discharged. Stephens received a bachelor's degree in marketing from the University of Houston and a master's degree in business administration from Southern Methodist University.

**Michael S. Stevens of Houston** is the chairman of Michael Stevens Interests, Inc., a real estate development and management company. He serves as Vice Chairman of the Governor's Business Council and also chairs their Transportation Task Force. He serves on the board of trustees of Baylor College of Medicine, where he also serves as Chairman of the Building and Interiors committee. He serves on the board of directors of the Memorial Hermann Foundation. He has served on the board of directors and executive committee of the Greater Houston Partnership. He also served as the finance Vice Chairman of the Harris County-Houston Sports Authority and Chairman of the Houston Housing Finance Corporation. Stevens served in the United States Marine Corps and received his Bachelor's Degree in Business Administration from the University of Houston.

**Gerald "Buddy" Winn of Bryan** is the Brazos County tax assessor/collector and chief appraiser. He is a member of the Tax Assessor Collectors Association of Texas and the Texas Association of Appraisal Districts. Winn serves as a board member of the Workman's Compensation Fund of the Texas Association of Counties. He served on the State Property Tax Board and the Texas Association of Assessing Officers. Winn is a registered Texas assessor, professional appraiser and tax collector, and a certified tax administrator.

**Avis Wukasch of Georgetown** is a realtor with Keller Williams Williamson County Market Center. She is chairman-elect and former secretary treasurer of the Texas Association of Realtors (TAR). Wukasch has served on various committees of the TAR. She also served on the Women's Council of Realtors as local chapter president, Texas district vice president and national governor for the Houston district. A graduate of the University of Texas, Wukasch received her real estate salesman's license and broker's license from the Institute of Real Estate. Wukasch is certified to teach mandatory continuing education for Texas real estate licensees and also pre-licensing classes for future Texas real estate licensees on agency, marketing, law and contracts.

## GOVERNOR'S STAFF

**Mike Morrissey** is Governor Rick Perry's Director of Budget, Planning and Policy. He is responsible for development and direct implementation of Texas State budget and policy initiatives. Morrissey ensures coordination of policy with state budget and directs long range planning for the Governor's Office. Prior to his current position, Morrissey worked for Lt. Governor Bill Ratliff as the Director of Fiscal Policy, Lt. Governor Rick Perry as Budget Director, and Lt. Governor Bob Bullock as Budget Director and Special Assistant. In this capacity, he served as the Lt. Governor Representative for fiscal affairs and worked with the Governor's Office, Speaker of the House, Legislative Budget Board members, legislators and legislative staff and state agency/institution management in development, passage, implementation, and monitoring of Texas' \$142 billion biennial budget. From 1986-1994 he worked at the Legislative Budget Board serving the role of Legal Counsel/Budget Examiner. Morrissey holds a Bachelor's Degree in Economics from the University of Oklahoma, earned his Law Degree at the University of Arkansas and is licensed to practice law in Texas.

**Ann Erben's** Government experience includes serving as Special Assistant for the Comptroller of Public Accounts, Chief of Staff State for Senator Drew Nixon (R-Carthage) as well as various positions in the two administrations of Governor William P. Clements, Jr. Erben has served as Chairman of the Texas Women's Commission, Texas Sesquicentennial Commission and the Texas Lyceum Association.

**Tonya Baer** is a Senior Revenue Analyst with the Governor's Office. She is responsible for providing tax policy and revenue analysis support to the Governor's Office. Prior to her current position, Baer worked as an administrative law attorney in the Public Utility Commission Advising and Docket Management Section. Prior to her work at the Commission, she was a Governor's Advisor in the Budget, Planning and Policy Division of the Governor's Office. Baer was responsible for advising the Governor on budget and policy issues and acting as liaison between the Office of the Governor and other agencies on matters concerning policy and budget. After graduating law school in 2000, Baer began her career as a budget analyst with the Legislative Budget Board. Baer graduated with a Bachelor's Degree in Business Administration and later earned her Law Degree from the University of South Dakota. She is licensed to practice law in Texas.

**Edward Check** holds an undergraduate degree from University of Texas at Arlington in humanities and a master's degree from Texas Woman's University in health care administration. His employment in state government includes service as a legislative aide in the Senate, an analyst at the Comptroller's office, a legislative liaison at the Texas Residential Construction Commission, and is currently a planner with the Texas Workforce Investment Council.

**Jackie King** is a 2006 graduate of Texas State University-San Marcos. She graduated cum laude with a Bachelor's of Business Administration Degree in Economics from McCoy's College of Business. The majority of her coursework focused on Macro and International Economics. King began working for the Governor's Budget, Planning, and Policy Division in 2006.

