



The Facts About Appraisal Caps

Texans who do not own homes—disproportionately lower-income families—do not benefit from appraisal caps on homestead.

On August 21, 2006, the Governor created the Texas Task Force on Appraisal Reform, which is widely expected to recommend capping the rate of appraisal growth. A lower appraisal cap would shift the burden of property taxes onto lower-income families, tax similar properties differently, and discourage the sale of real estate. For the facts about appraisal caps, see below. Please contact Dick Lavine at 512-320-0222, X101 or lavine@cphp.org for more information.

Only 40% of families in the lowest income percentiles own their home, while more than 90% of families with the highest income own their homes.

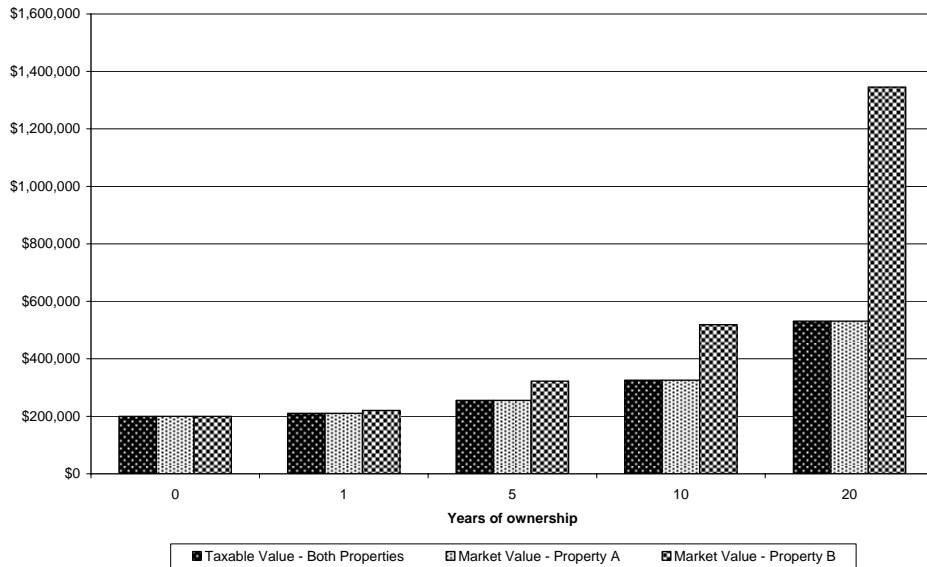
Family Income Percentile	Percent Who Own Home
0-20	40.3
20-40	57.0
40-60	71.5
60-80	83.1
80-90	91.8
90-100	94.7

Source: Federal Reserve Bulletin
2006

Appraisal caps benefit fast-appreciating properties

This chart show the effect of a 5% appraisal cap on two homes: the market value of Property A grows at 5% a year; the market value of Property B grows at 10% a year. The taxable value of both properties grows at 5% a year.

Appraisal Caps Favor Fast-Appreciating Properties



Assume a tax rate of 2% of taxable value a year (the same as a tax rate of \$2.00 per \$100 of property value –the rate that would be paid by Texans with a \$1.00 school tax rate, and \$1.00 rate for city, county, and other local taxes.) Property A’s tax bill is always 2% of market value. But because the taxable value of Property B fails to keep up with the appreciation in market value, the owner of Property B pays a shrinking percentage of market value in taxes.

Year	Market Value		Taxable value	Tax	Effective tax rate	
	Property A (5% annual increase)	Property B (10% annual increase)	5% cap	2% tax rate	Property A	Property B
0	200,000	200,000	200,000	4,000	2.00%	2.00%
1	210,000	220,000	210,000	4,200	2.00%	1.91%
5	255,256	322,102	255,256	5,105	2.00%	1.58%
10	325,779	518,748	325,779	6,516	2.00%	1.26%
20	530,660	1,345,500	530,660	10,613	2.00%	0.79%

For more information on appraisal caps, visit <http://www.cppp.org/research.php?aid=77>.