



# PROPERTY TAX RELIEF

What Other States are Doing and  
What Texas Might Expect

## Types of Property Tax Relief:

- state aid
- local revenue diversification
- appraisal reform – accurate values with regular revaluations
- property classification
- tax rate limits
- assessment limits
- homestead and other property exemptions
- circuit breakers
- deferrals
- income-based homestead or property tax credits
- assessment reforms
- monthly payment plans

# TYPES OF PROPERTY TAX RELIEF IN TEXAS

## Exemptions

Exempt a portion or the entirety of a property's value from taxation.

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## Appraisal Limitations

Limits value increases year-over-year.

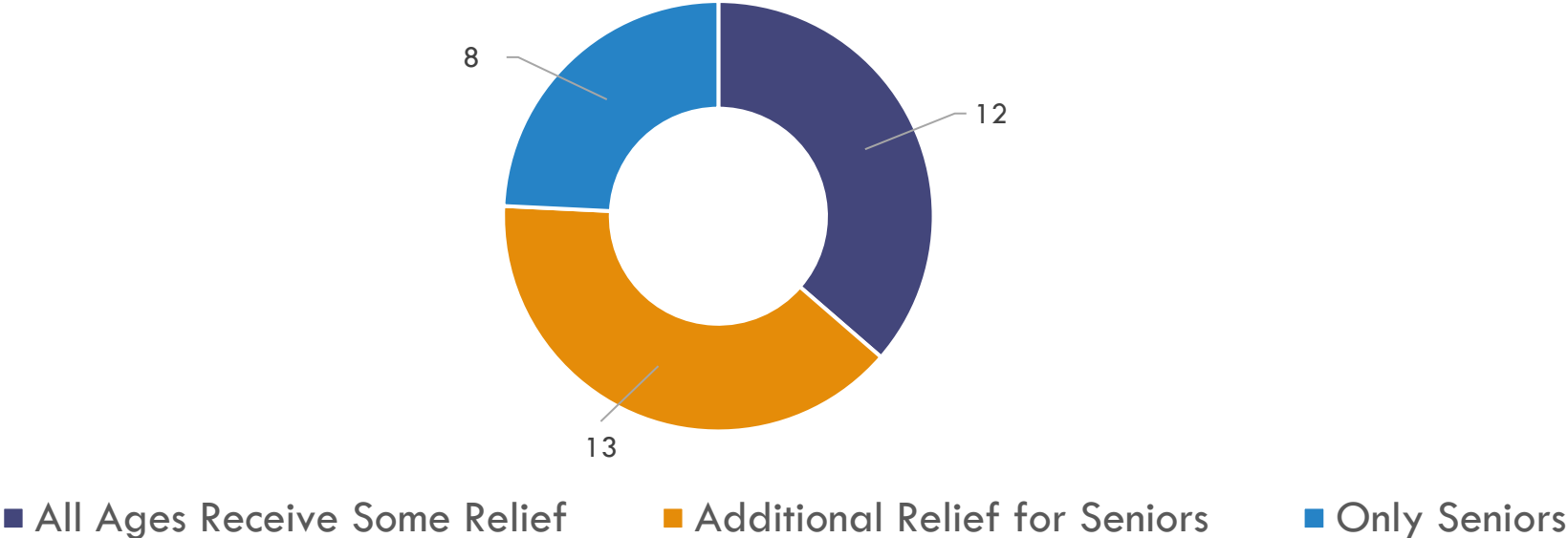
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## Limit on Taxes Paid

A limit placed on the amount of tax paid by the property owner.

# EXEMPTIONS FROM TAXATION – RESIDENCE HOMESTEAD

Number of States with Residence Homestead Exemptions



# HOMESTEAD EXEMPTIONS

- Flat dollar
  - A fixed amount that is unchanged over time
- Percentage
  - A fixed percentage of the appraised value of the property
- Amount of exemption tied to metric
  - A fluctuating value based on economic conditions, such as the median residence homestead value in a specific geographical location

Applying a flat dollar exemption:

$$\$100,000 - \$40,000 = \$60,000$$

$$\$60,000 \times (\$1.975/\$100) = \$1,185$$

Applying a percentage exemption:

