

Property Taxes In Austin

An Affordability Crisis



- Inflation and record-high gas prices are squeezing household budgets, resulting in families having less money to spend each month.
- According to Axios Austin, property taxes on the median value home in AISD will increase to at least \$12,200.
- Since Steve Adler was elected mayor, Council has raised property taxes an average of 10.3% above the effective tax rate.
- Rising taxes make it less affordable to own a home in Austin, contribute to rising rents and force small businesses to close.

As your mayor, I have a three-part plan to comprehensively address the property tax crisis in Austin.

- 1** Solve the school district recapture problem, a/k/a "Robin Hood."
- 2** Freeze, then reduce city property tax bills.
- 3** Benchmark the disabled & senior property tax exemption.

With inflation, rising gas prices, and skyrocketing house prices and rents, people are being crushed by the cost of living in Austin. It is a crisis. Families, those with low or fixed income, artists, musicians, and other small businesses are especially vulnerable to being priced out of Austin.

The list of iconic Austin businesses that have closed their doors forever seems to grow by the day. The stories of families being priced out of Austin are tragic. The downstream consequences, such as traffic or inadequate infrastructure, are frustrating.

Just the other day somebody messaged me and told me her story. She and her family have been in Austin for 15 years. Because of their property tax bill rising every year, she was forced to sell her home. They couldn't afford another home in Austin, so they ended up moving to Montana in the middle of her daughter's freshman year of high school.

Rising home prices are a double-edged sword. On the one hand they are the American Dream, they allow people to build wealth, and we want to encourage home ownership here in Austin. But, on the other hand, the market in Austin has priced out most people. There is not enough supply to keep up with the demand, and our property tax bills associated with owning a home have reached a crisis point.

While I have put out my proposals for addressing the housing supply problems and the cost of development here in Austin, I think it is also imperative that the future mayor of Austin lay out her plan to address rising property tax bills.

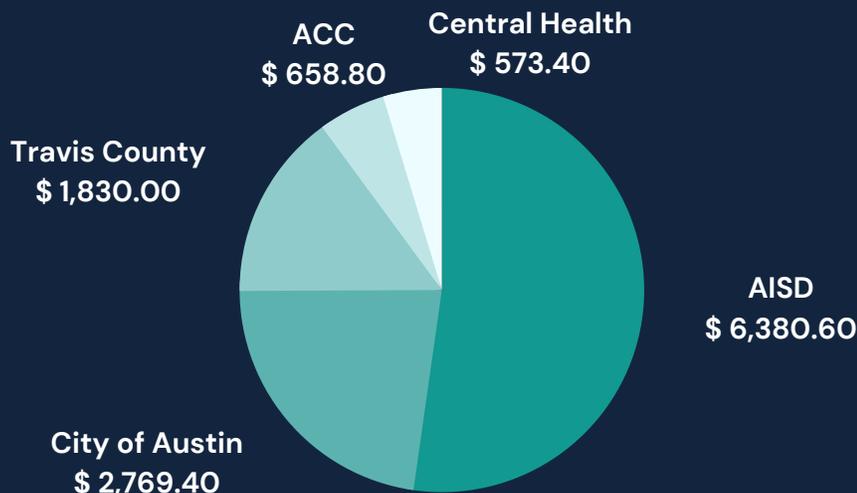
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The median-value home in the metro area, paying Austin school district taxes, could pay at least \$12,200 in taxes.

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Axios Austin, April 18, 2022

MEDIAN TAX BILL: BY TAXING ENTITY



My proposals will address the largest two taxing entities which comprise 75% of the total tax bill.

PART I

SOLUTION TO RECAPTURE

A large part of the property tax crisis in Austin is the AISD recapture system (a/k/a “Robin Hood”) which is used to fund public schools in Texas.

While this is a complex issue, here are the basics:

- The Texas Constitution requires the State to provide for public education.
- Over the years, the State shifted much of this responsibility to local school districts.
- "Robin Hood," the education financing system, attempts to provide 'equitable' funding for public schools across Texas.
- Funding for schools is redirected by the State from 'rich' districts to 'poor' districts.
- The 'rich' and 'poor' determinations are based on property or land value.
- Austin districts are considered 'rich,' with AISD being the 'richest' in the State.
- The state redirects a portion of local property tax revenues to other districts in the state.

In 2022, this resulted in taxpayers in AISD sending \$710 million to the State of Texas to distribute to other school districts throughout the state. This is approximately 50% of AISD M&O taxes generated in the district and 3x more than the next 'richest' districts like Dallas or Houston.



Statewide News • Taxes & Spending

Texas Comptroller Estimates \$30 Billion Account Balance by Next Legislative Session After Dire Forecasts

With Texas' economic success over the years, the State is flush with excess cash in reserve funds, notably the Economic Stabilization Fund. Most of this revenue is generated by the states sales tax, which are taxes that have already been paid by all of us in Texas.

A recent proposal has been made that would take a portion of those surplus state revenues (taxes we have already paid) and use those to pay for school funding across Texas, relieving the burden placed on local property taxpayers. The proposal would simply shift the source of funding while maintaining the same level of funding. The proposal has received bipartisan support and makes good common sense.

