



Homeowners and the Texas Property Tax

by James Quintero
Director, Center for Local
Governance

Key Points

- Property owners in Texas are burdened with an onerous property tax system compared to their counterparts in surrounding states and the nation.
- Reforms should be enacted so that local voter approval is required for property tax rates that result in an increase in local property tax revenue in excess of 5 percent.
- Rising property tax bills discourage investment and create a drag on the state's economic performance.

Introduction

Texas' property tax system places a heavy burden on homeowners and businesses.

According to the Tax Foundation's latest national rankings, the Lone Star State's local governments "collected approximately \$1,557 per person in property taxes [in 2010], which ranks 15th highest nationally."¹ That figure is up from \$1,393 collected per capita in 2008 when the Tax Foundation ranked Texas' property tax system ranked as the 17th most burdensome in the U.S.²

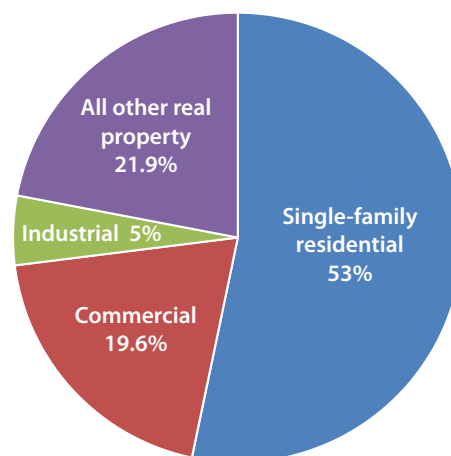
Texas' onerous property tax system is not a new phenomenon, but rather is a long-standing, fast-growing feature of its tax environment. Consider that from 1992 to 2010, the state's population grew by more than 40 percent and U.S. inflation increased by 55 percent; yet over that same period local property tax levies jumped by 188 percent, according to the Texas Comptroller of Public Accounts.³ The data makes clear that property taxes in Texas have been outpacing reasonable measures, like population and inflation, for quite some time.

Rising property tax bills negatively affect all Texans by discouraging economic activity, distorting investment decisions, and affecting employment creation. But one category of property taxpayer is affected by the state's burdensome tax system more than others—that is, the Texas homeowner.

Homeowners in Texas have the greatest degree of exposure to the state's property tax system.

As compared to other real property taxpayers—i.e., commercial, industrial, and others*—single-family residences comprise the largest share of "taxable value"[†] in Texas, which when combined with tax rates determines the total taxes that a property owner must pay. In 2011, single-family residential properties constituted more than half, or 53 percent, of school districts' total taxable value while commercial and industrial properties were a much smaller percentage of the overall total (*see below*).⁴ School districts levy more than 60 percent of all property taxes in the state.⁵

Figure 1: Who Bears the Burden?
2011 Taxable Value Totals Statewide for
Real Property



Source: Texas Comptroller of Public Accounts

While Texas homeowners bear the brunt of the state's property tax burden—which is substantial and growing—not all homeowners share a similar tax burden. In fact, there are some notable discrepancies among property taxpayers depending on geography.

* See the Texas Comptroller of Public Account's Biennial Property Tax Report: Tax Years 2010 and 2011 for a complete description of each category of real property taxpayer, including but not limited to single-family residential, commercial, industrial, and other entities.

† The Texas Comptroller of Public Accounts defines "taxable value" as the value of property after any special appraisal, value limitations and partial exemptions have been taken into account.

Table 1: Highest Median Real Estate Taxes Paid, 2012 ACS Three-Year Estimates

	Median real estate taxes paid	Median Household Income	Taxes as a % of Income	Median Value: Owner Occupied Housing	Taxes as a % of Home value
Fort Bend County	\$4,364	\$82,668	5.3%	\$181,300	2.4%
Collin County	\$4,360	\$82,296	5.3%	\$205,000	2.1%
Travis County	\$4,287	\$55,625	7.7%	\$215,700	2.0%
Rockwall County	\$3,926	\$83,502	4.7%	\$188,900	2.1%
Kendall County	\$3,904	\$64,916	6.0%	\$279,300	1.4%
Williamson County	\$3,881	\$69,418	5.6%	\$176,100	2.2%
Denton County	\$3,854	\$71,857	5.4%	\$181,000	2.1%
Hays County	\$3,502	\$57,495	6.1%	\$173,200	2.0%
Montgomery County	\$3,330	\$65,717	5.1%	\$165,100	2.0%
Tarrant County	\$3,098	\$55,222	5.6%	\$135,100	2.3%
Statewide Average	\$2,477	\$59,776	4.9%	\$178,600	1.9%

