



# Texas Property Taxes: A State to State Comparison

*First in the Three-Part Series: A Road Map to Abolishing School Property Taxes*



November 2022

This paper is the first in a three-part series, *A Road Map to Abolishing School Property Taxes*, examining how to eliminate the massive property tax burden facing Texans. The path to restoring our economic liberty and unleashing prosperity begins by holding state politicians in Austin accountable.

## Table of Contents

- 3 Executive Summary
- 3 Introduction
- 5 Developing Property Tax Rate Comparisons
- 6 Texas Has the 9th Highest Urban Effective Rate in the Country
- 8 Texas vs. Florida
- 9 The Value of Reducing or Eliminating Texas' Property Taxes
- 10 Conclusion



## About the Huffines Liberty Foundation

The mission of the Huffines Liberty Foundation is to advance the cause of liberty in the State of Texas and educate citizens to hold their elected officials accountable.

We will develop an agenda based upon common sense and the liberty principles of individual rights, fiscal restraint, personal responsibility, limited government, and social conservatism.

The foundation will encourage and educate citizens, so they are better informed to tackle the toughest challenges.



# Texas Property Taxes: A State to State Comparison

*by Bill Peacock & Don Huffines*

## Executive Summary

Texas has one of the highest property tax burdens in the United States. The effective tax rate on Texas businesses in the state's most populous urban areas is 2.50%. This makes the property tax burden on Texas businesses the 9th highest in the country. Homeowners fare even worse. The average ranking by several websites of the property tax rate on owner-occupied homes is 6th highest.

The driving factor behind Texas' increasing high property tax burden is increased spending by school districts and local governments, which go to great lengths to conceal these increases from voters. Multiple efforts over the last 25 years by the Texas Legislature to provide property tax relief for Texas homeowners and businesses have failed because the state's politicians have refused to rein in local spending.

Florida serves as one example of how the Texas Legislature could reduce property taxes. Like Texas, Florida is an engine for economic growth without a state personal income tax. But unlike Texas, Florida manages to keep property taxes and sales taxes relatively low (even though it does not receive the billions of dollars Texas receives from oil and gas production) because it practices more fiscal restraint. Both local government and state government spending per capita is lower in Florida than in Texas. In fact, if Texas reduced its state spending per person to match Florida's, Texas taxpayers would save approximately \$25 billion in the current two-year budget cycle.

Texas is a leader in economic growth and the pursuit of liberty. Yet its heavy reliance on property taxes to maintain higher levels of spending on schools and local governments places it behind one of its chief competitors, Florida. If Texas politicians want to keep our state at the forefront in both of these areas, few things they could do would benefit Texans more than reducing or eliminating property taxes by exercising fiscal restraint. The only way to have limited government is to limit government revenue.

## Introduction

Pflugerville, Texas, a small town about 20 miles north of Austin, is the perfect example of why property taxes have rapidly increased in Texas over the last 30 years.

In the headline of a [September 13, 2022 news release](#), members of Pflugerville's city council proclaimed, "Council adopts budget and reduces your tax rate." While it is factually accurate that the Pflugerville City Council 1) adopted a budget and 2) reduced the city's property tax rate, what the headline failed to inform citizens of was that 1) property taxes for the average Pflugerville homeowner were about to [increase by 11.7%](#) and 2) city operating expenditures for 2022-23 would [jump by 22%](#) over the previous year.

Please visit [fortbendisd.com/VATRE](https://fortbendisd.com/VATRE) for more information.





**SUSTAINING THE TAX RATE** CURRENT **\$1.21** → IF APPROVED **\$1.21**

Source: [Fort Bend I.S.D.](https://fortbendisd.com/VATRE)

Texans can also learn some lessons about property tax increases from Fort Bend ISD, a school district southwest of Houston. Not satisfied with increasing its property tax revenue from existing properties by the 2.5% limit without voter approval, the district’s board of trustees has asked voters to approve a tax increase of over 7%. They would [use the new revenue](#) to increase the pay of starting teachers by \$1,000 to \$60,000 and provide supplemental payments to all teachers and staff. If voters do not approve the increase on November 8, the district still plans on increasing spending enough to create a [budget deficit of \\$47 million](#), in part because of [lower than projected](#) student enrollment.