As mayor, I will continue to work with State and local leaders to ensure this gets done. For the sake of our city, we must put all of our disagreements aside and focus on solving this now.

Austin taxpayers could see an up to 25% reduction in their property tax bills.

PART II

FREEZE & REDUCE CITY TAX BILLS

The City General Fund is comprised of nine sources of money – property tax, sales tax, other taxes, fees, fines, penalties, licenses, charges, and other revenue. About half of the General Fund comes from property taxes.

Over the last 8 years (excluding 2020), before raising our property tax bills from the prior year, the city has brought in an average of \$33m in additional revenue from taxes on new development and increases in the other sources of revenue. Last year alone, the increase was \$56m, a 5.04% increase from the previous year. This is plenty of new money for the city before raising taxes on Austin families.

But they have. In each year, the City Council has chosen to raise property taxes above the “effective” or “no-new revenue” tax rate. This is the tax rate required to freeze individual property tax bills from the previous year so that taxpayers pay no increase.

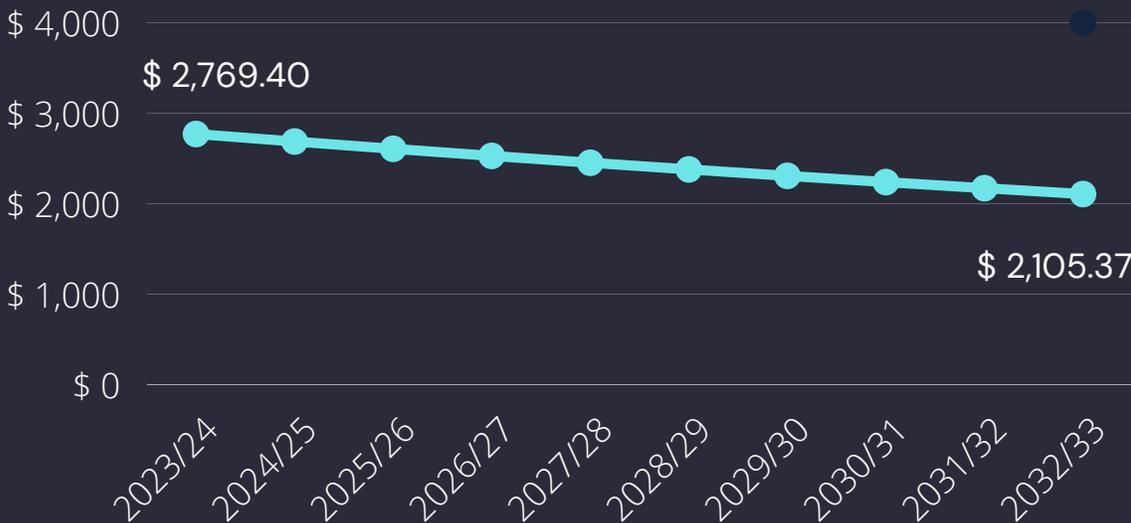
10.3%

average increase above the effective tax rate.

2015/16	+ 7.4%
2016/17	+8.0%
2017/18	+ 7.9%
2018/19	+ 5.5%
2019/20	+ 8.0%
2020/21	+ 30.6%
2021/22	+ 4.7%

In my first year as Austin’s Mayor, we will freeze property tax bills for everyone, meaning we will lower the tax rate sufficiently to make up for increased valuations. You will pay the same amount in city property taxes in my first year as you did the prior year.

Then, I will propose a minimum 3% reduction in your city property tax bill for each year I am the mayor. For the median house mentioned above, it would look like this:



24.0%

decrease in your bill over 10 years

PART III

SENIOR & DISABLED PROPERTY TAX EXEMPTION

Many seniors and those with disabilities living in Austin rely on fixed incomes (social security, pensions, other retirement accounts) to live. Because those incomes are fixed, these people and families are especially vulnerable to the rising cost of living and property tax crisis here in Austin.

Texas State Law provides for cities to adopt an additional property tax exemption for seniors and people with disabilities. This is a flat amount that is taken off the assessed value when determining the taxable value of the home. Austin's current senior and disabled exemptions are \$113,000. So, if you have a \$500,000 home, you are only taxed on \$387,000. The problem is that the city has raised this exemption only on a periodic basis, and it is not tied to the cost of living increases in Austin or the ability of seniors to pay.

THE STATS

Since 2015, while the taxable value on the median-value home has increased by 58.6%, the City Council has only increased the senior and disabled exemption by 41.3%.

As the mayor, in my first term, I would bring a proposal to benchmark the senior and disabled homestead exemption to the rising cost of housing in Austin.

How this works

If Austin housing costs  by 20%, then we will  the exemption by 20%

By benchmarking the senior and disabled homestead exemption to the rise in housing prices in Austin, we are ensuring that those on fixed incomes will continue to be able to stay in their homes by keeping their property tax bills affordable. This policy would effectively act as a freeze on property taxes for seniors and those with disabilities similar to how school districts address this issue.

Paired together with my other proposals, seniors, those with disabilities and all other Austinites will be paying less, not more in property taxes.