TEXAS POLICY RESEARCH

September 1st, 2026

Chairman Bettencourt and Members
Senate Committee on Local Government
Texas Senate

RE: Written Testimony on Examining the Effect of Increasing the Homestead Exemption

Chairman Bettencourt and Members of the Committee,

Thank you for the opportunity to provide comments regarding the Legislature's repeated increases to the school district residence homestead exemption.

Over the past decade, lawmakers have increased the school district homestead exemption from $15,000 to $140,000 for most homeowners and to $200,000 for Texans age 65 and older or those with disabilities. There is no question these policies have reduced school property tax liability for many qualifying homeowners. The Legislature has repeatedly demonstrated its willingness to devote billions of dollars toward property tax relief.

The more important question, however, is whether these policies are solving the underlying property tax problem. Texas Policy Research Action believes they are not.

The fundamental flaw with continually expanding homestead exemptions is that they do not reduce the cost of government. They simply redistribute who pays for it. Every dollar exempted from one homeowner's tax bill must ultimately be absorbed somewhere else. In practice, that means shifting a greater share of the burden onto homeowners who receive a smaller exemption, businesses, rental housing, commercial property owners, future taxpayers through increased state obligations, or some combination thereof. While the distribution changes, the underlying cost of government remains largely unchanged because the spending that created the tax burden was never addressed.

For that reason, exemptions should not be viewed as structural tax reform. They are a method of allocating tax burdens, not reducing them.

Meanwhile, local governments continue increasing expenditures, issuing debt, expanding budgets, and approving projects that require ongoing taxpayer support. Property tax levies across Texas continue reaching new highs despite repeated legislative packages promoted as historic tax relief. As long as spending continues to outpace taxpayers' ability to pay, lawmakers will find themselves returning session after session to increase exemptions once again.

This cycle has become predictable. Relief is provided. Local spending grows. Property tax burdens rise again. Another relief package follows. The system itself remains fundamentally unchanged.

The committee should also consider the broader consequences for housing affordability and generational equity. Texas is experiencing an affordability crisis. The average age of first-time homeownership continues to increase as younger Texans struggle to enter the housing market amid higher home prices, higher interest rates, insurance costs, and property taxes. Expanding exemptions for existing homeowners while shifting more of the remaining burden onto newer homeowners risks making that challenge even more severe.

Public policy should encourage the next generation of Texans to become homeowners, not create a system where they inherit an increasingly disproportionate share of the property tax burden while trying to purchase their first home.

Likewise, policymakers should recognize that increasing exemptions does little for renters. Commercial property owners, apartment operators, and businesses continue paying property taxes that are ultimately reflected in higher rents, consumer prices, and the overall cost of living. Rising property taxes ripple throughout the economy regardless of who receives a homestead exemption.

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Texas possesses better options.

Rather than repeatedly expanding exemptions, the Legislature should prioritize structural reforms that permanently reduce reliance on property taxes for every taxpayer. Continued compression of school district maintenance and operations taxes provides broader, more equitable relief because it lowers tax rates instead of shifting tax burdens among different classes of property owners. Compression also creates a more direct pathway toward eliminating school property taxes altogether.

That effort must be paired with meaningful restraints on both state and local government spending. No tax relief package will remain durable if government spending continues growing faster than the economy and taxpayers' ability to support it. Without fiscal discipline, relief today simply becomes tomorrow's tax increase.

Ultimately, Texas should move beyond debating the size of the next exemption and begin debating how to eliminate property taxes altogether. Lawmakers possess both the fiscal capacity and the policy tools to establish a credible, phased pathway toward ending one of the most burdensome taxes Texans pay. What has been lacking is not policy innovation, but political courage.

Texans deserve more than increasingly complicated exemption formulas and recurring promises of the largest tax cut in history. They deserve a tax system that is simpler, fairer, more transparent, and ultimately one that no longer taxes the ownership of property itself.

I appreciate the Committee's attention to this important issue and respectfully encourage members to focus not only on the effects of larger exemptions, but on the structural reforms necessary to finally solve Texas' property tax problem.

Thank you for your consideration.

For Liberty, For Texas!

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