
Five-Year Appraisals and a 3% Appraisal Cap

Governor Abbott's Point 4: Appraising property once every five years and capping appraisal growth at 3% for all property

Legislative Priority

SUPPORT TAX RELIEF THAT PROTECTS SCHOOL FUNDING

The state has committed \$51 billion to property tax relief in 2026-27. TSC supports continued relief that protects public school funding now and in the future.

Background

Governor Abbott's plan would change how Texas appraises property in two ways. Property would be appraised once every five years instead of every year, and appraisal growth would be capped at 3% a year for all property, not only homesteads.¹

Today, appraisal districts must appraise all property at its market value as of January 1 each year.² Homestead appraisals are capped at 10% a year, and through the 2026 tax year, a 20% "circuit breaker" cap applies to non-homestead real property valued at about \$5 million or less.³

The 89th Legislature reinforced annual appraisal in 2025. SB 973 bars appraisal districts from adopting reappraisal plans that would keep the chief appraiser from setting market value as of January 1.⁴ A five-year cycle would reverse that policy one session later.

Property values drive how Texas funds its schools. They set each district's local share of formula funding, its recapture payment, its tax rate compression and its capacity to issue bonds. Slower value growth changes all of these at once.

Impact on School Districts

- **Less compression and less bond capacity.** MCR compression is triggered by statewide value growth, so capping value growth means less tax rate compression.⁵ Slower growth also limits bond capacity under the 50-cent test, hitting fast-growth districts hardest.⁶
- **Frozen values cut both ways.** In a downturn, values frozen for five years would sit above market value, and owners would pay tax on value they have lost.
- **Local values would drift from state values.** Values frozen for five years would drift from the Comptroller's market-based Property Value Study.⁷ Unless the study changes too, "invalid low" findings against districts become more likely.
- **Budgeting becomes less predictable.** A five-year cycle could hold values flat for four years and then bring a large adjustment in the reappraisal year, making recapture, state aid and debt service harder to forecast.⁸

What a 3% Cap Would Cost

No state cost estimate exists for Point 4. For school districts and the state, the cost comes from the gap between what property is worth and what can be taxed. When market values grow faster than 3% a year, that gap widens every year.

For example, if a district's property values grow 6% a year, a district with \$10 billion in taxable value today would have about \$13.4 billion in market value after five years. Under a 3% cap, it could tax only about \$11.6 billion, a gap of about \$1.8 billion. Each penny of

¹[Governor Abbott: Power to the Texas Taxpayer](#), gregabbott.com (2026).

²[Texas Tax Code §23.01](#), Texas Legislative Council.

³[Texas Tax Code §23.23](#) and [§23.231](#), Texas Legislative Council.

⁴[SB 973, Enrolled Version](#), 89th Legislature (2025).

⁵[Tax Year 2026 Maximum Compressed Tax Rates](#), Texas Education Agency.

⁶[Texas Education Code §45.0031](#), Texas Legislative Council.

⁷[Texas Government Code §403.302](#), Texas Legislative Council.

⁸[Fiscal Note, SB 973](#), Legislative Budget Board, 89th Legislature (May 29, 2025).

tax rate would raise about \$180,000 a year less than it would without the cap. In most districts, the state would make up the lost local share through higher state aid. In recapture districts, the gap would lower recapture, which reduces the state savings recapture now provides.

The \$10 billion district and 6% growth rate are a TSC illustration (\$10 billion grown at 6% and at 3% for five years). It is not a projection for any district, and it does not account for current homestead or circuit-breaker caps or the timing of a five-year reappraisal cycle.

Policy Recommendation

Texas School Coalition supports property tax relief that protects school funding. If the Legislature changes the appraisal system, TSC recommends:

- **Protect complete formula entitlements:** The state should fully fund the higher Foundation School Program (FSP) cost as local value growth slows, with funding that keeps pace with enrollment and inflation.
- **Preserve bond capacity:** The 50-cent test should be adjusted so that capped values do not reduce a district's ability to finance facilities its voters approve.
- **Align the Property Value Study:** The Comptroller's Property Value Study should follow any change to local appraisal so districts are not penalized for following state law.
- **Allow values to fall in a downturn:** Owners and districts need a way to reflect market declines between appraisal years.
- **Report the effect on recapture:** Any appraisal bill should include a fiscal note showing the added state cost, the recapture the state would lose and the effect on district bond capacity.

Impact on Recapture Districts

Slower growth in taxable value would shrink recapture over time. Recapture lowers what the state must spend to fund the Foundation School Program, so every dollar of recapture lost must be replaced from other state revenue. That cost comes on top of the added state aid the cap requires in other districts.

Recapture districts also carry the most risk if local and state values drift apart. If local values are frozen while the Comptroller's Property Value Study keeps tracking market value, an "invalid low" finding could require a district's state aid and recapture to be calculated on value the district is not allowed to tax.

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About Texas School Coalition

The Texas School Coalition is a membership organization that was founded in 1997 to represent property-wealthy independent school districts whose local tax collections are subject to recapture. The mission of the Texas School Coalition is to advocate for the resources to provide all Texas public school students an excellent education and for a school finance system that balances sustainable state and local investments in the best interests of students and taxpayers.