
Taxparency: Recapture Transparency for Taxpayers

Showing property owners how much of their local school taxes are sent to the state through recapture, and how the state uses the resulting savings

Background

There is a general lack of transparency for property taxpayers regarding the beneficiary of the tax dollars they pay. While a taxpayer writes their check thinking that a portion, if not all, of the taxes will benefit their local school district, that district isn't always the beneficiary of all those dollars.

While law required that postcards be mailed to each property taxpayer directing them to a state website offering greater transparency for taxpayers, and every county is required to maintain a website with information on each tax unit in the county under Tax Code 26.16, there is no information provided regarding what portion of a taxpayer's payment to the school district remains in that school district, and what portion is sent to the state through recapture. The state's Property Tax Transparency in Texas website, enacted during the 87th Legislature through HB 2723 (Meyer), links taxpayers to the property tax database each appraisal district must maintain under Tax Code 26.17.¹

How recapture works

The Texas Legislature sets the level of funding per student that school districts are entitled to retain for the maintenance and operations of the district. This funding comes from local property taxes first and then from the state's general revenue. After collecting funds from a school district's local tax collections for maintenance and operations, the state makes up the difference to meet the funding level set by the Texas Legislature.²

When a school district's local tax collections exceed its state entitlement, the district is required to pay a portion of its local tax collections as recapture to the state of Texas. The recaptured funds contribute to the state's overall education funding pool. They are used to help balance the funding each district receives. By recapturing funds from school districts, the state reduces the amount of money it needs to allocate directly to those districts, freeing up more resources to fund other state priorities. This can create budgetary savings for the state.

Recaptured local taxes sent to the state reduce the demand for other state revenue that would be required for the state to contribute to public education through the Foundation School Program.

Why taxparency matters

The intent of taxparency legislation is to inform property owners about the various uses of their local property taxes by adding new language to the existing reporting mechanisms. Specifically, it answers the question, "Where do your local ISD M&O property tax collections go?"

- Taxpayers deserve to know how much of the money they pay in local school taxes is removed by the state and how the state uses the resulting savings.
- The Legislature should implement "taxparency" measures to ensure homeowners' tax bills, as well as public websites and records, clearly display how much money the school district loses to the state through recapture and how the state utilizes the resulting savings.

Legislative history

Similar legislation has been filed in 2017 and 2019, though since that time school finance laws have changed, necessitating a change in this language as well. The bills in those sessions were written to apply to all school districts and to place the information on the tax bill. Beginning in 2023, a new version of this idea emerged that only addressed how local property tax collections from property wealthy school districts were used by the state. In 2025, two taxparency bills passed the Texas House by wide margins, both placing

¹ Texas.gov, [Property Tax Transparency in Texas; HB 2723](#), 87th Legislature, Regular Session.

² Texas Education Agency, [HB 3 in 30: Recapture](#).

the information in the appraisal district property tax database, but neither advanced beyond referral to the Senate Local Government Committee.³

Taxpparency Legislation, 2017–2025			
Session	Bill(s)	Where Information Appears	Outcome
85th (2017)	HB 1890 (Capriglione); SB 1407 (V. Taylor)	Tax bill (Tax Code 31.01)	Passed Senate; referred to House Ways & Means
86th (2019)	HB 569 (Capriglione); SB 328 (Seliger)	Tax bill (Tax Code 31.01)	Did not become law
88th (2023)	HB 3555 (Plesa et al.)	Tax bill (Tax Code 31.01)	Did not become law
88th (2023)	HB 4610 (Hunter); SB 2230 (LaMantia)	County tax website (Tax Code 26.16)	Did not become law
89th (2025)	HB 195 (Plesa et al.)	Appraisal district database (Tax Code 26.17)	Passed House 130–17; referred to Senate Local Government
89th (2025)	HB 4847 (Hunter et al.)	Appraisal district database (Tax Code 26.17), with explanatory statement	Passed House 127–4; referred to Senate Local Government

Legislative Options for the 90th Session

Both options below are based on bills that passed the Texas House during the 89th Legislative Session. Each amends Tax Code 26.17 to add information to the appraisal district property tax database for property located in a school district that has local revenue in excess of entitlement and has taken measures to reduce its local revenue level under Education Code 49.002. The Legislative Budget Board found no fiscal implication to the State for either bill.⁴

Option 1: Recapture Percentage Disclosure (based on HB 195, 89th Legislature)

Concept: For each property in a recapture district, the appraisal district database would show the estimated percentage of the district's maintenance and operations (M&O) taxes that the district will pay to the state as recapture, the estimated percentage that will remain in the district, and a one-sentence statement.⁵

Required statement:

“For the current tax year, (name of school district) is estimated to pay (percentage described by Subdivision (1) for applicable school district) of local property tax collections to the state as recaptured local taxes and (percentage described by Subdivision (2) for applicable school district) is estimated to remain in (name of school district) for the maintenance and operations of the district.”

Advantages:

- Short, plain-language statement that is easy for taxpayers to understand.
- Uses estimated percentages, which can be reported before final recapture amounts are known.
- Shows both the share sent to the state and the share that remains in the district.
- Passed the House Ways & Means Committee 10–0 and the full House 130–17.