Source: U.S. Census Bureau's American Community Survey

Property Taxes In-and-Around the Lone Star State

Generally speaking, homeowners in more populous counties—such as Fort Bend, Collin, and Travis counties—paid much higher property taxes than their fellow Texans in other parts of the state. Conversely, sparser, less populated counties—such as Tyler, Shelby, and Starr counties—tended to feature a lighter tax burden.

Which Texas Counties are Home to the Highest Property Tax Burden?

In Texas, the 10 counties featuring the highest median real estate taxes from 2010-12 were (from largest tax liability to smallest): Fort Bend, Collin, Travis, Rockwall, Kendall, Williamson, Denton, Hays, Montgomery, and Tarrant counties.⁶

Owner-occupied dwellings (OODs)* in each of the counties listed above were taxed, on average, in excess of \$3,000 per housing unit, ranging from a minimum of \$3,098 in Tarrant County to a maximum of \$4,364 in Fort Bend County.

The average homeowner in each of the counties listed in Chart 1, with the exception of Rockwall County, not only paid higher-than-average property taxes in dollar terms but also paid an above average amount when property

taxes were calculated as a percentage of household income. The minimum percentage of taxes paid as a share of household income was found in Rockwall County, 4.7 percent, while the maximum was found in Travis County, 7.7 percent. The statewide average totaled 4.9 percent.

In some cases—such as Hays and Tarrant counties—the median real estate taxes paid was higher both in terms of raw dollars and as a percentage of median household income despite the fact that housing units in those areas were valued much less than the statewide average of 1.9 percent.

Which Texas Counties are Home to the Lowest Property Tax Burden?

The 10 Texas counties with the lowest median real estate taxes paid from 2010-2012 were (from smallest tax liability to largest): Shelby, Starr, Tyler, Willacy, Houston, Jasper, Uvalde, Howard, Rusk, and Jim Wells.⁷

Owner-occupied housing units in each of these counties were taxed, on average, at an amount less than \$1,000 per household, ranging from a minimum of \$591 in Shelby County to a maximum of \$917 in Jim Wells County.

The average homeowner in each of the counties listed in Chart 2 not only paid substantially lower-than-average

* The U.S. Census Bureau defines owner-occupied dwellings as a housing unit that is "occupied if the owner or co-owner lives in the unit even if it is mortgaged or not fully paid for."

Table 2: Lowest Median Real Estate Taxes Paid, 2012 ACS 3-Year Estimates

	Median Real Estate Taxes Paid	Median Household Income	Taxes as a % of Income	Median Value: Owner Occupied Housing	Taxes as a % of Home Value
Shelby County	\$591	\$36,181	1.6%	\$66,300	0.9%
Starr County	\$608	\$24,629	2.5%	\$67,600	0.9%
Tyler County	\$629	\$38,767	1.6%	\$73,900	0.9%
Willacy County	\$739	\$27,627	2.7%	\$54,700	1.4%
Houston County	\$805	\$31,529	2.6%	\$71,600	1.1%
Jasper County	\$873	\$38,840	2.2%	\$81,300	1.1%
Uvalde County	\$889	\$34,100	2.6%	\$71,100	1.3%
Howard County	\$892	\$42,173	2.1%	\$67,700	1.3%
Rusk County	\$914	\$45,822	2.0%	\$91,900	1.0%
Jim Wells County	\$917	\$41,724	2.2%	\$66,500	1.4%
Statewide Average	\$2,477	\$59,776	4.9%	\$178,600	1.9%

Source: U.S. Census Bureau's American Community Survey

property taxes in dollar terms but also paid a smaller amount when property taxes were calculated as a percentage of household income. The minimum percentage of taxes paid as a share of household income was found in Shelby and Tyler Counties, 1.6 percent, while the maximum was found in Willacy County, 2.7 percent.