## TASK FORCE ON APPRAISAL REFORM'S WORK

*The Task Force should seek, consider, and evaluate expert and public testimony on the overall appraisal process as it relates to each of the broad stages of the property tax system: valuing the taxable property; protesting the values; adopting the tax rates; and collecting the taxes ensuring all property is valued in a nequal and uniform manner*

*~ Governor Perry's Executive Order RP60, August 21, 2006*

On August 21, 2006, Governor Perry announced the creation of the Task Force on Appraisal Reform. During a meeting at the Capitol, Governor Perry charged the group with providing tax reform and property tax relief in order to provide long-term economic growth and ensuring a stable, long-term source of revenue for essential government services.

### HEARINGS

Public Hearings began in September and concluded in November. Hundreds of citizens testified during the three-month period and many more provided written statements and material.

DATE OF HEARING	CITY	DATE OF HEARING	CITY
September 21, 2006	Lubbock	November 9, 2006	El Paso
September 22, 2006	Amarillo	November 10, 2006	San Antonio
October 4, 2006	Tyler	November 15, 2006	Houston
October 5, 2006	Lufkin	November 16, 2006	Dallas
October 18, 2006	Harlingen	November 21, 2006	Austin
October 19, 2006	Corpus Christi		

The Task Force heard recurring themes in all the public testimony. Texans were both well educated and passionate in their views on appraisal reforms. Common themes included:

- ★ Unfair Appraisal Review Boards;
- ★ Ill treatment by appraisal districts;
- ★ Desire for predictability in ad valorem tax bills;
- ★ Pressure by government to increase appraisal values;
- ★ Revenue Caps and Rollback Elections;
- ★ Truth in Taxation;
- ★ The inability for people to understand how their property taxes increase while the “effective tax rate” stays the same or is reduced;
- ★ Unfunded State Mandates;
- ★ Sales Price Disclosure;
- ★ Appraisal Caps; and
- ★ ½-Cent Local Option Sales Tax dedicated to property tax relief.

The Task Force agrees that all of these concerns are serious issues that need to be addressed. Some of the solutions to these issues may be addressed through legislative action, some require constitutional amendments, while others require personnel training and education.

## RECOMMENDATIONS ~ STATUTORY MEASURES

### I. REQUIRE VOTER APPROVAL FOR SPENDING IN EXCESS OF REASONABLE LEVELS OF GOVERNMENT GROWTH

Require voter approval for any local taxing entity to charge or collect revenues from ad valorem taxes in excess of the approved prior year's budgeted tax revenue plus 5%. This limitation would be accomplished by creating a new term entitled the "Truth in Taxation Effective Tax Rate" as set forth below for all local taxing entities and not allowing this rate to increase over 5% annually for any such entity without voter approval. To increase this rate up to 5% would require a majority vote of the elected members of the taxing entity choosing to increase their rate, as set forth below. To eliminate any election expense, any public election would occur on the date of the next election in the area and preferably on the same election date as the elected officials requesting the vote. Such elections would provide an opportunity for public debate and for the officials to present their case to the electorate.

Both Truth in Taxation and limits on revenue increases would be achieved by creating this non-misleading "Truth in Taxation Effective Rate" (the tax rate that will achieve a 0% increase over the prior year's approved budgeted tax revenue when multiplied times the total current years net taxable property values). All property would be listed at its actual appraised value on January 1 of each tax year, and any exemptions or amounts not taxed would be deducted from the total current year's property value:

"Truth in Taxation Effective Tax Rate" = 
$$\frac{\text{Total Prior Year Budgeted Ad Valorem Tax Revenue}}{\text{Total Net Taxable Value of All Current Year Property}}$$

**Numerator:** The "Total Prior Year Budgeted Ad Valorem Tax Revenue" shall be defined as the prior year's approved, budgeted ad valorem tax revenue estimate as approved by the taxing jurisdictions governing body during the prior year's budget setting process. If there is sales tax revenue generated from the optional ½-cent sales tax as hereinafter allowed, the amount of this sales tax revenue (either actual or projected) would reduce the numerator so as to force the ad valorem tax revenue and the Truth in Taxation Effective Tax Rate calculation to only generate ad valorem tax revenue for the reduced amount.

**Denominator:** The "Total Net Taxable Value of All Current Year Property" shall be defined as the total taxable value of all real property on the tax rolls as of the date the current year tax roll is certified, less the total of all amounts exempted or excepted from taxation as of the date of the certification. The amounts exempted under this provision would include Homestead Exemptions, Elderly or Disabled Exemptions, Five-Year Rolling Average Exemptions (as set forth herein), Homestead Appraisal Cap Exemptions, etc.

#### Background

As noted in the later discussion on appraisal caps, Texas does not have a mechanism in place to ensure that, as appraisals increase and new property and improvements are added to the tax rolls, tax rates decrease. This revised definition will achieve transparency for the voting public and achieve some of the objectives of Truth in Taxation. It also will cause a percentage increase in the Truth in Taxation Effective Tax Rate to equal approximately the same percentage increase in ad valorem tax revenue for the governmental entities.