The district is attempting to sell the tax hike with its “[Sustaining the Tax Rate](#)” campaign. The campaign tells voters that the 2023 tax rate will be the same as last

year’s, without mentioning that the district’s revenue will [increase by \\$47.66 million](#) and homeowner’s tax bills [will go up 7%](#).

Pflugerville and Fort Bend ISD are representative of many other local governments and school districts across Texas. Thus, several lessons that help explain the rapid growth of Texas property taxes can be discerned in their stories. First, local government spending drives property tax increases. If cities, counties, school districts, and special purpose districts would slow or stop spending increases, property tax levies could hold steady or even decrease. Second, many school districts and local governments will go to great lengths to deceive voters about increases in spending and property taxes. Third, the Texas Legislature in numerous efforts over the last 25 years has failed to provide property tax relief to Texans.

Table 1: Texas Property Tax Revenue					
Tax Year	Special Districts	Counties	Cities	School Districts	Total Revenue
1996	\$1,698,557	\$2,537,184	\$2,701,214	\$9,910,195	\$16,847,151
2006	\$3,972,186	\$5,339,614	\$5,322,986	\$20,918,122	\$35,552,907
2016	\$8,031,408	\$9,027,418	\$9,165,214	\$29,856,268	\$56,080,308
2021	\$10,400,964	\$11,699,037	\$12,495,941	\$38,956,443	\$73,552,385

Source: [Texas Comptroller of Public Accounts](#)

**Table 2: Texas Property Tax Rankings Among States**

	Wallet Hub	Rocket Mortgage	Motley Fool	Mortgage Calculator	Tax Foundation	Average
<b>Rank</b>	7	7	7	3	6	6

Source: Wallet Hub, Rocket Mortgage, Motley Fool, Mortgage Calculator, [Tax Foundation](#)

The Legislature’s failure is also apparent in the rapid growth of property taxes revenue by local governments since 1996, the year before the Legislature began a multi-year series of ineffective efforts to address the runaway growth of property taxes. And the problem of property tax growth in Texas is even more obvious when Texas’ property tax rates are compared to those in other states.

### Developing Property Tax Rate Comparisons

It is challenging to compare property tax burdens across states. Various exemptions, abatements, and other local mechanisms make it hard to determine if higher rates in one state mean higher taxes as well. Nonetheless, numerous entities have attempted to do so.

As seen in **Table 2**, Texas property taxes are ranked from the 3rd highest to the 14th highest among the 50 states. All of these ratings are focused on owner-occupied residential properties, and are developed using various macro-based methodologies.

For instance, Wallet Hub, using Census Bureau data, “divided the ‘median real-estate tax payment’ by the ‘median home price’ in each state. The Wallet Hub approach results in what is known as the “effective tax rate,” which is the most important measurement to property owners. The “stacked” property tax rate, i.e., the rate on the property tax bill, can be manipulated by taxing entities, but the

amount of taxes paid relative to the value of the property is what matters to property owners.

These statewide estimates are useful in providing the relative property tax burdens across the 50 states, but what they don’t do is use actual property tax rates or property taxes paid on actual properties. For our rankings, the Huffines Liberty Foundation used two datasets that provide a summary of rates in every taxing jurisdiction across the county based on property tax rates or taxes paid on individual properties. One dataset, focused on residential properties, provided the average “stacked rate” for more than 5,000 properties in Texas’ five largest counties. The other, focused on commercial properties, provides the average effective tax rate for several hundred thousand properties in individual taxing jurisdictions across the 50 states. In some cases, as in Texas, the rates are determined by county. In others, like New York, the rates are determined by towns, cities, or—for New York City—by boroughs.

**Table 3** shows both the effective and stacked rates for Texas’ five counties that are home to the state’s major metropolitan areas. The average of each is almost identical, 2.50% for the effective rate and 2.49% for the stacked rate. What can be learned from this, considering that the effective rate comes mainly from commercial properties while the stacked rate comes primarily from single-family residences?