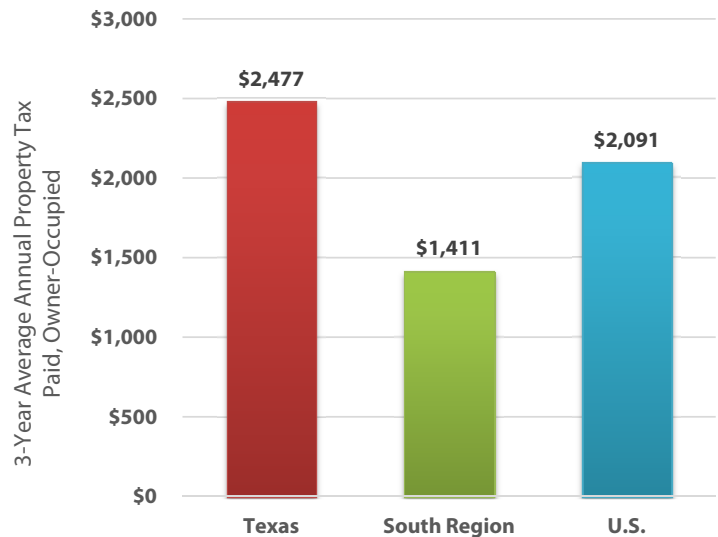
In each of the counties listed above, the median real estate taxes paid as a percentage of home value were less than the statewide average of 1.9 percent.

Beyond Texas: A National and Regional Property Tax Perspective

Without question, there is some variation in a homeowner's tax burden depending on location. But on the whole, Texas' statewide property tax burden compares poorly to that of the surrounding states and the nation.

Consider that from 2010 to 2012, the three-year average annual property tax burden for a homeowner in Texas was \$2,477. By comparison, the same three-year tax average for an OOD in the South Region* was \$1,411 annually while the average U.S. taxpayer paid \$2,091, according to the U.S. Census Bureau's *American Community Survey* (ACS).⁸

Figure 2: Average Annual Property Tax Paid, 2012 ACS Three-Year Estimates



Texans not only paid more for their dwellings in terms of raw dollars but also when property taxes were calculated as a percentage of household income and median home value.

From 2010 to 2012, property owners in Texas paid, on average, 4.9 percent of their median household income

* According to the U.S. Census Bureau's *American Factfinder*, the South Region consists of the following states: Maryland, Delaware, West Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, Texas, and the District of Columbia.

Table 3: Property Taxes in Texas, the South Region, and the U.S.

	Median Real Estate Taxes Paid	Median Household Income	Taxes as a % of Income	Median Home Value	Taxes as a % of Home Value
Texas	\$2,477	\$50,776	4.9%	\$128,400	1.9%
South Region	\$1,411	\$47,873	2.9%	\$148,300	1%
U.S.	\$2,091	\$51,771	4%	\$174,600	1.2%

Note: All median values are three-year averages from 2010-2012.

Source: U.S. Census Bureau's American Community Survey

to satisfy their annual real estate tax requirements. This is significantly higher than for homeowners in the South Region, who paid 2.9 percent, and the average U.S. homeowner, who paid 4 percent.⁹

In terms of median home values, the three-year average was \$128,400 in Texas, \$148,300 in the South Region, and \$174,600 in the United States.¹⁰ Despite owning homes valued at much less than their counterparts, Texas property owners still paid more taxes as a percentage of their home's worth.

In Texas, property taxes as a percentage of home value represented an average of 1.9 percent, while in the South Region it totaled just 1 percent and in the U.S. it amounted to 1.2 percent.¹¹

Recommendation

The data makes clear that property taxes in Texas are a heavy and growing burden on the state's homeowners. If Texas is to remain economically competitive and maintain some semblance of housing affordability, then it is critical that reforms be implemented to address the state's burgeoning property tax burden.

One public policy reform that state and local officials should consider is enacting a hard-limit on the amount of increased tax revenue that can be collected by a local governmental entity over the previous fiscal year. Such a reform could be tailored to require local voter approval for property tax rates that result in an increase in local property tax revenue in excess of 5 percent or population growth plus inflation, whichever is less.

Under a proposal such as this, current homeowners stand to benefit from a more restrained tax environment that decelerates the growth of the local property tax; prospective homeowners stand to benefit from a more affordable housing market; and the economy stands to benefit from a more robust labor market and increased business interest as companies seek out pro-growth friendly states.