Under current law, cities, counties, and special districts can increase taxes on existing property by up to eight percent annually without a public vote. However, this current cap, supra, fails to limit governmental entities from increasing ad valorem tax revenues by 8% or more without a vote of the public because it excludes [along with other items] the ad valorem tax revenue to governmental entities generated from all property added to the tax roll during the year. Population in the state combined with inflation has grown on average slightly over 5% per year during the last seven years while ad valorem tax revenues to governmental entities have grown by 10% per year.

The Task Force believes that the automatic public election rate for cities, counties and other local taxing units should be reduced from the current 8% (which is actually more than 8% because it does not take into account the ad valorem tax revenue generated from new improvements or newly added property) to a true 5%. Public elections should be mandated (with the exception noted below) rather than by petition, to exceed this rate. Prior to 1982, the growth rate was set at 5% but during this time, our nation had a high inflation rate. For this reason, the growth rate was increased to 8%. However, the rate was never reset after the high inflationary period ended. Furthermore, inflation in recent years has declined and does not support the historical rates used to limit government spending to inflation plus population growth without a vote of the public. The Task Force proposes limiting the annual increase in ad valorem tax revenues to a true 5% unless voter approval is obtained and requiring any increase up to the 5% limit over the Truth in Taxation Effective Tax Rate to be voted on by the elected officials of the affected governmental body.

The proposal would require that the current year Truth in Taxation rate (and therefore the total annual ad valorem tax revenue) could not be increased without an advertised vote of the elected officials of the governmental entity desiring such an increase, and there being a majority of those officials approving any such increase. Any increase over 5% would require citizen majority approval as a result of a public vote. An exception to this automatic election requirement should be allowed for counties with tax levies of \$5 million or less. For these smaller counties, a petition of the voters would still be required for a rollback election if revenue increases are above the 5% threshold.

## HISTORY OF ROLLBACK ELECTIONS THAT PASSED, 1982-2004

TAX YEAR	COUNTIES	CITIES	SPECIAL DISTRICTS	TOTAL
1982	6 OF 6	2 OF 3	2 OF 2	10 OF 11
1983	4 OF 4	0 OF 1	0	4 OF 5
1984	1 OF 1	4 OF 4	0 OF 1	5 OF 6
1985	4 OF 4	3 OF 5	0	7 OF 9
1986	2 OF 2	2 OF 3	1 OF 2	5 OF 7
1987	1 OF 1	3 OF 7	3 OF 5	7 OF 13
1988	3 OF 3	4 OF 7	1 OF 2	8 OF 12
1989	4 OF 6	6 OF 7	1 OF 2	11 OF 15
1990	3 OF 4	2 OF 4	3 OF 5	8 OF 13
1991	2 OF 2	2 OF 4	1 OF 1	5 OF 7
1992	0 OF 1	3 OF 3	0 OF 1	3 OF 5
1993	1 OF 2	2 OF 2	0 OF 0	3 OF 4
1994	1 OF 2	3 OF 3	1 OF 1	5 OF 6
1995	0	1 OF 4	0	1 OF 4
1996	0	1 OF 4	2 OF 2	3 OF 6
1997	0	1 OF 1	0	1 OF 1
1998	0	2 OF 3	0	2 OF 3
1999	0	0 OF 1	0 OF 1	0 OF 2
2000	2 OF 2	2 OF 2	0 OF 1	4 OF 5
2001	0 OF 1	1 OF 2	1 OF 1	2 OF 4
2002	0	2 OF 3	0	2 OF 3
2003	1 OF 1	1 OF 1	0 OF 1	2 OF 3
2004	0	1 OF 1	1 OF 1	2 OF 2
<b>TOTAL</b>	<b>35 OF 42</b>	<b>48 OF 75</b>	<b>17 OF 29</b>	<b>100 OF 146</b>
<b>PERCENTAGE</b>	<b>83.33%</b>	<b>64.00%</b>	<b>58.60%</b>	<b>68.49%</b>

*Source: Annual Property Tax Report 2004, Texas Comptroller of Public Accounts, Property Tax Division.*

The Task Force understands that the above recommendation may present concerns for small taxing jurisdictions, particularly counties with populations of less than 50,000. However, the Task Force believes that taxpayer protections should apply to all Texans regardless of their county of residence and that an exclusion of small taxing jurisdictions based on population would be inequitable to taxpayers. Furthermore, the Task Force expresses concerns over the possibility of increased fees for new construction or other services as additional revenue generators resulting from increased taxpayer protection provisions. Additional Truth in Taxation controls should be considered to make these and other tax or fee increases transparent to the public. As with all government revenue sources, increases of this nature should be approved by voters.