**Table 3: Texas Metropolitan Property Tax Rates**

TX County	Major City	Effective Rate	Stacked Rate
Dallas	Dallas	2.53%	2.59%
Harris	Houston	2.54%	2.55%
Bexar	San Antonio	2.42%	2.43%
Tarrant	Fort Worth	2.54%	2.66%
Travis	Austin	2.25%	2.23%
<b>Average</b>		<b>2.50%</b>	<b>2.49%</b>

Sources: Ryan Company and Home Tax Shield

In a world without property tax exemptions for homeowners, agricultural lands, the elderly, etc., the effective rate would equal the stacked rate. Since businesses in Texas metropolitan areas generally receive few, if any, exemptions, the effective rate would be expected to be close to the stacked rate. And with the Foundation’s national property tax dataset being based on effective tax rates, the similarity between the stacked and effective rates in Texas suggests that the best way to compare property tax rates across the country is to focus on urban effective tax rates, though this paper will also provide statewide numbers for comparison.

Using urban figures provides for a reliable comparison of effective property tax rates on businesses. This would include taxes on multi-dwelling residential units like apartments. While effective rates on homes would likely be lower than our figures show because of homestead exemptions, most states offer some level of tax breaks to homeowners, making state comparisons reliable. The caveat to this analysis is that smaller states often do not have major urban areas. For those states, the paper will use statewide averages.

### Texas Has the 9th Highest Urban Effective Rate in the Country

The average effective property tax rate in the United States for the properties in the Foundation’s dataset is 1.88%. This ranges from Illinois at 4.03% to the four states that have rates below 1%, with Wyoming coming in at 0.76%. Texas ranks 14th in these statewide rankings. As discussed above, though, the statewide averages likely do not give an accurate picture of the property tax burden on the average Texas homeowner and business in relation to other states.

One reason for this is the large number of rural Texas properties with agricultural and wildlife exemptions. Most states have similar exemptions, but Texas’ exemption is generous and widely used. Another reason is the number of homeowners and businesses in the state’s urban core. Of the estimated [29.5 million Texas residents](#), 25.9 million live in one of the [25 U.S. Census-defined metropolitan statistical areas](#) (MSAs). Most residents and businesses in these areas will not be eligible for agricultural and wildlife exemptions. This is reflected in the effective tax rates for the mostly commercial properties in our dataset (**Table 5**).

Table 4: Highest Statewide Rates	Rate
Illinois	4.03%
New York	3.72%
Delaware	3.12%
Rhode Island	2.95%
New Jersey	2.91%
Kansas	2.84%
South Carolina	2.70%
Ohio	2.64%
Connecticut	2.45%
Indiana	2.34%
Michigan	2.33%
Wisconsin	2.29%
Iowa	2.26%
<b>Texas</b>	<b>2.25%</b>
Vermont	2.24%
Mississippi	2.18%
Minnesota	2.14%
New Hampshire	2.12%
Pennsylvania	2.10%
Massachusetts	2.05%
<b>U.S. Average</b>	<b>1.88%</b>

Source: Ryan Company

Table 5: Effective Property Tax Rates in Texas Counties	
Average – Largest 5	2.50%
Average – Largest 10	2.42%
Average – All	2.25%

Source: Ryan Company

Turning then to the comparison of urban areas across the 50 states, **Table 6** shows that Texas’ effective tax rate moves up into the Top 10, ranking 9th. Texas’ ranking here is similar to the rankings from public sources reviewed above. Wallet Hub and two other companies had Texas ranked 7th, while the two other sources ranked Texas 3rd and 6th. Regardless of the source, data confirm that Texas is one of the highest property tax states in the nation, ranking well above the U.S. average.

**Table 6: Top 10 Urban Effective Rates**

Illinois (Cook County)	4.53%
New York (NYC)	4.43%
Delaware*	3.12%
Rhode Island*	2.95%
New Jersey*	2.91%
Wisconsin	2.73%
Ohio	2.64%
South Carolina	2.57%
<b>Texas</b>	<b>2.50%</b>
Connecticut*	2.45%

Source: Ryan Company

\* Statewide rates

There is yet another way to examine the effects of Texas' high property tax burden. A number of the states with the Top 10 highest effective rates are much smaller than Texas and are not generally considered its economic competitors. Comparing Texas to the other large states, all of which directly compete with Texas for residents, jobs, and economic growth, provides another example of how high Texas' property taxes are and suggests why and how we should reduce them.

