
Eliminating School Property Taxes on Homesteads

Governor Abbott's Point 5: Asking voters to eliminate school district property taxes on homeowners through a constitutional amendment

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 ask voters to approve a constitutional amendment eliminating school district property taxes on homesteads. The state would replace the lost revenue with state aid.¹ No bill or joint resolution has been filed yet.

Homeowners already receive large school tax exemptions. Since voters approved the 2025 amendments, homeowners pay no school district taxes on the first \$140,000 of their home's value, or the first \$200,000 if they are 65 or older or disabled.² The Comptroller's office reported that about 1.17 million homesteads, or 18.6%, already have no taxable value for school taxes.³

Texas school districts collect about \$29.2 billion a year in M&O taxes, and homesteads pay about 30% of it. The Comptroller's office estimates the cost of replacing homestead school M&O taxes at \$8.6 billion a year, rising to about \$12 billion a year by 2032.⁴ One cent of state sales tax raises about \$7.4 billion a year, so replacing homestead taxes would take more than a penny. The plan does not say whether bond (I&S) and enrichment taxes are included.

As Education Commissioner Mike Morath told the House Ways and Means Committee, cutting school M&O taxes does not by itself cut school funding. The state supplies the local share instead.⁵

Impact on School Districts

- **Local revenue becomes state aid.** Districts would depend on every future state budget to keep them whole. State surpluses are one-time money, while the cost of replacing homestead taxes recurs every year and grows with home values.
- **The burden shifts to other property.** The remaining school tax burden would fall on commercial, industrial and rental property.
- **Open questions on bonds and enrichment.** If bond and enrichment taxes are included, homeowners would vote on bonds and VATREs they do not pay for. If they are not, homeowners would still see school taxes on their bills. The state already spends about \$1.3 billion a year replacing I&S revenue lost to homestead exemptions.⁶
- **A constitutional amendment is required.** The change requires two-thirds approval in both chambers of the Legislature and approval by voters.

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

²[Lawmakers examine billions in costs tied to school tax relief](#), KXAN (Sept. 15, 2026).

³Texas Comptroller of Public Accounts, testimony to the House Committee on Ways and Means (Sept. 15, 2026).

⁴[Ending school property taxes for homeowners would cost Texas nearly \\$9B per year, officials say](#), Community Impact (Sept. 2026). The sales tax comparison uses the hearing's figure of about \$7.443 billion a year for general purposes per percentage point of state sales tax.

⁵[Texas Lawmakers Explore Path to Replacing School Property Taxes](#), Texas Scorecard (Sept. 15, 2026).

⁶[Texas House Committee Weighs Tradeoffs of Property Tax Relief Proposals](#), The Texan (Sept. 2026).

What Point 5 Would Cost the State	
Cost	Estimate
Homestead M&O taxes today	\$8.6 billion a year (about 30% of the \$29.2 billion levy)
Projected by 2032	About \$12 billion a year
M&O taxes on all other property	About \$20.6 billion a year
Sales tax equivalent	About 1.16 cents of state sales tax
Recapture the state would lose	Not estimated

Estimates are from testimony by the Comptroller's office and LBB to the House Ways and Means Committee, Sept. 15, 2026. The amount on other property (\$29.2 billion minus \$8.6 billion) and the sales tax equivalent (\$8.6 billion divided by \$7.443 billion per cent) are TSC calculations, not figures stated in testimony, and they do not model economic or behavioral effects.

Policy Recommendation

Texas School Coalition supports property tax relief that protects school funding now and in the future. If the Legislature advances this proposal, TSC recommends:

- **Fund replacement with reliable, recurring revenue:** The state should replace lost homestead revenue with a dedicated, recurring source, not one-time surplus, and the funding should keep pace with enrollment and inflation.
- **Protect complete formula entitlements:** Replacement aid should cover each district's full formula entitlement, written into permanent formulas rather than short-term hold harmless provisions.
- **Preserve voter-approved bonds and enrichment:** Bond and Tier 2 enrichment support voters have approved should remain whole, and the plan should state clearly how homeowners will take part in future bond and VATRE decisions.
- **Report the effect on recapture:** The fiscal note should estimate the recapture revenue the state would lose, in addition to the cost of replacing homestead taxes.
- **Show taxpayers the shift:** Tax bills and the state's Property Tax Transparency website should show non-homestead owners how their share of school taxes changes.

Impact on Recapture Districts

Removing homestead value lowers property wealth per student, so some districts would leave recapture. The state would lose recapture revenue on top of paying to replace homestead taxes.

Recapture reduces what the state must spend to fund the Foundation School Program, so every dollar of recapture the state loses must be replaced from other state revenue. The true cost of Point 5 is larger than the \$8.6 billion estimate, and no one has estimated the lost recapture yet. Any recapture that remains would be calculated only on commercial and other non-homestead value.

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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.