## II. IMPROVE THE FAIRNESS OF THE APPRAISAL PROCESS

1. **Change the Makeup of the Board of Directors of the Appraisal District.** Under the current appraisal system, the Chief Appraiser and the Appraisal Review Board (ARB) of each appraisal district are appointed by a Board of Directors, all of whose members are appointed by local taxing entities. Since the taxing entities directly and indirectly control the selection of all of the participants in the appraisal system, it is fair to conclude that the system is at risk of being tilted to their benefit.

In order to ensure greater independence of the Boards and fairness in the process, we propose the creation of a five member board of directors comprised of two members appointed by local taxing entities, two taxpayer representatives, and the elected tax assessor collector in that county. The taxpayer representatives will be appointed by a District Judge based on criteria, which reflect an independence from government and local taxing entities and suitable qualifications to represent the interests of the taxpayers in ensuring a fair and balanced appraisal process.

2. **The Appraisal Process Itself.** We have heard many complaints from property owners that the current appraisal process is not fair and uniform, and that there are abuses in the system, which unfairly burden the property owner. To ensure greater balance and fairness in the process, we recommend the following:
  - ✪ Establish ARB qualifications such as minimal educational and professional experience;
  - ✪ Allow the property owner, regardless of property value, to seek binding arbitration from a qualified arbitrator in a claim that the appraisal district is not following property tax law;
  - ✪ Allow the property owner to appeal market value and/or unequal appraisal value through binding arbitration. Currently, appeals to arbitration are limited only to market value assessments of fewer than one million dollars;
  - ✪ Clarify the law that the appraisal district has the burden of proof at an ARB hearing. (That is currently the law, but is not always followed by Appraisal Districts.) Provide appropriate sanctions to the Appraisal District for failure to follow the law;
  - ✪ Require appraisal districts to provide the evidence on which it is relying to a property owner appealing a property appraisal at least 14 days prior to the ARB hearing and limit the appraisal district's presentation of evidence at the hearing to this information. Failure to do so will result in the ARB finding in favor of the property owner;
  - ✪ Prohibit the practice of "sales chasing" (i.e., relying primarily on sales prices rather than on the comparables and the physical and market specifics of the property being appraised); and
  - ✪ Allow taxpayers to contest a tax assessment at any point upon discovery of the government's malfeasance. This is a particular problem when the appraisal district fails to deliver a required notice to property owners. The deadline would be one-year past the date of the malfeasance or 30 days past the date the tax bill is delivered to the property owner, whichever is later.

3. **Improve the Truth in Taxation laws.** In conjunction with creating the definition of the Truth in Taxation Effective Tax Rate outlined in Section 1 of this report, the Truth in Taxation laws need to be amended to require that taxing district publications state in clear, readable English at least the following information on individual and/or public tax notices:
- ✪ For the taxing district as a whole, (a) the dollar amount of property tax revenue approved and budgeted in the prior tax year for the entire district, (b) the prior year's Effective Tax Rate (if constitutionally required) and the Truth in Taxation Effective Tax Rate for the taxing district, (c) the proposed Effective Tax Rate (if constitutionally required) and the Truth in Taxation Effective Tax Rate for the current year, (d) the percentage increase/decrease in the Effective Tax Rate (if constitutionally required) and the Truth in Taxation Effective Tax Rate from the prior year to the current year, (e) the actual amount and percentage of taxes collected for the prior tax year, (f) the new total taxable value for the taxing entity, with and without new improvements and property being added, (g) the amount of taxes which would be generated with 100% collection at the prior tax year rate, (h) the amount of taxes which will be generated with 100% collection based on the new proposed Effective Tax Rate (if constitutionally required) and Truth in Taxation Effective Tax Rate, and (i) the amount of taxes which would be collected if the tax office collected taxes at the same collection rate as it did in the prior year.
  - ✪ For an individual piece of property, the notices should include (a) the proposed taxable value for the prior year and the current year, (b) the dollar and percentage increase/decrease of the current year over prior year, (c) the prior years Effective Tax Rate (if constitutionally required) and the Truth in Taxation Effective Tax Rate, (d) the current year's Effective Tax Rate (if constitutionally required) and the Truth in Taxation Effective Tax Rate, and (e) the percentage increase/decrease of the current years tax rates over the prior years Effective Tax Rate (if constitutionally required) and the Truth in Taxation Effective Tax Rate.
4. **More Information for Taxpayers.** Expand the information contained in the Comptroller's pamphlet on taxpayers' rights and remedies under the Tax Code. If the Comptroller were to expand the pamphlet to explain to taxpayers how the appraisal review board hearing process works, how a taxpayer is to present his or her data, the type of data a taxpayer should utilize at a hearing, and specify the type of evidence that a taxpayer needs to present to prevail at a hearing on tax equity, this would greatly benefit homeowners and small business owners who choose to represent themselves before appraisal review boards.

