

TESTIMONY: SENATE BILL 3

Before the Texas Senate Finance Committee on 3.15.2023

Madame Chair Huffman and Members of the Committee,

I am Tim Hardin, the president of Texans for Fiscal Responsibility, and I would like to express my gratitude for the opportunity to testify neutrally on Senate Bill 3 as currently written.

The current property tax system in Texas infringes upon the private property rights of Texans. The perpetual property tax system we have in place ensures that Texans will never truly own their homes. Despite the Texas Legislature's efforts to lower taxpayers' bills for the last 20 years, they have only succeeded in slowing the growth of property tax bills. This perpetuates an immoral tax system that robs Texans of their right to own property.

While I commend the bill's efforts to provide property tax relief by increasing the homestead exemption from \$40,000 to \$70,000, exemptions only shift the burden to other taxpayers who do not qualify for such an exemption, such as renters and businesses. Any relief found from these efforts has historically been fleeting, as increasing appraisals and inflation have often rendered the relief moot. If the Senate is dead set on a homestead exemption increase, why only \$70k? Lt Gov Patrick said it was his goal to hit \$100k in homestead exemption, so why wait? I urge yall to increase the homestead exemption to AT LEAST \$100k if not more.

Texans for Fiscal Responsibility strongly favors an approach focused on compression of the school district M&O property taxes, compared with lowering the appraisal cap or increasing the homestead exemption. Senate Bill 3 does not seek to restore Texans' right to own property but allows state lawmakers to continue treating the symptoms of the problem as opposed to the problem itself.

Most fiscal organizations agree that the best form of property tax relief is rate compression. It is equitable and lasting. The House's package right now is offering more than double what the Senate is offering in compression, and we believe this is superior to homestead exemption increases. We urge the Senate to focus their relief efforts on compressing M&O rates.

You as lawmakers have a historic opportunity this legislative session to provide not only tangible property tax relief to Texas taxpayers, but also a realistic path to eliminating school district M&O property taxes. This can be started by using as much as possible of the projected \$32.7 billion surplus to compress the school district M&O property tax rate now and continue this over time until it is zero. The surplus represents over-collected taxpayer money.

As it sits right now, the Senate package as presented yesterday totals, \$11.2 billion in relief, if we are only counting new relief, not old compression from 2019. That said, if we are to proclaim the biggest property tax relief package in Texas history, this would be just under \$20 billion adjusted for inflation. This means that there is just under \$9 billion more to go to hit that number. We encourage the Senate to use that number as a minimum to help overburdened Texas taxpayers.

In conclusion, I applaud your efforts to provide tax relief via an increase in the homestead exemption, but I encourage you to consider adding more to the overall amount of compression and adding a provision that would put Texas on a path toward school district M&O property tax elimination while considering ways to eliminate all property taxes. Thank you for your time.

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 admin@texas taxpayers.com

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