



TCCRI Statement on the M&O Property Tax

December 7, 2007

The Legislature must begin to explore ways to phase out and ultimately eliminate the Maintenance & Operations (M&O) property tax. Toward that end, the Texas Conservative Coalition Research Institute (TCCRI) launched a Property Tax Task Force three months ago to examine available options over the Interim so that legislators are prepared to begin the necessary work of revitalizing homeownership while funding our schools through a fairer, broad-based system.

A little more than 18 months since the Legislature passed historic property tax rate cuts, the state is already on a collision course with yet another court challenge to the system of school finance.

Especially in light of the May and November elections, local increases in appraisals, tax rates, and debt combine to keep property taxes growing. This trend will not abate, with the consequence that property taxes will take an ever-increasing share of Texans' income while throwing the state into costly and contentious litigation.

Worse, the property tax is a barrier to home ownership for low-income Texans, financially squeezes the middle class, and drives fixed-income seniors out of their homes. For most Texans, homeownership is a huge, life-long investment, yet the home is the only good or service that an individual can buy that is taxed in perpetuity and at increasingly higher cost.

Many Texans will reach the goal of paying their mortgage in full, but with the property tax, no one ever ultimately owns a home. Each property tax payment is nothing more than a rent check to the government, which is a clear violation of the constitutional right to own property and adverse to the principle of limited government, a guiding tenet of TCCRI.

The TCCRI Task Force will examine ways to eliminate the M&O property tax by studying alternative revenue sources including constitutional dedication of the surplus to property tax elimination, re-ordering budget priorities to alleviate the need for the property tax, and possibly expanding the sales tax base or rate to ensure a long-term, reliable and fair funding source to meet the educational needs of all schools. The sales & use tax is of particular interest in our study because it is a primary revenue generator for the state, including public education, as well as funding for city and county services.

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