### III. CHANGE THE COMPTROLLER'S PROPERTY VALUE STUDY

The Comptroller's office would establish (in conjunction with appraisers and local districts) an appraisal process that will (a) accurately appraise the values of the real property in each area of the state using all conventional appraisal methods rather than over relying on sales data or any other single method, and (b) test to see if local districts are complying with procedural and other rules during the appraisal review and appeal process, and (c) test to confirm that transparency and Truth in Taxation laws and regulations are being adhered to, and (d) assure that taxpayers are being treated fairly. The Comptroller's audit/study would take place either (a) every three years or (b) over a three-year period, testing different aspects of the process at different times. If problems were found during this process audit, subsequent audits could, at the option of the Comptroller, occur as frequently as necessary to assure that any identified problems have been corrected. If the failure to follow proper procedures caused the fair market value determined by the defaulting appraisal district to be less than 90% of true fair market value using proper procedures, current penalties would be imposed. The Comptroller's office would also have the authority to sanction the appraisal district for failure to follow the procedures in place.

The Comptroller would also perform its own "post certification" ratio study to verify that the appraisal district is treating taxpayers fairly and equally, proportionately using all appraisal methods for values as of January 1 of that year, and that the appraisal district is following all procedures including those set forth in Section 2 of this report.

#### **Background.**

Each year the Comptroller of Public Accounts is required by the Legislature to conduct a Property Value Study. This study is used to equitably distribute state funding to schools, as well as provide uniformity in local property appraisal practices. The Comptroller uses statistical sampling to determine the taxable value in each school district. Currently, appraisal districts are allowed a +/-5% margin of error from the Comptroller's valuation. The margin of error represents the reliability of the estimate. Also, stated as a 95% confidence interval, this can be explained as 95 out of 100 samples would result in a value that lies within the range of values computed by the Comptroller. If the local appraised value is within the +/-5% margin of error, the local value is used to calculate the amount of state funding the school district will receive. If the central appraisal district determines a value that is outside of the allowable +/-5% margin of error, the number is considered invalid, and the value that the Comptroller determined is used in the school funding formula. The Comptroller's number is generally higher and, if used, will result in the school district receiving less state money than expected.

The objectives of the task force recommendations are to shift the focus of the audit toward the appraisal process versus performing a separate appraisal function on real property. If the process is properly designed and followed the results should be accurate appraisals acceptable to the Comptroller, the local taxing authority, and to the taxpayer. As a result of this shift, the margin of error becomes less relevant since the process being used by the local districts should conform to the process the Comptroller will use to audit/test values. However, the Task Force believes that by also increasing the allowable margin of error to 10%, local appraisal districts will not be pressured to increase local revenue but to focus on conducting accurate appraisals and to follow the process and procedures established in conjunction with the Comptroller's office. As all appraisers are aware, values assigned by professional appraisers can vary despite standards and guidelines in the appraisal industry. This is simply because some parts of the appraisal process are subjective and can be left up to the appraiser's discretion. Changing the allowable margin of error to 10% will also take this factor into account.

The Comptroller should also have the option of conducting the Property Value Study over a three-year period. Changing this requirement would make the Comptroller's Property Value Study language consistent with the appraisal process and with the property tax code language regarding local appraisals.

#### **IV. PROSPECTIVELY PROHIBIT UNFUNDED STATE MANDATES**

We do not favor the passage of federal or state laws that become, in effect, unfunded mandates for local governmental entities. While we cannot do anything with regard to unfunded federal mandates or previously passed unfunded state mandates, we support a policy to eliminate future unfunded state legislative and regulatory mandates. Under this proposal, the Texas Attorney General would be given the responsibility of final determination on whether or not a mandate was enacted. The Comptroller would determine the amount of money required if it is declared an unfunded state mandate. That mandate would be suspended until the Legislature provides funding.

The Legislature also should consider amending or repealing some of the existing provisions which impose obligations on local governments for which adequate funding is not provided, or that, in retrospect, are unreasonably expensive to local governmental entities. The following is a list of some of the mandates that the state has imposed on local governments as well as their estimated costs. Some of these mandates are unfunded and some are not adequately funded :

1. **Indigent Criminal Defense:** Senate Bill 7, 77th Legislature, requires counties to provide criminal defense services to indigent defendants on a very aggressive time line. The state provides some funding but still leaves approximately 90% of the indigent defense cost burden on Texas Counties. The Legislature should consider repealing these provisions because the bill might have gone further than is constitutionally required and is both costly and burdensome to the counties.
2. **Visiting Judge:** House Bill 3306, 78th Legislature, decreased funding for visiting judges causing counties to pick up the cost. For example, Dallas County picked up the cost to provide a drug court operated by a visiting judge at a direct cost to the county of \$75,000.
3. **Juvenile Probation:** State law regulates the processing, treatment, and trial of juveniles, although Juvenile Probation is administered locally at the county level.
4. **Adult Probation:** The state mandates that counties provide the local Community Supervision and Corrections Department with office space and general office equipment.