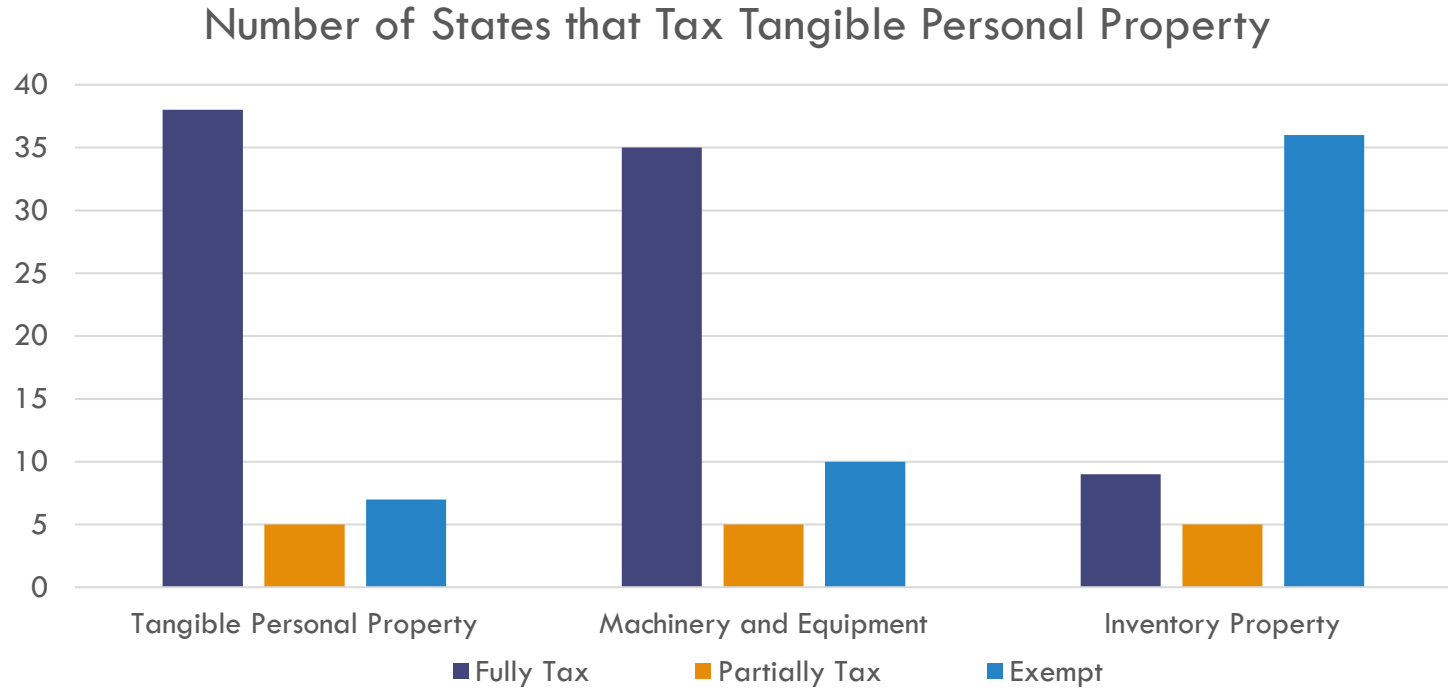
$$\$100,000 - (20\% \times \$100,000) = \$80,000$$

$$\$80,000 \times (1.975/\$100) = \$1,580$$

# HOMESTEAD EXEMPTIONS — BOSTON

- Residence Exemption
  - Local option exemption
  - 16 cities, including Boston, have adopted the local option exemption to varying degrees
- Equal to 35% of the average assessed value for all residential properties within the city
  - Maximum percentage allowed under the Municipal Modernization Act
  - 2021 average assessed value = \$844,295
  - 2021 homestead exemption amount = \$295,503
  - Overall taxable value cannot be less than 10% of the property's assessed value
- Amount of the exemption adjusts for changes in market value over time.

# EXEMPTIONS FROM TAXATION – TANGIBLE PERSONAL PROPERTY



# TANGIBLE PERSONAL PROPERTY

- Types of Tangible Personal Property Exemptions:
  - Flat dollar
    - Texas exemption for income-producing tangible personal property
    - Stagnant vs. Indexed to inflation
  - Acquisition or market value
  - Local option
- Recent trends in other states include:
  - Ratcheting down of assessment ratios
  - Phased-in exemptions



# TANGIBLE PERSONAL PROPERTY — IDAHO

- Currently exempts:
  - First \$100,000 of tangible personal property, and
  - Individual items valued at less than \$3,000
- Proposed legislation:
  - Exempt all tangible personal property acquired by businesses on or after January 1, 2022
  - Phase-in exemption on all existing tangible personal property in 10 percent increments year over year
  - State reimbursement of revenue lost due to the phase-out

# APPRAISAL LIMITATIONS

- Limits increases on the appraised value of property year-over-year
- May include provisions to account for new improvements
- May “re-set” to market value when the property is transferred to a new owner
- Examples:
  - Texas – 10% appraisal cap on residence homestead property
  - Florida – appraisal cap tied to CPI not to exceed 3%

# LIMIT ON TAXES PAID

- Tax ceiling or “freeze”
  - Limits the amount of tax paid based on taxes paid in certain year or other metric
- Deferral
  - Allows a property owner to delay payment of property taxes until they no longer own the property
- Circuit breaker
  - Targets property owners paying the highest share of their income in property taxes
- Tax Credit
  - Provide a tax credit that reduces the amount of property or other state taxes paid

# LIMIT ON TAXES PAID — TAX CREDIT, HOMEOWNER

- Based on property owner qualification
- New Jersey
  - Honorably discharged active-duty US armed forces veterans
  - \$250 property tax credit
  - Directly reduces property tax bill by \$250
  - Eligible surviving spouse/civil union or domestic partner may also receive

# LIMIT ON TAXES PAID — TAX CREDIT, BUSINESS

- Tangible Personal Property: Colorado
  - Income tax credit to reimburse portion of property tax paid on tangible personal property
- Inventory Property: Kentucky
  - Income tax credit against for property taxes paid on inventory property
  - Only businesses with individual or corporate income tax liabilities are eligible
  - Onerous filing process; must submit returns filed with each county and the state
  - Advocates already want to eliminate property tax on inventory

## Sources:

- *Property Tax Relief for Homeowners*, Adam H. Langley and Joan Youngman, November 2021
- *Property Tax Trends 2020 – 2021*, Catherine Collins
- *States Should Continue to Reform Taxes on Tangible Personal Property*, Garrett Watson, Tax Foundation, August 2019

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