



Revenue Caps on Cities: The \$2.75 Property Tax Cut

Bills have been introduced to cap the amount of property tax revenue cities can collect each year in a misguided effort to reduce the property tax burden on homeowners and businesses. Currently, if a Texas city increases property tax collections by more than eight percent over the previous year, voters can petition for an election to rollback the increase. Bills have been introduced to replace that eight percent “rollback rate” with a hard cap of four percent and require mandatory elections on an increase over four percent – all with the false claim that this would provide property tax relief.

You Call This Tax Relief?

If the four percent cap on city property tax increases had been in effect in 2013, the owner of a homestead in the City of Dallas with an assessed value of \$250,000 would have seen a “cut” in city property taxes of \$33.10 annually or about \$2.75 per month. The tax savings would have been **even less** if the homeowner was disabled or elderly and qualified for additional exemptions.

How about Zero Tax Relief?

According to the state comptroller’s latest survey of property tax rates in 1,002 cities in Texas, 67 percent of cities either **reduced their property taxes** or raised their property taxes by **less than four percent** from 2012 to 2013 (37 percent of all cities actually reduced their property taxes). That means property owners in at least 669 Texas cities would have seen **no reduction in their city property taxes** if the four percent cap had been in effect.

The Impact on City Services Can Be Large

While the savings to individual taxpayers are very small or even non-existent, a four percent cap could hit city services hard. The following chart shows how much a four percent revenue cap would save homeowners in several cities, and what it represents in terms of city services.

City	4% Revenue Cap Savings for \$250,000 Homeowner Yearly	Potential Revenue Loss	Represents What In City Budget?
McKinney	\$29.65	\$1,411,863	7 police officers and 4 fire fighter salaries and benefits
Tyler	\$14.73	\$458,468	Traffic management enhancements, fire station and park improvements
San Juan	\$45.32	\$148,496	Police and fire personnel, equipment and gear, salary funding for 12 lifeguards, and pool repairs
Orange	\$33.83	\$150,672	6 police vehicles
Midland	\$8.51	\$301,896	2 police officer salaries and benefits and maintenance of the city traffic signal system

Cities Are Not the Cause of High Property Taxes

Cities collect just 16 percent of the property taxes levied in Texas. Most of the property taxes paid by Texans (55 percent) go to school districts. According to the comptroller’s report, the total amount of property taxes collected by cities rose by 3.61 percent between 2012 and 2013, while school district tax collections rose by more than twice that rate or 7.72 percent. School property taxes have been rising because the legislature continues to reduce the state’s share of funding for schools which forces districts to get more revenue from property taxes.

**Imposing a revenue cap on cities:
Does not provide meaningful tax relief
Robs cities of the ability to meet local needs
Diverts attention from the real cause of higher property taxes**

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