Once again, Illinois leads the largest 10 states with a 4.53% effective rate. **Table 7** shows that New York, Ohio, and Texas follow, with Pennsylvania rounding out the Top 5. Below that is Michigan and Florida, then three states with below average rates, Georgia, California, and North Carolina.

**Table 7: Top 10 Largest States Urban Rates**

Illinois (Cook County)	4.53%
New York (NYC)	4.43%
Ohio	2.64%
<b>Texas</b>	<b>2.50%</b>
Pennsylvania	2.10%
Michigan	2.07%
Florida	2.05%
Georgia	1.64%
California	1.38%
North Carolina	1.11%

Source: Ryan Company

One pattern that develops from the data is that all six states with the highest effective property tax rates, except Texas, are from the Northeast or Midwest. These are states, or in some cases at least their major cities, that have been dominated for decades by high taxes, unions, and various forms of political corruption that stem from modern liberalism's attempts to reduce or eliminate the liberties and rights that were the founding principles of our nation. This is not very good company for Texas to be in.

The problems with the company Texas is keeping is demonstrated in the Fraser Institute's *Economic Freedom of North America 2021*. **Table 8** lists the property tax and economic freedom rankings of the 10 largest U.S. states, with lower numbers representing higher taxes and high numbers representing less freedom. All of the states with higher property taxes than Texas, along with Michigan, are in the bottom third of the economic freedom rankings, with New York ranking 50th. Pennsylvania is better, but still only 19th. High property taxes and economic freedom generally do not go together. While Texas overall is the exception, Texas' largest cities appear to be using the revenue generated from their high property taxes to catch up with their northern counterparts in terms of [restrictive zoning](#) that limits growth, allowing [crime](#) and [homelessness](#) to expand, and other trappings of liberalism.

**Table 8: Rankings of the 10 Largest States**

State	Property Tax Rank	Economic Freedom Rank
Illinois	1	33
New York	2	50
Ohio	3	39
<b>Texas</b>	<b>4</b>	<b>4</b>
Pennsylvania	5	19
Michigan	6	38
Florida	7	3
Georgia	8	6
California	9	49
North Carolina	10	10

Source: Ryan Company and the Fraser Institute

Of the states with the four lowest property tax rates, California is clearly the outlier. That is because of Proposition 13, adopted by California voters in 1979. [Proposition 13 limits](#) “property taxes to 1% of the assessed value (plus additional voter-approved taxes).” California, of course, has discovered other ways to fund the growth of government and liberalism.

The other three states with lower property tax rates than Texas share some common characteristics. All are southern states. All are seen as economic competitors to Texas. And all rank high on Fraser’s Economic Freedom index. North Carolina ranks 10th, Georgia 6th, and Florida 3rd, one place higher than Texas. The relationship between lower property taxes and liberty holds true throughout the index. The 10 states with the lowest property taxes average a rank of 20 on the Fraser index. States with the 10 highest property tax rates average 33.

It is true that Texas ranks high on both its economic freedom score and level of property taxes. Yet the data show that Texas having the 9th highest level of property taxes in the United States, and 5th highest among the 10 largest states, is not generally compatible with liberty and economic growth. The question then becomes whether Texas can sustain high levels of property taxes and liberty over time. We can also ask whether by lowering Texas’ high property taxes would increase economic growth and liberty beyond where it is now. To help us answer these questions, we will examine how Texas compares to one of its primary economic and political competitors, Florida.

## Texas v. Florida

Texas and Florida have a lot in common. Texas is the 2nd most populous state, Florida is the 3rd. Both are southern, conservative-leaning states with big cities dominated by liberalism. Both states are dealing with public school systems implementing the latest policies of cultural Marxism. And both have residents of other states flocking to them in droves to escape from blue states like California and New York.

Both states also have growing economies that attract new businesses and job hunters. CNBC ranks Texas as the 5th [best state for business](#); Florida is ranked 11th. The [American Legislative Exchange Council](#) (ALEC) says that Florida’s economic performance to date is 3rd best in the nations, while Texas’ is 8th. Regarding their future economic outlook, ALEC ranks Florida 8th and Texas 11th. HomeIA says Texas’ [Cost of Living Index](#) is 92.3 (i.e., 92.3% of the national average), while Florida’s is 100.7.