Policy Rationale: A simple disclosure answers the core question, “Where do your local ISD M&O property tax collections go?”, without requiring taxpayers to understand the school finance formulas.

³ Texas House Journal, 89th Legislature, Regular Session: [HB 195, Record Vote 61 \(April 2, 2025\)](#); [HB 4847, Record Vote 2822 \(May 16, 2025\)](#).

⁴ Legislative Budget Board, fiscal notes, Committee Report 1st House, Substituted: [HB 195](#) (March 22, 2025) and [HB 4847](#) (April 27, 2025).

⁵ [HB 195](#) (Plesa, Garcia Hernandez, Leach, Capriglione, Troxclair, et al.), 89th Legislature, Engrossed version.

Considerations: The statement does not explain why the district pays recapture or how the state uses the resulting savings. The bill also does not specify who calculates the estimated percentages or provides them to the appraisal district.

Option 2: Recapture Disclosure with Explanation (based on HB 4847, 89th Legislature)

Concept: Applies to the same properties and adds the same two percentages to the database, along with a longer statement that explains how property taxes fund public education, why the district pays recapture, and how recapture reduces the state revenue needed to fund the Foundation School Program.⁶

Required statement:

“How do your property taxes fund public education? The Texas Legislature sets the level of funding per student that school districts are entitled to retain for the maintenance and operations of the district. This funding comes first from local property taxes and then from the state’s general revenue. After (name of school district) collects the funds attributable to the district’s local tax collections for maintenance and operations, the state makes up the difference to meet the funding level set by the Texas Legislature. Since the local tax collections in (name of school district) exceed its state entitlement, (name of school district) is required to reduce its local revenue level, which it has chosen to do by paying a portion of its local tax collections as recapture to the state. The recaptured funds contribute to the state’s overall education funding pool and are used to help balance the funding each school district receives. By recapturing funds from school districts, the state reduces the amount of money it needs to allocate directly to districts not required to reduce their local revenue level, freeing up additional resources to fund other state priorities. This can create budgetary savings for the state.

“Where do your property taxes go? (name of school district) is required to pay (percentage described by Subdivision (1) for applicable school district) of local tax collections to the state. Recaptured local taxes sent to the state reduce the demand for other state revenue that would be required for the state to contribute to public education through the Foundation School Program.”

Advantages:

- Explains how recapture works and shows that recaptured local taxes create budgetary savings for the state.
- Closely tracks TEA’s own explanation of recapture and the language TSC recommended for the property tax website.
- Answers both “How do your property taxes fund public education?” and “Where do your property taxes go?”
- Passed the House Ways & Means Committee 13–0 and the full House 127–4.

Policy Rationale: Taxpayers deserve to know not only how much of their local school taxes is removed by the state, but also how the state uses the resulting savings.

Considerations: The statement is considerably longer than Option 1. It refers to “the percentage” rather than “the estimated percentage,” although final recapture amounts are typically not known when the database is updated; Option 1’s “estimated” language would address this. The statement also assumes the district reduces its local revenue by paying recapture, which may not describe districts that use other Chapter 49 options. Like Option 1, the bill does not specify who calculates the percentages.

Comparison of Legislative Options		
Feature	Option 1 (HB 195)	Option 2 (HB 4847)
Statute amended	Tax Code 26.17(b-1)	Tax Code 26.17(b-1)
Where information appears	Appraisal district property tax database	Appraisal district property tax database
Applies to	Property in districts that pay recapture	Property in districts that pay recapture
Percentages shown	Estimated % paid as recapture; estimated % remaining in district	% paid as recapture; % remaining in district
Explains recapture and state savings	No	Yes

⁶ [HB 4847](#) (Hunter, Isaac, Leo Wilson, Plesa, Garcia Hernandez), 89th Legislature, Engrossed version.

House Ways & Means vote	10–0	13–0
House floor vote	130–17	127–4
LBB fiscal note	No fiscal implication to the State	No fiscal implication to the State
Senate action	Referred to Local Government	Referred to Local Government

Future considerations

The original idea back in 2017 was to present this information on the property tax statement under Tax Code 31.01. However, there is not a lot of space on that document, and the state's property tax transparency website and appraisal district databases now provide taxpayers with more detailed information. In a future session, TSC may also pursue including the desired information on all of the required notices, including the notice of public hearing and tax rate, the resolution and motion adopting the tax rate, and the website notification of the tax rate adopted. For either option above, the effective date in the 89th session bills (January 1, 2026) would need to be updated.

Impact on Recapture Districts

Both options apply only to property located in school districts that pay recapture under Chapter 49 of the Education Code. Neither option changes the amount of recapture a district pays or the funding a district receives. Instead, taxpayers in these districts would see, alongside their other property tax information, the share of their school M&O taxes that is sent to the state through recapture. Because recapture payments are a method of finance for the Foundation School Program, recaptured local taxes reduce the state general revenue needed to fund public education. Taxpayers would make those state savings visible to the taxpayers who provide them.

Bill information is based on the engrossed versions of HB 195 and HB 4847 (89th Legislature, Regular Session), House Journal record votes, House Ways & Means Committee votes, and Legislative Budget Board fiscal notes. Bill language, including effective dates, would need to be updated for the 90th Legislative Session.

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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.