When the Legislature decides to increase its number of probation staff, counties must provide additional office support. An example of the increase in cost is that counties of one million or more increased their adult probation spending by more than 88% from 2004-2006.

5. **House Bill 72's (1984) Teacher-Student Ratio:** House Bill 72 required a lower student- teacher ratio of 22-1 for all grades except first through third grades, which required an even lower ratio. This may not be a significant cost to large districts, but it does impact small, rural districts which have small numbers of students in individual grades.

While it clearly is the Legislature's purview whether it chooses to address the examples listed above or other examples of existing state mandates heard by the Task Force, we do recommend that the Legislature refrain from passing future unfunded state mandates.

## V. REQUIRE SALES PRICE DISCLOSURE

The Task Force's vote on sales price disclosure was split with a slim majority supporting disclosure. Most of those that supported disclosure only did so under the condition that the specific recommendations and constitutional amendments in this report are passed by the legislature and a vote of the people. Most members of the Task Force were concerned about the erosion of confidentiality, the likelihood that disclosure would stimulate "sales chasing," and the potential of driving up appraised values in excess of market value on many homes and properties. The recommendation that passed stipulated that all sales price information gathered by the CAD through mandatory disclosure should remain confidential, and limits on the annual increases in revenues collected from ad valorem taxes without voter approval would need to be simultaneously limited to 5%. It also stipulated that the property would be rendered by the purchaser within a reasonable period of time, 90 to 180 days after closing, for what they deemed to be market value, and that such rendition would be supported by the purchaser's justification for this value. If the buyer fails to render a value to the CAD within the time provided with a justification of that value, the purchaser would be required to provide closing documents supporting the actual price paid.

### **Background.**

The Task Force heard repeated testimony by appraisal districts and municipal and county government officials who claimed that they could do a better job and more easily and accurately appraise property if sales price information were disclosed. Businesses, trade organizations, and real estate owners testified against disclosure citing their concern over privacy and the likelihood that the information would be used to set market value based on the highest sale in an area without the benefit or detailed assessment of the market, economic, and physical property conditions that generated the sales price i.e. "sales chasing." Individual taxpayers varied in their views as to whether it was good or bad, supporting the concept that more information was good, but expressing concern over privacy issues and sales chasing. The appraisal districts claimed that commercial and high dollar residential sales prices were the beneficiaries of this lack of information in that their sales prices were particularly difficult to obtain, yet financial institutions have not expressed concerns over their ability to accurately value real estate using current methods. Furthermore, the Comptrollers Property Value Study report states appraised values are within 98% of market value using the current methods. The majority of our committee ultimately concluded that more information would be better as long as it could be kept confidential and was not used for or resulted in setting values based primarily on sales price. However, no solution was determined for how this data could be used as evidence for appraisal review board hearings without disclosing it.

Taxpayers in several of our hearings pointed out the problem of "sales price chasing" by appraisal districts where all property values in a neighborhood were increased based on a few sales without looking behind the sales price for differences between homes or for unique circumstances of the sale which would affect the sales price. Several taxpayers and municipal officials pointed out examples of out-of-state syndications which paid higher than market prices for a block of properties purchased for investment or rental inventory which served to drive up CAD appraisals when, in reality, they probably lowered the value of properties in the neighborhood by reducing the amount of owner occupied inventory.

Real estate licensees and commercial property owners pointed out the problem of using sales prices when the prices can vary widely with different financing terms. A classic case described the difference in the price of a commercial property, which may sell for \$1 million cash, \$1.1 million if financed at market interest with personal liability for the debt to the buyer and \$1.3 million if financed with below market interest and no personal liability for the debt to the buyer. Others testified that property swaps, allocating costs between real property, business personal property and business intangible property as well as IRS 1031 Exchanges further complicate using sales price as the determining factor for “market value.”

The sales price is important information as an appraiser seeks to determine “fair market value,” but when used by itself without the supporting market and physical condition assessment, it can significantly distort the true value. The Task Force understands the concerns raised by taxpayers over complete sales price disclosure. Appraisal districts often fail to take into consideration the real concerns over “sales price chasing” and often do not take the time to understand the distinctions between properties in setting appraised values. Most appraisal districts do not have the internal capacity to analyze complex financial or commercial transactions. Currently, thirty-five states require sales price disclosure, but only half of these actually use the data to assist in determining market value for ad valorem tax purposes. The rest use it to collect transfer fees due upon sale. Some members of the public and our committee expressed concerns that sales price disclosure would lay the groundwork for a future process to tax real property owners upon the sale or transfer of their real property. We do not support such a tax, and, as a Task Force, we would not endorse sales price disclosure if it were to lead to a tax on property sales or transfers.