A proposal to limit annual property tax revenue increases that grow beyond a certain threshold could be enacted in two ways. This reform could be achieved at the state level by passing legislation placing the limit on local governmental entities. This type of reform could be also achieved by working with city officials to amend a community's charter to adopt the provision locally. ★

¹ The Tax Foundation, *The Facts on Texas' Tax Climate* (accessed 27 May 2014).

² The Tax Foundation, *State and Local Property Tax Collections Per Capita by State, 2006-10* (13 Sept. 2013).

³ Texas Comptroller of Public Accounts, *Your Money and the Taxing Facts* (Aug. 2012) 6.

⁴ Texas Comptroller of Public Accounts, *Biennial Property Tax Report: Tax Years 2010 and 2011* (Dec. 2012) 7.

⁵ Ibid.

⁶ U.S. Census Bureau, *Mortgage Status by Median Real Estate Taxes Paid (Dollars), American Community Survey* (2 Apr. 2014).

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

Addendum: Real Estate and Tax Information by Texas County

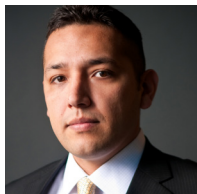
Texas County	Median Real Estate Taxes Paid—Total	Median Household Income	Taxes as a % of Income	Median Value—Owner Occupied Housing	Taxes as a % of Home Value
Anderson County	\$1,099	\$41,102.00	2.7%	\$78,800	1.4%
Angelina County	\$1,208	\$40,994.00	2.9%	\$85,400	1.4%
Aransas County	\$1,297	\$39,635.00	3.3%	\$109,200	1.2%
Atascosa County	\$1,278	\$47,885.00	2.7%	\$84,900	1.5%
Austin County	\$2,188	\$49,419.00	4.4%	\$154,900	1.4%
Bandera County	\$1,762	\$47,526.00	3.7%	\$142,600	1.2%
Bastrop County	\$2,306	\$52,251.00	4.4%	\$119,900	1.9%
Bee County	\$1,109	\$40,201.00	2.8%	\$77,900	1.4%
Bell County	\$2,270	\$49,643.00	4.6%	\$120,300	1.9%
Bexar County	\$2,596	\$49,201.00	5.3%	\$123,500	2.1%
Bowie County	\$1,353	\$42,021.00	3.2%	\$96,100	1.4%
Brazoria County	\$2,890	\$65,308.00	4.4%	\$147,400	2.0%
Brazos County	\$2,749	\$36,770.00	7.5%	\$150,600	1.8%
Brown County	\$1,247	\$40,144.00	3.1%	\$87,900	1.4%
Burnet County	\$2,052	\$47,917.00	4.3%	\$147,900	1.4%
Caldwell County	\$1,766	\$43,290.00	4.1%	\$103,100	1.7%
Calhoun County	\$1,020	\$45,430.00	2.2%	\$96,300	1.1%
Cameron County	\$1,383	\$32,214.00	4.3%	\$76,500	1.8%
Cass County	\$945	\$34,241.00	2.8%	\$74,900	1.3%
Chambers County	\$2,253	\$73,143.00	3.1%	\$142,200	1.6%
Cherokee County	\$1,019	\$35,913.00	2.8%	\$73,600	1.4%
Collin County	\$4,360	\$82,296.00	5.3%	\$205,000	2.1%
Colorado County	\$1,377	\$43,278.00	3.2%	\$112,600	1.2%
Comal County	\$2,838	\$61,032.00	4.7%	\$204,200	1.4%
Cooke County	\$1,882	\$47,665.00	3.9%	\$108,400	1.7%
Coryell County	\$1,664	\$49,747.00	3.3%	\$97,300	1.7%
Dallas County	\$2,786	\$48,509.00	5.7%	\$128,000	2.2%
Denton County	\$3,854	\$71,857.00	5.4%	\$181,000	2.1%
DeWitt County	\$998	\$44,863.00	2.2%	\$79,200	1.3%
Ector County	\$1,155	\$50,474.00	2.3%	\$92,200	1.3%
El Paso County	\$2,316	\$39,821.00	5.8%	\$112,200	2.1%
Ellis County	\$2,573	\$60,608.00	4.2%	\$138,500	1.9%
Erath County	\$1,487	\$39,095.00	3.8%	\$114,500	1.3%
Fannin County	\$1,472	\$43,368.00	3.4%	\$100,600	1.5%
Fayette County	\$1,432	\$44,447.00	3.2%	\$127,500	1.1%
Fort Bend County	\$4,364	\$82,668.00	5.3%	\$181,300	2.4%
Galveston County	\$2,792	\$60,597.00	4.6%	\$146,800	1.9%
Gillespie County	\$2,305	\$53,194.00	4.3%	\$211,300	1.1%
Gonzales County	\$1,223	\$39,450.00	3.1%	\$82,000	1.5%
Gray County	\$980	\$42,691.00	2.3%	\$71,100	1.4%
Grayson County	\$1,637	\$46,564.00	3.5%	\$105,800	1.5%
Gregg County	\$1,676	\$43,021.00	3.9%	\$119,000	1.4%
Grimes County	\$1,157	\$44,902.00	2.6%	\$93,700	1.2%