Another thing that Florida and Texas have in common that keeps them near the top of these economic rankings is neither state has a personal income tax. [Research has shown](#) that states without a personal income tax rate higher growth in jobs, economic output, population, and, perhaps surprisingly, tax revenue.

As discussed in the next section, the absence of a personal income tax results in stronger economic growth for the simple reason that states without an income tax spend less money; not having an income tax makes it more difficult for a state to support higher levels of spending. Yet Texas, compared with Florida, has sought to maintain higher spending with revenue gained through higher property and sales taxes.

As we have seen, Texas’ property tax rate is 2.50%, 9th in the country, while Florida’s property tax rate is only 1.93%, 25th in the country. Likewise, Texas appears to compensate for its lack of an income tax with higher sales taxes. Texas’ [average sales tax rate](#) of 8.2% is 14th highest among the 50 states. Florida again comes in below Texas with a sales tax rate of only 7.01%, 23rd highest.

Thus despite the similarities of the two states in population, geography, economies, and lack of a personal income tax, Florida manages to maintain both lower property taxes and lower sales taxes than Texas. How does Florida manage this? It spends less money.

For instance, Florida’s average [public school spending](#) in 2020 was \$9,937 per student. Texas, on the other hand, spent \$10,342 per student. Though Texas’ spending is below the national average of \$13,494, it still exhibits less fiscal restraint than Florida. When taking into account all local government spending including schools, Florida is still more fiscally conservative than Texas. The U.S. Census Bureau’s [2020 Annual Survey of State and Local Government Finances](#) shows that Florida spent an average of \$5,582 per capita. Texas’ local per capita spending was \$6,021.

The Census data also show Florida’s fiscal restraint at the state level. Texas’ per capita spending was \$6,004, but Florida came in well below that number at \$4,999 per capita. To help put that figure into perspective, if Texas reduced its state spending per person to match Florida’s in its current fiscal year, Texas taxpayers would save about \$25 billion.



**Table 9: Property Tax Comparison of Texas and Florida**

Texas 10 Largest Counties	Rate	Florida 10 Largest Counties	Rate
El Paso County (El Paso)	3.06%	Hillsborough County (Tampa)	2.21%
Harris County (Houston)	2.54%	Lee County (Cape Coral)	2.19%
Tarrant County (Ft. Worth)	2.54%	Broward County (Fort Lauderdale)	2.17%
Hidalgo County (McAllen)	2.54%	Palm Beach County (West Palm Beach)	2.11%
Dallas County (Dallas)	2.53%	Miami-Dade County (Miami)	1.94%
Bexar County San Antonio	2.42%	Pinellas County (St. Petersburg)	1.90%
Fort Bend County	2.30%	Polk County (Lakeland)	1.86%
Travis County (Austin)	2.25%	Brevard County (Palm Bay)	1.74%
Collin County (Plano)	2.04%	Duval County (Jacksonville)	1.73%
Denton County (Frisco)	1.90%	Orange County (Orlando)	1.68%
<b>Average</b>	<b>2.42%</b>	<b>Average</b>	<b>1.98%</b>
<b>State Average</b>	<b>2.25%</b>	<b>State Average</b>	<b>1.93%</b>
<b>Top 5 Average</b>	<b>2.50%</b>	<b>Top 5 Average</b>	<b>2.05%</b>

### The Value of Reducing or Eliminating Texas' Property Taxes

The comparison of Texas with Florida makes it clear that the key to reducing property taxes in Texas is reducing spending. The natural place for this fiscal restraint to start would be at the local level, since local government spending by school, cities, and counties drive property tax growth. Yet even keeping spending at current levels would allow Texas to reduce property taxes over time, just at a slower rate. Studies have shown that displays of fiscal restraint have a dynamic effect on the economy that can increase the reductions in property taxes, and significantly increase the wealth of homeowners and businesses. Here is how it works.

A potential homeowner must consider how much he will have to spend on property taxes when evaluating a home. Because the tax payments reduce the amount the borrower can pay on the mortgage, eliminating school property taxes in Texas will cut the tax burden by about one half. The mortgage payment for Texas homeowners who in 2021 bought a median priced house, \$350,000, is about \$1,200 a month. Their monthly property tax bill is about \$583—almost half of their mortgage payment. If Texas eliminated just school district property taxes, homeowners would save about \$3,500 per year. They could then either pocket the savings or use them to purchase a home valued at \$420,000.