Sales price disclosure alone does not provide the information an appraisal district needs to establish a market value. A requirement that the buyer of a property render a value to the CAD at the time of purchase with a justification of that value would accomplish the goal of establishing a market value without disclosing sensitive financing or market information to business competitors. If the CAD questions that value, the CAD can use the current appraisal process and, if necessary, obtain sales prices as part of discovery in the process of appeals to the district court. If a property owner fails to render their property within a reasonable time of the sale, perhaps 90 to 180 days, the buyer, at the district’s request, could be required to disclose the sales price to allow the district complete information for their own appraisal. Civil penalties would be imposed for failure to comply. All sales price information gathered by the CAD through mandatory disclosure should remain confidential.

At the same time, however, the Task Force felt strongly about this point--that sales price disclosure be coupled with legislation limiting the ability of local taxing entities to raise tax revenue in excess of 5% without voter approval. Otherwise, sales price disclosure simply becomes another method for local governments to raise revenues without substantive controls by the people over the spending levels of the local taxing entities.

## RECOMMENDATIONS ~ CONSTITUTIONAL MEASURES

### I. ADD CONSISTENCY TO APPRAISED TAXABLE VALUE FOR TAXPAYER PROTECTION AND RELIEF

The Task Force recommends a single constitutional measure including the following provisions for taxpayer protection and relief:

1. Protect all taxpayers from large fluctuations in ad valorem tax bills by giving all taxpayers in all local taxing entities (including but not limited to residential, commercial and industrial properties), the option of electing to pay all ad valorem taxes based on the five-year rolling average appraised value [“Five-Year Rolling Average Election”] subject to the “phase-in period” defined below.
2. Give the option to city and county governments to have a public election in each jurisdiction (as herein discussed) to reduce their reliance on property taxes to fund local services by enacting an optional ½-cent county-wide sales tax constitutionally dedicated to property tax reduction. In conjunction with the passage of this sales tax, the affected taxing entities would simultaneously (a) have the constitutional appraisal cap for single family owner occupied homesteads for local entities (other than school districts) reduced from the existing 10% limit to 5% (homeowners could not utilize this exemption and the Five-Year Rolling Average Election program together, and must select which one they prefer), and (b) have the single family owner occupied homestead exemption for local entities (other than school districts) increase from \$3000 to \$6,000.

#### **Background**

##### 1. The Five-Year Rolling Average Option

In an effort to ensure greater predictability and less volatility in taxpayers’ annual ad valorem tax bills, all real property owners will have the option of electing to have their property taxes on all real property assessed on the basis of a five-year historical rolling average of appraised taxable value of the property.

Appraised values on all properties for tax purposes will be determined as normal. The taxes due under this option will be calculated on the five-year rolling average appraised value, defined as the current year’s appraised value plus the prior four years appraised values averaged together, with the result multiplied by the Truth in Taxation Effective Tax Rate. The average appraised value would move up or down gradually based on this calculation. The calculation would apply to all real property and all local taxing entities to provide consistency. The election shall be in force for a period of ten years on each piece of property after any such election is made and may be renewed for successive ten-year periods after the end of the initial period. While the election to be taxed in this manner would continue with a property after it is sold, if a property owner wishes to terminate the Five-Year Rolling Average election on a piece of property upon sale or prior to the end of any ten-year period he may do so by paying a tax penalty at the time of such revocation (no refund option available) in an amount equal to the difference in ad valorem taxes he would have owed if he had not made the election, and his actual ad valorem tax payments made under the Five-Year Rolling Average election, plus interest on the penalty at 7%.

The five-year rolling average would be implemented on a phased-in basis starting by averaging three years, then four years, and thereafter five years. The first year, assumed to be tax year 2008 (appraised values as of January 1, 2008) would be a three-year average (2006, 2007 and 2008). The second year, assumed to be tax year 2009 would be a four-year average (2006, 2007, 2008 and 2009). The third and subsequent years would be five-year averages of the then current tax year and the four immediately preceding tax years.

## 2. The ½-Cent Local Option Sales Tax

A local option would be available to each county to add a ½-cent sales tax increase to be used solely to buy down local property taxes. The local ½-cent sales tax option can be approved by a majority vote of the County Commissioners Court or by a petition election sought by a reasonable number of eligible voters in the county. The increased sales tax revenues would be used to reduce ad valorem tax revenues pro rata by the county and the municipalities within that county (other than school districts whose funding was addressed by previous legislation).

