TEXAS TAXPAYERS
TTARA
AND RESEARCH ASSOCIATION

Written Testimony of Jennifer Rabb,
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to the House Ways and Means Committee

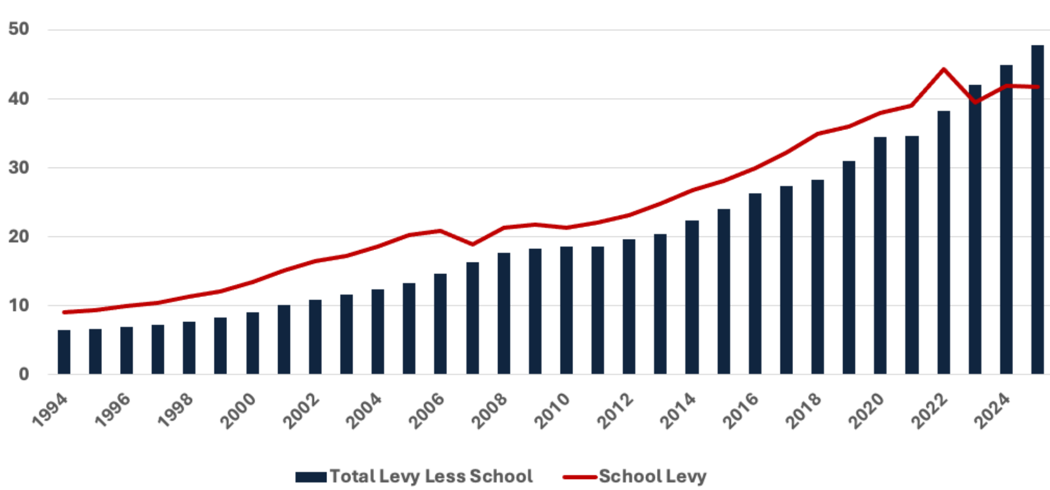
September 15, 2026

> ***Charge on Property Tax Relief**:* Study and consider methods to build on the property tax relief provided by the 89th Legislature. Review the cost and benefits of compressing school district tax rates and increasing the homestead exemption; whether the property tax appraisal system is working as intended, and opportunities to improve the system to benefit homeowners and businesses; and the economic performance of state tax revenue supporting ongoing property tax relief, including the impact of exemptions.

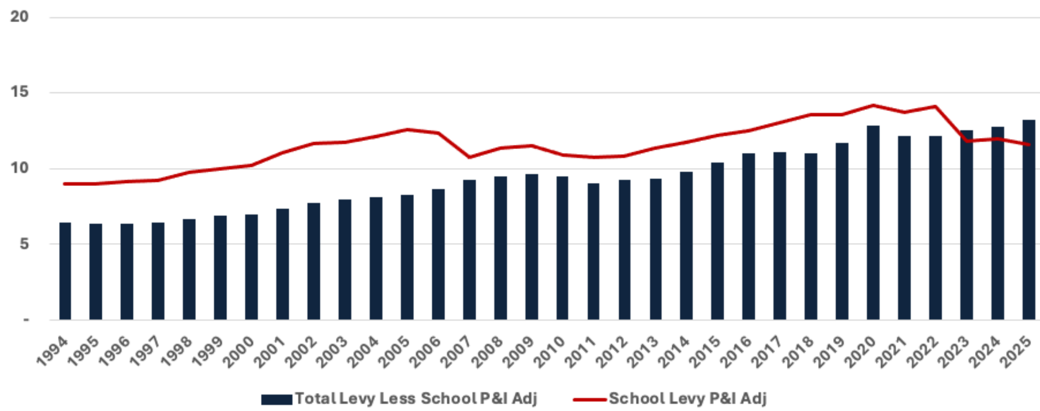
I. Methods of Property Tax Relief

A. Compression of tax rates and increases in the homestead exemption have reduced school district levies since 2022, but tax levies of cities, counties and special purpose districts have continued to increase.

Total Property Tax Levies 1994-2025



Total Property Tax Levies 1994-2025
Adjusted for Population and Inflation (1994$)



B. School district property tax revenue lost to compression and homestead exemption is replaced with state General Revenue, which shifts the cost of public education *from* homestead owners *to* businesses and renters.

- 100% of the benefit of the homestead exemption accrues to homeowners, but the cost is paid from General Revenue. Businesses contribute 56.6% of the taxes that fund General Revenue. Non-homeowner consumers also contribute taxes to General Revenue.

- The benefit of tax rate compression is shared by all property owners in proportion to the taxable value of their property, which is more reflective of contributions to General Revenue.

