

# Towards Real Values in School Funding: A Call for Commercial Property Owners to Pay their Fair Share of Taxes

Community Vo/ces  
for Public Education!

## Commercial property owners across Texas are underpaying taxes

- Most homeowners pay taxes on the real value of their property. But many large commercial property owners routinely report below-market values on their properties, then use appeals and lawsuits to avoid paying their fair share of taxes.
- Commercial properties in the state are being taxed at an average of only 60 percent of the actual market value of their buildings, according to research by the Texas Association of Appraisal Districts and the *Houston Chronicle*.
- This happens in part because unlike 41 other states, Texas law does not require sales prices for commercial property to be disclosed to appraisal districts. Commercial properties can be valued far below their purchase price. Appraisers, let alone the public, might never know.

## Our schools lose billions of dollars a year due to commercial property tax manipulation

- According to an analysis by Real Values for Texas, over the last five years communities across Texas have lost an estimated \$5.6 billion in tax revenue because the top 500 taxable commercial properties were appraised at below market value.
- Schools have been hit the hardest, losing approximately \$2.8 billion over this period.
- HISD has lost \$548 million. Combined, Harris County school districts have lost a whopping \$871 million.
- HCC has lost \$48 million.

## Homeowners pay more in taxes when commercial property owners underpay

- When large commercial property owners don't pay their fair share, property tax rates rise and ordinary homeowners pay the difference.
- Statewide, homeowners have paid \$5.6 billion in extra taxes over the last five years.
- Unnecessarily high property tax bills cause frustration among homeowners and erode support for our schools.

## School funding in Texas is already inadequate and inequitable

- The Texas Legislature balanced its budget on the backs of schools in 2011 by cutting \$5.4 billion from the education budget.
- Recently, a federal district judge ruled the finance system for Texas' public education system unconstitutional.

## HISD should call upon the state to reform our flawed property tax system

- HISD should pass a resolution calling upon state legislators to ensure large commercial property owners pay property taxes based on actual market value, as HCC recently did.
- Doing so will raise awareness about the huge toll that our flawed property tax system takes on schools and homeowners and will show that our school districts and communities support reform.

### Sources:

- Real Values for Texas <http://realvaluesfortexas.org/>
- "Tax Dodge." Editorial in *Houston Chronicle*, Sept. 8, 2014.
- Honorable Sylvia Garcia, "Reform needed for property tax system." Op-Ed in *Houston Chronicle*, July 9, 2014.