



September 3, 2024

Chair Huffman, Vice Chair Hinojosa, and Committee Members:

The Texas Apartment Association (“TAA”) is made up of 12,000 property owners, managers, and other rental-housing professionals who provide rental housing for more than 7 million Texans and proudly offer a diverse array of both single family and multifamily rental homes across the State of Texas. We appreciate the opportunity to provide testimony to the Senate Committee on Finance regarding the Senate interim charges on cutting property taxes and monitoring property tax relief.

Reducing property taxes has been and continues to be a top priority for TAA and its members. We applaud the 88th Texas Legislature for passing a historic \$18 billion property tax reduction package, which (1) increased the existing homestead exemption from \$40,000 to \$100,000 for 5.72 million homeowners, (2) compressed (i.e., reduced) school district maintenance and operations (“M&O”) tax rates by around 23% (from a 2022 state maximum compressed rate (“MCR”) of \$0.8941 to a 2023 state MCR of \$0.6880), and (3) implemented a 20% circuit-breaker on appraised-value increases for non-homestead real property valued up to \$5 million for three years.

While this property tax reduction bill was overwhelmingly positive for Texas homeowners, we believe there is still more that can be done to ensure ALL property owners see the benefits. And the most recent financial projections from the Comptroller indicate that Texas’s continued strong economic position will ensure that another substantial budget surplus is available for further property tax reductions next session.

Housing affordability is impacted by multiple expense drivers—including insurance, labor, land costs and materials—however, **property taxes continue to be among the single largest expenses for rental housing owners in Texas**. In fact, approximately 20% of every rent dollar paid by Texas renters goes toward property taxes. This figure is even higher in many of Texas’ urban areas.

TAA and its members strongly support continuing to reduce property taxes and efforts to reform the property tax process to ensure a more consistent, predictable approach to tax rates and property valuations. Primarily, TAA supports further compression of school district M&O tax rates as the best option to continue cutting Texans’ property taxes. Statewide compression of school district M&O tax rates ensures that all Texans and all types of property owners benefit equally while also minimizing economic distortions in Texas’s tax system.

With the unprecedented levels of new rental housing supply coming online to enhance availability of housing, additional property tax reduction will allow our members to continue working to enhance affordability for Texas renters. Policies that facilitate the development, construction, and operation of an array of rental housing options are the most effective ways to address affordability.

TAA would also like to express its concerns with proposals to replace property taxes with increased sales and use taxes. Using 2023 data, accomplishing this replacement would require a total state and local sales tax rate of around 12.11% to eliminate all school district M&O taxes, 13.63% to eliminate both school district M&O and interest and sinking taxes, or 19.25% to eliminate all property taxes (for school districts, counties, municipalities, and special purpose districts). Our concern is that increasing the sales tax to these unprecedented levels would stifle economic growth and incentivize tax avoidance. Adopting any of those proposals would result in Texas having the highest combined state and local sales tax rate in the nation (a rank currently held by Louisiana and Tennessee at 9.55%) and exceeding the combined state and local sales tax rates of Texas's neighboring states: 7.72% (New Mexico), 8.98% (Oklahoma), 9.46% (Arkansas), and 9.55% (Louisiana).

We look forward to working with members of the Committee and the Legislature to serve as a resource and develop effective legislative solutions to address the needs of property owners as you consider additional measures to reduce and reform property taxes.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Newton".

Chris Newton
Executive Vice President