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Comparing Property Taxes

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Comparing Property Taxes

Manuel Reyes, D.E.D.

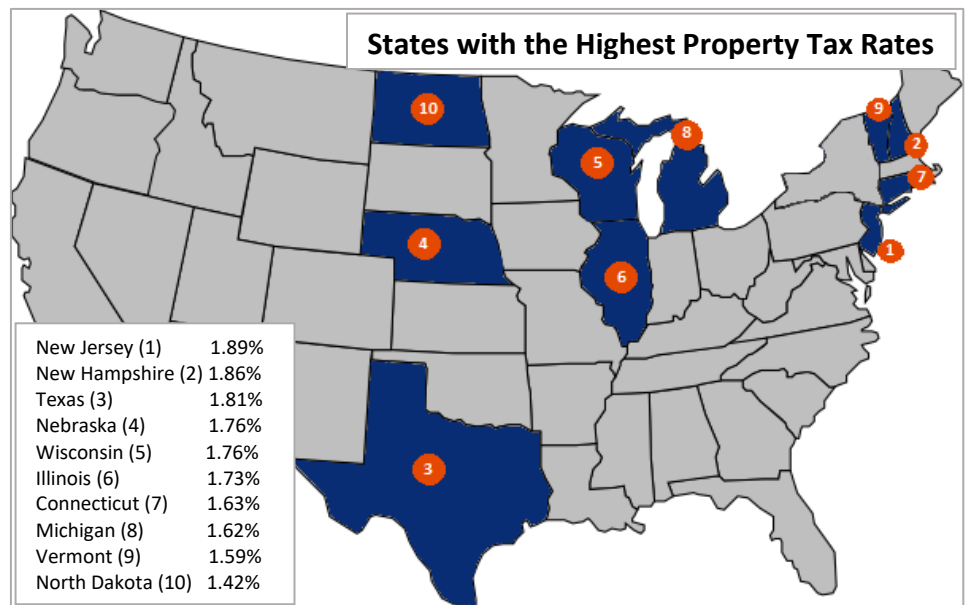


Happy New Year from the **Hibbs Institute!** We hope that this new year will bring health, happiness, and success to all the members of our beautiful community.

We begin with a few famous words from a letter written by Benjamin Franklin. *“Our new Constitution is now established, and has appearance that promises permanency; but in this world nothing can be said to be certain, except death and taxes.”*¹ And that is very true.

In this issue of our **Hibbs Brief**, we share some interesting facts about a local government revenue source of great interest to most citizens everywhere, and certainly to East Texans, the **property tax**. Texas localities taken together have one of the highest property taxes in the nation. That median property tax rate, 1.81%, as percentage of home value ranks Texas third, below the states of New Jersey (1.89%) and New Hampshire (1.86%).² Of course, Texas has no state property tax and no state personal income tax, relying on its sales tax and taxes on the extraction of natural resources, like oil, gas and coal. Again, for Texas, the average property tax rate noted above applies to local governments.

Property tax rates are set and taxes collected by local governments. Local property taxes help provide the funds to pay for police and fire protection, streets and roads, sanitation and storm drainage, and a host of other local services. Residential property tax payments are calculated by a tax appraisal district in each county and are based on the taxability and value of the property. Tax bills are sent in October and are due by January 31 of the succeeding year.³



Source: Hibbs Institute using Tax-Rates.org information for 2019.

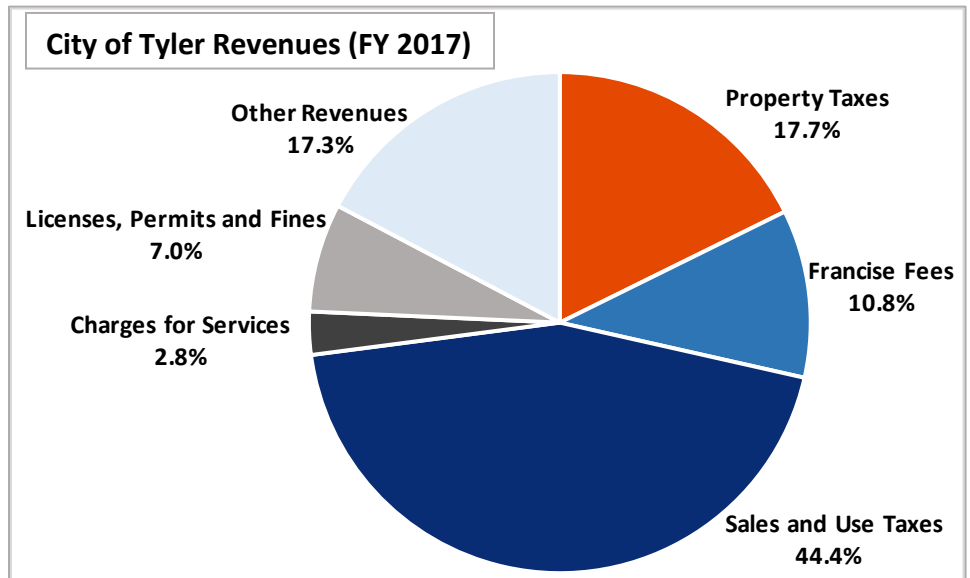
¹ Benjamin Franklin’s last great quote and the Constitution; National Constitution Center.

² Property Taxes by State; Tax-Rates.org (2019).

³ Property Tax System Basics; Texas Comptroller’s Office.

Comparing counties in Texas, Smith County’s relatively low property tax rate of \$0.33 per \$100 of valuation ranks 14th lowest out of 254 counties in Texas. Gregg County’s property tax rate is also relatively low, \$0.26 per \$100, ranking it 8th in the state. The lowest county property tax rate in Texas is Midland County at \$0.15, while the highest is Jim Hogg County at \$1.15 per \$100 of valuation.⁴

Tax property payments in the City of Tyler are a combination of the county and city portions, plus amounts for Tyler Junior College and several local school districts, depending on the location of one’s home or business. The property tax rate for an individual in the City of Tyler includes \$0.24 per \$100 of valuation for the City; \$0.19993 for Tyler Junior College; plus one of these amounts for the local school district, Chapel Hill ISD \$1.23, Tyler ISD \$1.405, and Whitehouse ISD \$1.413 per \$100 of valuation.⁵



Source: Comprehensive Annual Financial Report, City of Tyler, Texas 2016-2017.

In most states, city and county property taxes are still the primary source of local government revenue, but the share of overall local government revenues attributable to property taxes has been declining over the years.⁶ This has not been the case for the City of Tyler; property taxes, as a share of total city revenue, has experienced a slight growth during the recent years (about 5% in 10 years).

Property taxes represent about 24% of tax collections in Tyler, but 17.7% of revenues from all sources in Tyler, as shown in the pie chart for 2017.⁷ Sales and Use, plus Franchise Fees, now make up a little more than 55% of Tyler revenue from all sources.

⁴ Texas Comptroller of Public Accounts. Reports of Property Value (2017).

⁵ Smith County Appraisal District; 2018 Tax Rates.

⁶ Tax Foundation; The Sources of State and Local Tax Revenues, by Elizabeth Malm and Ellen Kant; January, 2013.

⁷ Comprehensive Annual Financial Report, City of Tyler, Texas 2016-2017.