Gov. Rick Perry’s Remarks Regarding The Appraisal Creep

*Note - Gov. Perry frequently departs from prepared remarks.

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I want to thank Bruce Deramus for opening his home to me today, and the numerous Texans here who have taken time out of their busy lives to discuss property tax relief, and especially appraisal relief.

I have said for a number of months that it is not good enough for the Legislature to only reduce property tax rates, because the driving factor behind growing property tax bills is skyrocketing appraisals. Providing property tax relief without controlling appraisals is like ordering a hamburger without the meat, it will leave too many Texans unsatisfied. Legislators need no more proof to take strong action than that of Bruce and Carol Deramus who have seen their property tax bill increase substantially from 1996 to 2003 while at the same time they have been trying to put three of their four children through college. In 1996 their total property tax bill was about $1,900. Last year it was just over $3,300. And twice during this time-frame they were told a property tax cut was on the way. Their friends and neighbors can tell a similar story.

I have heard these stories all over Texas. I met a couple in Austin (Carol and Ted Neil) whose tax bill is scheduled to go up this year even though the appraised value on their home dropped by $14,000. That’s because their taxable value continued to climb. I met an elderly couple in San Antonio that is getting ready to sell their home because they can no longer afford the property tax bill. A woman in Houston (Linda Lochli) recently wrote that, “appraisals, and related tax consequences, bring to mind the image of being on a roller coaster - with no brakes!” All over this state, Texans are getting their appraisal bills in the mail and wondering why it is their fair share in taxes seems to go up every year.

When you analyze the data for the City of Arlington from 1998 to 2002, it points to appraisals, and not higher rates, as the main culprit behind higher tax bills. During that time period, citywide appraised values actually went up more than the overall tax levy. That means the city rate stayed pretty constant, but property taxes still went up 32 percent. Tarrant County tax levies increased by 50 percent from 1998 to 2002. According to the chief appraiser for the county, the average increase in the market value of existing residential property will be about three percent this year.

Some taxpayers may face a greater increase in their taxable value than their appraised value, which is the determining factor in a Texan’s tax bill in addition to the tax rate. Some will argue that skyrocketing appraisals will benefit Texans when they sell their homes. But what about the Texans who don’t want to sell their home, who have found their dream home and just want to be able to afford to live in it? While many Texans may not be able to afford a lobbyist, or a
CPA to reduce their taxes, they know how to read a tax bill that tells them to sacrifice more, and they know when they are being priced out of their home.

This Legislature has a great opportunity to stand up for millions of property taxpayers by providing rate relief and appraisal relief. I am glad members of the Legislature are taking a serious look at appraisal relief.

My plan would cap appraisals at three percent annual growth. There is talk in Austin about a five percent cap instead. Either one is much better than the current cap of 10 percent, which can allow a home’s value to double in about seven years. Now, I have read the class warfare arguments made by some who contend appraisal caps only benefit the wealthy. I say stop insulting the middle class. Appraisal caps provide the most relief for people like Charles and Virginia Chavez of San Antonio whose $90,000 home just increased in value by $8,000. A three percent appraisal cap will give real relief to seniors on fixed incomes who face higher city, county and special district taxes. And middle class families trying to make ends meet will truly benefit from a lower appraisal cap. And even if their increase this year was modest or negligible, without real taxpayer protections in place, there will be nothing to protect middle class families from the kind of skyrocketing appraisals many endured in recent years.

I hope legislators will also consider the concept of a property tax revenue cap, the greatest protection we can provide taxpayers in the future. A revenue cap that allows for automatic but limited spending growth, rather than uncontrolled growth, is the surest way to keep both employer and residential property tax rates under control. On a $167,000 house, a revenue cap tied to the growth in population and inflation will save a taxpayer more than $2,600 over the next six years. And if local officials want to raise additional property tax revenue beyond what is needed to keep up with population growth and inflation, they can do so through a vote of the people. If government won’t trust the people, then why should the people ever trust government?

By limiting taxation by valuation, we will not only control tax bills, we will give Texans tax certainty. Let’s help Texans keep the home of their dreams. A home is much more than an investment, it is where families grow and memories are made. I urge legislators to hear the voices of taxpayers who not only want a property tax cut, but also real protections to keep tax bills from climbing up again.

Thank you. I would be happy to take your questions.