



CHOOSING A NEW PATH:

Funding Public Schools and Eliminating the Property Tax

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*A Limited Government
LIFT Commentary*

Public schools must be fully funded with a fairer, simpler, broad-based source of revenue. The property tax must ultimately be abolished.

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FUNDING PUBLIC SCHOOLS AND ELIMINATING THE PROPERTY TAX

By State Representative Phil King | Wise County Messenger, Sunday, November 9, 2008

It is time to abolish the property tax and replace it with a fairer, simpler, broad-based consumption tax that will give homeowners the promise of one day owning their home free and clear of banks and the government.

While Congress and the President injected Wall Street investment banks with \$700 billion in guarantees to cover bad financial practices, homeowners continue to suffer under the crushing weight of a long-simmering property tax crisis that threatens home ownership more directly because *all* homeowners are subject to the onerous and growing tax.

Over the past five years, the Legislature has worked to make property taxes less burdensome through reforms and rate cuts. Yet despite more than \$14 billion in legislatively appropriated school district property tax rate cuts in 2007, increases in local rates, appraisals, and voter-approved bond debt continue to push property tax bills ever-higher. More tax hike requests are on the November ballot.

As a result of these local-level tax hikes, property tax relief has been wiped out for many Texans. For example, 18 percent of the average Texan's home mortgage payment goes toward property taxes and, partly as a consequence, foreclosures are up 20 percent this year alone in Tarrant County.

The problem, however, is much deeper than high tax bills. The property tax crisis is also a property rights crisis. Property taxes are perpetual, abrogating the right to own property in the truest sense. If one must pay property taxes every year even *after* a mortgage is paid in full, then property ownership is reduced to nothing more than a form of renting from the government, and that is immoral.

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Indeed, across the state, hundreds of homes are lost every year because the owners cannot afford to make their property tax payments. Presley Sauls, an elderly Dallas man, lost his \$36,000 home in early 2008 to a bank for failure to make payment on a loan. However, Mr.

Sauls had already paid his mortgage in full. His home was seized because he defaulted on a second loan, which he had taken to pay his property taxes.

The system is rigged against Mr. Sauls and all property owners across the state, which helps explain why Texas ranks 45th in the nation for home ownership. Property taxes threaten the viability of homeownership for many while abridging property rights for all.

The property tax also embodies an antiquated tax structure that was established when wealth was tied directly to the land. As Texas has urbanized and the economy shifted to retail, service, and other sectors, the system of property taxation is long outdated. Worse still, because of nearly automatic appraisal hikes, the property tax burden grows relentlessly.

Furthermore, until the tax is eliminated, the state will continually be forced into the kind of protracted legal battles that have plagued school finance reform for more than two decades. This costly and self-defeating litigation led the Supreme Court to exhort the Legislature to reform school finance “by choosing a new path altogether.” (*Edgewood III 826 S.W.2d at 503*)

That path is clear.

Fully-funding public education can be achieved by a school finance system that eliminates “Robin Hood” and gives everyone a chance to finally own their homes. The state can achieve this goal by:

- Constitutionally-dedicating surplus general revenue to property tax relief;
- Enforcing a stricter constitutional spending limit to maximize funds available for property tax relief by slowing the growth of government;
- Expanding the base of the state sales and use tax to raise revenue; and,
- If necessary, raising consumption tax rates to ensure that schools are fully funded.

Schools must be fully funded, but the current financial crisis underscores that the property tax system is akin to sub-prime mortgage lending: you can get into a house but the long-term price you must pay is too great to bear. If we truly value homeownership, neither sub-prime lenders nor property tax authorities should have unlimited claim to anyone’s home.

Rep. Phil King (R-Weatherford) represents House District 61 in the Texas House of Representatives. He represents Wise and Parker counties. King is chairman of the House Regulated Industries Committee and serves on the board of directors of the Texas Conservative Coalition Research Institute.

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