continued

Guadalupe County	\$2,596	\$61,822.00	4.2%	\$155,600	1.7%
Hale County	\$1,041	\$39,139.00	2.7%	\$66,500	1.6%
Hardin County	\$1,240	\$51,579.00	2.4%	\$99,400	1.2%
Harris County	\$2,971	\$51,902.00	5.7%	\$131,000	2.3%
Harrison County	\$1,302	\$46,113.00	2.8%	\$113,100	1.2%
Hays County	\$3,502	\$57,495.00	6.1%	\$173,200	2.0%
Henderson County	\$1,084	\$38,540.00	2.8%	\$86,300	1.3%
Hidalgo County	\$1,541	\$33,549.00	4.6%	\$79,100	1.9%
Hill County	\$1,277	\$39,802.00	3.2%	\$82,500	1.5%
Hockley County	\$1,199	\$48,577.00	2.5%	\$78,900	1.5%
Hood County	\$1,513	\$51,485.00	2.9%	\$144,000	1.1%
Hopkins County	\$1,366	\$42,305.00	3.2%	\$92,100	1.5%
Houston County	\$805	\$31,529.00	2.6%	\$71,600	1.1%
Howard County	\$892	\$42,173.00	2.1%	\$67,700	1.3%
Hunt County	\$1,523	\$44,457.00	3.4%	\$91,800	1.7%
Hutchinson County	\$983	\$47,338.00	2.1%	\$70,100	1.4%
Jasper County	\$873	\$38,840.00	2.2%	\$81,300	1.1%
Jefferson County	\$1,649	\$41,465.00	4.0%	\$97,800	1.7%
Jim Wells County	\$917	\$41,724.00	2.2%	\$66,500	1.4%
Johnson County	\$1,996	\$56,579.00	3.5%	\$115,300	1.7%
Jones County	\$941	\$38,052.00	2.5%	\$65,500	1.4%
Kaufman County	\$2,698	\$60,690.00	4.4%	\$124,900	2.2%
Kendall County	\$3,904	\$64,916.00	6.0%	\$279,300	1.4%
Kerr County	\$2,005	\$43,199.00	4.6%	\$152,400	1.3%
Kleberg County	\$1,360	\$37,825.00	3.6%	\$74,100	1.8%
Lamar County	\$1,187	\$41,339.00	2.9%	\$85,800	1.4%
Lampasas County	\$1,945	\$47,687.00	4.1%	\$125,900	1.5%
Liberty County	\$1,442	\$48,275.00	3.0%	\$87,900	1.6%
Limestone County	\$929	\$39,812.00	2.3%	\$86,000	1.1%
Lubbock County	\$1,910	\$43,632.00	4.4%	\$109,300	1.7%
Matagorda County	\$1,296	\$41,618.00	3.1%	\$93,700	1.4%
Maverick County	\$1,048	\$30,269.00	3.5%	\$84,300	1.2%
McLennan County	\$1,813	\$40,894.00	4.4%	\$108,700	1.7%
Medina County	\$1,586	\$53,315.00	3.0%	\$107,700	1.5%
Midland County	\$2,090	\$58,875.00	3.5%	\$146,600	1.4%
Milam County	\$1,035	\$35,406.00	2.9%	\$83,000	1.2%
Montgomery County	\$3,330	\$65,717.00	5.1%	\$165,100	2.0%
Moore County	\$1,166	\$50,139.00	2.3%	\$86,400	1.3%
Nacogdoches County	\$956	\$37,059.00	2.6%	\$102,800	0.9%
Navarro County	\$1,214	\$39,944.00	3.0%	\$77,500	1.6%
Nueces County	\$2,151	\$46,079.00	4.7%	\$111,300	1.9%
Orange County	\$1,264	\$46,808.00	2.7%	\$89,000	1.4%
Palo Pinto County	\$1,042	\$39,444.00	2.6%	\$80,900	1.3%
Panola County	\$971	\$53,898.00	1.8%	\$89,400	1.1%
Parker County	\$2,518	\$63,672.00	4.0%	\$150,100	1.7%
Polk County	\$982	\$38,350.00	2.6%	\$80,600	1.2%
Potter County	\$1,464	\$35,819.00	4.1%	\$85,600	1.7%