Homeowners, though, are not the only ones who would benefit from a property tax cut. Renters in Texas have seen a huge increase in rent the last three years which is a reflection of appraisal districts increasing of valuations.

Hence the property tax burden on the landlords has increased. They subsequently pass this cost onto the tenants. Our research shows that property taxes are about 20% of rent. Decreases in property taxes would directly correlate to a decrease in rent.

Businesses in Texas, which pay about 50% of all property taxes in the state, would also benefit from a reduction in property taxes. But the benefit would not stay with the business. The old saying is true: businesses don't pay taxes, people pay taxes. Property tax decreases, and increases, are passed along to consumers, workers, or shareholders.

Property taxes are the largest expense for commercial real estate. Commercial property, such as shopping centers, office buildings, apartments, trailer parks, and industrial parks, is typically valued by the property's net operating income (NOI). To determine NOI, all expenses, including property taxes, are deducted from the total revenue of the property. Then properties are sold based on a multiple of NOI. Consequently, any reduction in property taxes paid increases the value of the property by the multiple of NOI. Most properties today trade at a return on investment of 5%, which equates to a 20 multiple of NOI.

The wealth effect of reducing property taxes is so vast it is difficult to imagine. For instance, if property taxes decrease on a commercial property by \$100,000, the value of the property could increase by \$2,000,000. Homeowners might also see an increase in the property values or in their ability to buy their first home. With all residential and commercial property in Texas valued at \$4.3 trillion

in 2021, the overall net wealth of society could increase by tens of billions of dollars as the result of a significant property tax cut. And there is nothing magic about it.

Government spending is highly inefficient. A property tax cut would keep money away from the government in productive private hands, much of the money in savings accounts that are currently drained at the end of each year to pay property taxes. As savings increase, that would fund the buildup of tools and machinery, which in turn makes possible an expansion in the production of final goods and services. With a greater pool more can be allocated towards consumption and savings. With more savings it would be possible to enhance the production structure further, which in turn permits the expansion of the production of final goods and services—this is what economic growth is all about (Frank [Shostack](#)).

This effect would be reinforced if the property tax cuts are fueled by reduced spending. Just as increased local spending has driven the rapid growth of property taxes over the years, so would reduced state and local spending drive property tax cuts. The money saved from reduced spending would be returned to taxpayers in the form of lower property taxes.

One counter-intuitive effect of a property tax cut would be an increase in tax revenue. Economist Dr. Art Laffer explains:

The basic idea behind the relationship between tax rates and tax revenues is that changes in tax rates have two effects on revenues: the arithmetic effect and the economic effect. ... The economic effect ... is the less obvious dynamic effect; it recognizes the positive impact that lower tax rates have on work, output, and employment and thereby the tax base by providing incentives to increase these activities” (Laffer).

Lower property taxes would fuel economic growth and increase state and local revenues from existing taxes like sales taxes. Not by an increase in the tax rate, but because of an increase in economic activity. In a properly designed effort to reduce property taxes, the increased revenue would in turn be available not only to fund government spending but also greater reductions in property taxes. The lower taxes would also serve as a magnet for increased business startups, expansions, and relocations in Texas. This wealth creation effect is something any economist with an understanding of the economic effect of taxes would predict.

## Conclusion

Texas is a leader in economic growth and the pursuit of liberty. Yet its heavy reliance on property taxes to maintain higher levels of spending on schools and local governments places it behind one of its chief competitors, Florida. If Texas politicians want to keep our state at the forefront in both of these areas, there are few things they could do that would have a more beneficial effect than reducing or eliminating property taxes through the exercise of fiscal restraint.



---

## **Liberty Statement**

Our personal and economic liberty is the foundation of our Texas and American constitutions. Actually owning one's property and not renting it by force from the government is paramount to strengthening and stabilizing this foundation. Property rights start with the actual freedom to at least own your own property.



*Liberty, Prosperity, and Virtue.*

**HUFFINES**   
*LIBERTY FOUNDATION*