



THIS JUST IN: APPRAISAL CAPS STILL BAD POLICY

Some state leaders have urged the governor to appoint a special commission to examine the issue of property tax appraisal caps, similar to the way the Sharp Commission examined school finance reform earlier this year.

Appraisal cap legislation would reduce from ten percent to some lower figure the maximum annual increase in the appraised value of a homestead. Some versions of the proposal would include vacation homes and commercial property, as well. The problem is that the Texas Constitution requires (for good reason) that all property taxes be levied uniformly and according to value. In fact, the commonly used Latin term for property taxes, *ad valorem*, literally means “according to value.”

Lowering the current ten-percent appraisal cap would subvert the constitutional requirement and allow some homeowners to pay property taxes on a smaller percentage of their property value than other property owners. Where will the differences be felt? Studies show that high-dollar homes actually increase in value faster than other homes; thus, the owners of those homes will be beneficiaries. In Florida, which has a three-percent appraisal cap, \$50 billion in tax breaks went to 99,711 owners of the most expensive homes, those with an average value of \$989,215. Meanwhile, it takes 2.6 million owners of the least expensive homes in Florida, with an average value of \$131,011, to realize an equivalent \$50 billion in tax breaks.

Also, new homeowners don't get any benefit from appraisal caps. Thus, their established neighbors will be the beneficiaries of the caps. A recent study by the *St. Petersburg Times* in a five-county west Florida area found that Florida's three-percent appraisal cap causes some new homeowners to pay at least ten times the amount of property taxes paid on similar homes by neighbors who have lived there for years. Texas voters don't want those inequalities here. A 2004 survey of 1,001 registered voters showed that 63 percent of respondents wouldn't want the appraisal cap lowered to five percent if that action would result in homes with the same market value being taxed at different rates.

Appraisal caps, by taking value off the tax rolls, force the nominal tax rates of many local governments higher just to maintain last year's revenues. The result?

Lost value to caps literally shifts taxes from the beneficiaries to the non-beneficiaries. High-dollar home owners will pay ***proportionately lower taxes***, as a percentage of home value, while lower-valued homeowners will pay proportionately ***more***. Likewise, established homeowners will pay ***lower taxes***, while new homeowners will pay ***higher taxes***. Where's the good public policy there? Perhaps the framers of our state's constitution were on to something with the "equal and uniform" idea.