Randall County	\$2,446	\$57,479.00	4.3%	\$140,200	1.7%
Rockwall County	\$3,926	\$83,502.00	4.7%	\$188,900	2.1%
Rusk County	\$914	\$45,822.00	2.0%	\$91,900	1.0%
San Jacinto County	\$1,171	\$46,230.00	2.5%	\$88,700	1.3%
San Patricio County	\$1,528	\$50,426.00	3.0%	\$88,700	1.7%
Shelby County	\$591	\$36,181.00	1.6%	\$66,300	0.9%
Smith County	\$1,653	\$45,131.00	3.7%	\$120,500	1.4%
Starr County	\$608	\$24,629.00	2.5%	\$67,600	0.9%
Tarrant County	\$3,098	\$55,222.00	5.6%	\$135,100	2.3%
Taylor County	\$1,420	\$43,503.00	3.3%	\$94,500	1.5%
Titus County	\$1,251	\$40,296.00	3.1%	\$94,200	1.3%
Tom Green County	\$1,335	\$43,390.00	3.1%	\$98,800	1.4%
Travis County	\$4,287	\$55,625.00	7.7%	\$215,700	2.0%
Tyler County	\$629	\$38,767.00	1.6%	\$73,900	0.9%
Upshur County	\$1,127	\$44,417.00	2.5%	\$88,200	1.3%
Uvalde County	\$889	\$34,100.00	2.6%	\$71,100	1.3%
Val Verde County	\$1,360	\$41,358.00	3.3%	\$93,500	1.5%
Van Zandt County	\$1,183	\$41,521.00	2.8%	\$99,700	1.2%
Victoria County	\$2,020	\$49,183.00	4.1%	\$111,100	1.8%
Walker County	\$1,535	\$37,472.00	4.1%	\$112,200	1.4%
Waller County	\$2,071	\$50,480.00	4.1%	\$131,500	1.6%
Washington County	\$1,977	\$46,015.00	4.3%	\$136,400	1.4%
Webb County	\$2,463	\$36,462.00	6.8%	\$107,500	2.3%
Wharton County	\$1,526	\$37,861.00	4.0%	\$91,600	1.7%
Wichita County	\$1,635	\$43,023.00	3.8%	\$88,500	1.8%
Willacy County	\$739	\$27,627.00	2.7%	\$54,700	1.4%
Williamson County	\$3,881	\$69,418.00	5.6%	\$176,100	2.2%
Wilson County	\$2,424	\$65,114.00	3.7%	\$153,800	1.6%
Wise County	\$1,795	\$53,588.00	3.3%	\$121,200	1.5%
Wood County	\$1,345	\$42,543.00	3.2%	\$107,400	1.3%

About the Author



James Quintero is the Director of the Center for Local Governance at the Texas Public Policy Foundation, one of America's premier conservative state-based think tanks. He has been with the Foundation since March 2008.

During his time with the Foundation, his work has centered on: the budget, spending, debt, taxes, transparency, and pensions.

Before coming to the Foundation, Quintero was a Graduate Research Assistant at Texas State University, where he worked to educate students on financial aid and scholarships.

Quintero received a B.A. in Sociology from the University of Texas at Austin and an M.P.A. with an emphasis in public finance from Texas State University.

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