Initial Incidence of $10 Billion of General Revenue in FY2027 (Billions)					
GENERAL REVENUE	Businesses		Individual Consumers		Total
	$	%	$	%	%
$10.00	$5.66	56.6%	$4.34	43.4%	100.0%

Final Incidence of $10 Billion of General Revenue in FY2027 (Billions)							
GENERAL REVENUE	Homeowners		Renters		Exported		Total
	$	%	$	%	$	%	%
$10.00	$4.77	47.7%	$2.70	27.0%	$2.53	25.3%	100.0%

C. The property tax system relies on elections to curtail unwanted tax increases. When homestead exemptions, appraisal caps, and compression converge, the result is that some homeowners pay no school district property tax. *Homeowners who do not pay school district property tax have no incentive to vote against property tax increases (local enrichment and bonds).*

II. Effects of a 3% Appraisal Cap (Preliminary Research Results)

A. Appraisal caps do not lower property taxes overall. Instead, they merely shift the tax burden from capped properties to uncapped properties.

B. TTARA estimates that a 3% appraisal cap would result in higher No-New-Revenue Tax Rates (NNRTR) and higher tax levies at the NNRTR, unless the Legislature enacts stricter limits on property tax rates.

C. The only way to reduce property tax levies overall (rather than merely shift the tax burden around) is to limit property tax rates, as the state does with school district property tax rates. Compression and the homestead exemption reduce school district property tax levies *only because the state also limits the tax rate.*

Effects of a 3% Appraisal Cap on Appraisal Rolls, Tax Rates and Tax Levies in Five Counties (Preliminary Research Results)

	Collin County	Gregg County	Harris County	Midland County	Moore County
1. Total Taxable Value (2024 Law)	$240,826,472,379	$14,340,776,564	$684,602,524,121	$60,871,057,869	$3,236,664,159
2. Taxable Value Lost to 3% Appraisal Cap	**$14,468,794,110**	**$728,379,647**	**$22,184,532,869**	**$3,563,047,014**	**$200,926,161**
3. % Taxable Value Lost to 3% Appraisal Cap	6.0%	5.1%	3.2%	5.9%	6.2%
4. No-New-Revenue Tax Rate 2024	$ 0.140481	$ 0.242151	$ 0.351764	$ 0.121833	$ 0.464238
5. No-New-Revenue Tax Rate with 3% Cap	**$ 0.150920**	**$ 0.257919**	**$ 0.364325**	**$ 0.130040**	**$ 0.498039**
6. Tax Increase on Each $100,000 of Taxable Value that Remains on the Tax Roll	**$ 10.44**	**$ 15.77**	**$ 12.56**	**$ 8.21**	**$ 33.80**

III. How the New Value Exclusion in the No-New-Revenue Tax Rate (NNRTR) Calculation Puts Upward Pressure on Property Tax Rates and Levies

A. The NNRTR is the tax rate that would raise the same amount of tax revenue year-over-year for properties on the tax roll in two consecutive years.

B. In adherence to this definition, New Value is excluded from the NNRTR calculation. New Value is the taxable value of new real property improvements and the business personal property located within the improvements.

C. However, even though New Value is excluded from the NNRTR calculation, the adopted tax rate *is levied on the New Value*. If the adopted tax rate is the NNRTR, the result is a *permanent step-up* in the property tax levy of a taxing unit.

D. The tremendous amount of taxable value that a new data center introduces to the property tax roll is a vivid demonstration of this mechanism.

E. The step-up in property tax levies is permanent because the New Value excluded in the current year (Line 5 below) would be *included* in Prior Year Total Value (Line 2 below) in the following year's NNRTR calculation.

Effect of New Value Exclusion on NNRTR and Tax Levies for a $10 Billion Data Center

Line	Description	No $10B Data Center, Current Law 2025	With $10B Data Center, Current Law 2025	With $10B Data Center, Repeal New Value Exclusion 2025
	Taxable Value of Data Center	**$ -**	**$ 8,874,826,000**	**$ 8,874,826,000**
	New Value Exclusion	**$ -**	**$ 8,840,050,000**	**$ -**
1	Prior year total adopted tax rate.	$ 0.255357	$ 0.255357	$ 0.255357
2	Prior year total value.	$ 28,700,389,643	$ 28,700,389,643	$ 28,700,389,643
3	Prior year levy.	**$ 73,288,454**	**$ 73,288,454**	**$ 73,288,454**
4	Current year total taxable value.	$ 30,892,794,674	$ 39,767,620,674	$ 39,767,620,674
5	**Total current year taxable value of new improvements and new personal property located in new improvements.**	**$ -**	**$ 8,840,050,000**	**$ -**
6	Adjusted current year taxable value. Subtract Line 5 from Line 4.	$ 30,892,794,674	$ 30,927,570,674	$ 39,767,620,674
7	**Current year NNR tax rate.** Divide Line 3 by Line 6 and multiply by $100.	**$ 0.237234**	**$ 0.236968**	**$ 0.184291**
	Property Tax Revenue at NNR Tax Rate	**$ 73,288,213**	**$ 94,236,535**	**$ 73,288,146**
	Property Tax Levy on Data Center at NNR Tax Rate		**$ 21,030,498**	**$ 16,355,506**
	Property Tax Levy on Each $100,000 of Taxable Value	**$ 237**	**$ 237**	**$ 184**