Currently, the state imposes a sales and use tax rate of 6 ¼%. State law allows local jurisdictions (including cities, transit authorities, counties, and special purpose districts) to impose additional sales tax up to 2% combined total for all local jurisdictions within the taxing district. If more than one local jurisdiction holds an election to raise the tax rate on the same day and as a result of passage of the new tax rates, the combined rate of all local sales and use taxes would exceed 2%, the election held by the transit authority would be the first without effect. If the combined tax rate still exceeds 2% then the election held by the county would have no effect. The law requires that any county tax must be used to reduce the county property tax rate. Currently 122 of the 254 Texas counties impose county sales and use taxes for property tax relief. The county tax is collected in addition to the state tax and any other local taxes, if applicable.

In conjunction with the ½ cent election, the Task Force recommends that the constitutional single family owner occupied homestead exemption for local taxing entities, imposing the tax should be increased from \$3000 to \$6000 and that the current 10% cap on single family owner occupied residential homesteads should be reduced to 5%. The sales tax revenue will be shared prorate by the counties and municipalities within the counties that take advantage of this ½-cent local option.

In Texas, we recognize the importance of home ownership and the impact property taxes have on homeowners. The state allows local jurisdictions to set exemptions for a portion of the value of a residential homestead as well as exemptions for seniors and the disabled. Yet the benefits of those exemptions are lost when home values increase at a rate higher than inflation or wage increases. The Task Force heard repeated complaints of “tax creep” where the real tax bill increases dramatically year after year due to increased property value. At a 10% annual increase in value, a homeowner’s taxes double every seven years, even if the revised Effective Tax Rate remains the same. Because the increases in the tax base are not uniform across a taxing jurisdiction, tax rate adjustments typically do not help many homeowners who find themselves at the cap year after year. While there was testimony and evidence presented that appraisal caps help the upper end properties more than others, other evidence shows that most owners of capped residential property are in homes of modest value in rapidly appreciating areas. The result is substantial tax increases on an unrealized capital gain for those who can least afford it. One argument was that appraisal caps only help a small percentage of the population but do nothing for all other homeowners, business owners and renters. We have addressed those concerns by adding the Five-Year Rolling Average Election to the constitutional amendment package.

Recognizing the plight of homeowners, Texas currently limits the increase in the value for tax purposes of a residential homestead to 10% in any given year. However, this 10% appraisal cap has proven to be ineffective for its intended purpose of protecting homeowners from rapidly increasing property values that lead to real tax increases that exceed wage or inflation growth. In every city we visited, the Task Force heard from homeowners who were concerned at the prospect of losing their home to higher taxes due to rapidly increasing values.

Lowering the appraisal cap on residential homesteads from 10% to 5% is one-step towards increasing home ownership and providing more adequate protection against rising property taxes. This appraisal cap could not be used in conjunction with the Five-Year Rolling Average election.

## APPENDIX

The table, constructed by Paul Bettencourt, Tax Assessor-Collector, Harris County, Texas, below demonstrates the statewide average single-family residential tax bill increases that many Texans have experienced in recent years.

4-YEAR AVERAGE SINGLE-FAMILY RESIDENTIAL TAX BILL INCREASES (STATEWIDE)*										
	2000				2004				INCREASE	
	COUNTY	CITY	ISD	TOTAL	COUNTY	CITY	ISD	TOTAL	00-04	% INC
AUSTIN	\$ 613	\$ 695	\$2,100	\$3,408	\$ 808	\$1,192	\$ 2,865	\$ 4,864	\$ 1,455	42.70%
DALLAS	\$ 186	\$ 683	\$1,428	\$2,297	\$ 255	\$1,048	\$ 2,125	\$ 3,428	\$ 1,131	49.26%
FT. WORTH	\$ 250	\$ 493	\$ 901	\$1,643	\$ 337	\$ 767	\$ 1,332	\$ 2,436	\$ 792	48.22%
HOUSTON	\$ 295	\$ 567	\$1,324	\$2,186	\$ 439	\$ 824	\$ 2,025	\$ 3,287	\$ 1,101	50.34%
SAN ANTONIO	\$ 225	\$ 395	\$ 600	\$1,220	\$ 306	\$ 568	\$ 801	\$ 1,675	\$ 455	37.32%
AVERAGE	\$ 314	\$ 566	\$1,271	\$2,151	\$ 429	\$ 880	\$ 1,830	\$ 3,138	\$ 987	45.89%

\*Source: Paul Bettencourt, Tax Assessor-Collector, Harris County

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- ★ Amarillo College, Amarillo
- ★ Tyler Rose Garden Center, Tyler
- ★ Lufkin Civic Center, Lufkin
- ★ University of Texas Health Science Center, Harlingen
- ★ Corpus Christi City Council
- ★ El Paso City Council
- ★ San Antonio City Council
- ★ St. Thomas University, Houston
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