

Facts about Taxes: The Big Picture in Texas

Why Do Texans Think Taxes Are So High and Where Are Our Tax Dollars Spent?

(Statistical Information from the Tax Foundation at www.taxfoundation.org/pdfs/whytaxesmatter.pdf)

So what about the tax burden in Texas ? Did you know.....

- while Texas is ranked 14th in median property taxes on a home, we are ranked 42nd in total tax burden?
- most states in the United States have a state income tax as well as property and sales taxes?
- Texas does not have a state income tax and it primarily relies on property and sales/gross receipts taxes to fund its government and public services?
- Texas is ranked 8th in the United States as the best state business tax climate by enforcing the most simple, pro-growth tax systems?
- median property taxes in the 3,077 counties in the US, range from \$131 to \$7,999, with Ellis County at \$2,393?
- our property tax system is based on properties being appraised at market value, fairly and equitably, and values change with supply and demand reflected in real estate transactions?
- in property taxes every exemption, special valuation, capped value or tax ceiling shifts the tax burden to someone else?

So why do Texans think property taxes are so high?

- Since Texas relies on sales and property taxes there is more emphasis put on them. The state sales tax rate is 6.25% and the gross receipts tax rate is 1% (.5% for retailers). There is **no state property tax**. Local taxing units must rely in large part on the property tax to fund the services they provide.

As values go up, shouldn't tax rates go down?

- Yes, if all tax unit needs stayed the same and other sources of funding did not change, that is true.
- The responsibility for values and rates were very distinctly separated when appraisal districts were created by the legislature in 1979. When this happened the law required all properties be appraised at 100% of their market value. There is transparency in the delivery of an appraisal notice directly to the property owner, who then has a right to discuss their value with the appraisal district and be heard before their peers (Appraisal Review Board) if they still have concerns. The appraised value of each property dictates the distribution of the property tax burden.
- Once an appraisal roll is certified for a year, the taxing units must look at their budgets and determine what tax rate they will need to adopt to fund it. The budget and tax rate adoption process for taxing units are mandated by law and calculations and notices of meetings are delivered via publication in the newspaper. There are very specific steps a taxing unit must follow to provide transparency in this process. The adopted budget and tax rate of the taxing units dictate the amount of the tax burden.
- Property taxes are calculated in the following manner:

$\text{Appraised Value-Exemptions}/100 \times \text{Tax Rate} = \text{Each Individual Property Tax Burden}$

Where are my tax dollars spent?

Each taxing unit has different public service roles as listed below and provide other benefits as described in their budgets available on their websites:

- Schools have as their mission to educate our children and to develop character, confidence, knowledge and skill to help children become productive, successful citizens.
- Cities provide police and fire protection, parks and recreational facilities, libraries, community service venues, courts, street and public works, and planning and building inspections all for the benefit of its citizens.
- County government provides law enforcement, the court systems, jail and detention facilities, road and bridge maintenance, and indigent health care for its citizens.
- Emergency Service Districts provide fire and rescue services primarily for rural areas of the county.

**It is imperative that the appraisal district and the taxing units
be good stewards of the distribution and amount of the property tax burden.**