



Appraisal Caps: Appealing, Simplistic, and Disastrous

Restricting the amount of annual increase in the taxable value of a home sounds great if you are a homeowner. It's so appealing that states like California and Florida tried it decades ago – and have since been suffering from the unintended consequences. The Texas Constitution currently limits appraisal increases to 10 percent per year. Legislative proposals to reduce the annual increase to five percent would produce the same bad consequences experienced by California and Florida.

Caps Create Inequities between Neighbors

Caps create tax disparity among similarly priced homes because when a home is sold, its lower capped appraised value “pops up” to its full market value. This means the buyer will pay higher taxes than the owner who sold it. In California, appraisal caps have resulted in some new homeowners paying five times more tax than the owner of an identical home next door.

Caps Distort and Depress Real Estate Markets

The “pop up” effect discouraged home sales in California and Florida. Sales of existing homes plummeted because homeowners can't transfer their capped appraisal to another home or to the buyer of their home. It creates a tremendous disincentive to move from home to home, or city to city.

Caps Increase Property Taxes on Apartments and Businesses

Artificially capping one sector of the tax base – homesteads - simply shifts the tax burden to other sectors like rental property, vacation homes and commercial, industrial and agricultural property. In Florida, apartment rental rates soared to cover higher property taxes and made apartments less affordable.

Caps Require a Big Increase in State School Funding

Every time the Legislature has considered lowering the appraisal cap, the fiscal notes on the bills showed a significant reduction in local school property tax revenue that would have to be made up by increased state funding. In fact, the Legislature depends on rising property values to reduce the amount of state money they have to appropriate to support public education.

The City Message to Legislators is Clear:

Don't Import This Bad Idea from California

To learn more, visit www.tml.org or call 512-231-7400
Legislative direct contact: Shanna Igo 512-750-8718