



Finance Department

Property Tax Update City of Houston Revenue Cap

Presented By:

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Proposition 1 + H

Local Revenue Cap Limitation

Background:

- Local Property Tax Revenue Cap:
 - Prop. 1 enacted by voters in 2004, limits the City's property tax revenues to the lower of:
 - The prior year's cap plus population and inflation growth or
 - The prior year's revenues plus 4.5%.
 - Prop. H enacted by voters in 2006 permits for the addition of \$90 million to any base used to calculate revenue limitations for public safety purposes.



Texas Tax Code

State Revenue Limitations

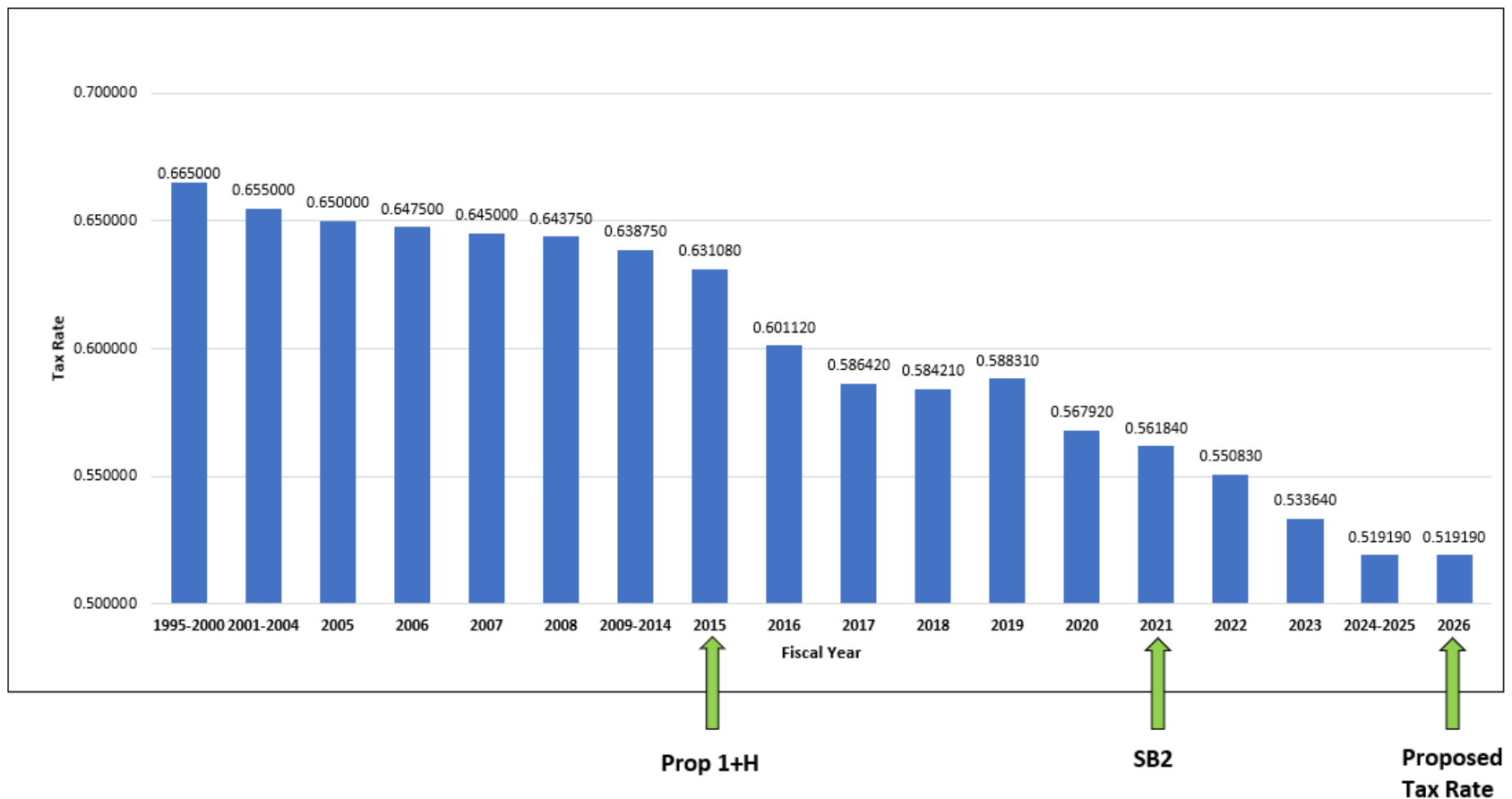
Background:

- Senate Bill 2, known as the “Texas Property Tax Reform and Transparency Act of 2019,” made numerous changes to the process for adopting property tax rates.
- Renamed various terms, created a transparency database, reduced the number of required public hearings, and expedited the timeline for tax rate adoption.
- The most impactful changes related to further limiting the tax rate:
 - Reduction in rate related to property value subject to an appeal
 - Reduction in rate due to changing multiplier from 8% to 3.5%



Historical Property Tax Rates

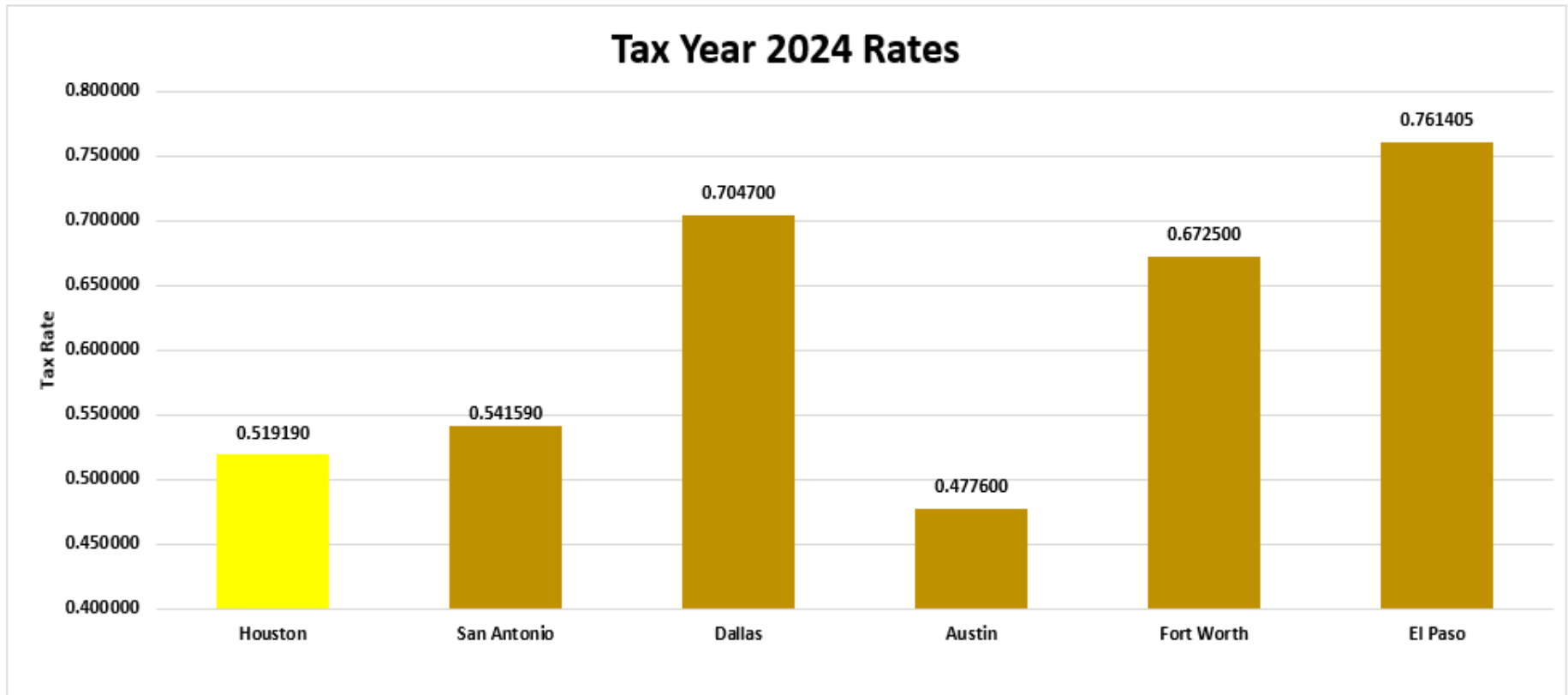
Houston was first affected by Prop 1 + H in fiscal year 2015 and by the SB2 cap in fiscal year 2021, leading to a year-over-year decrease in the property tax rate.





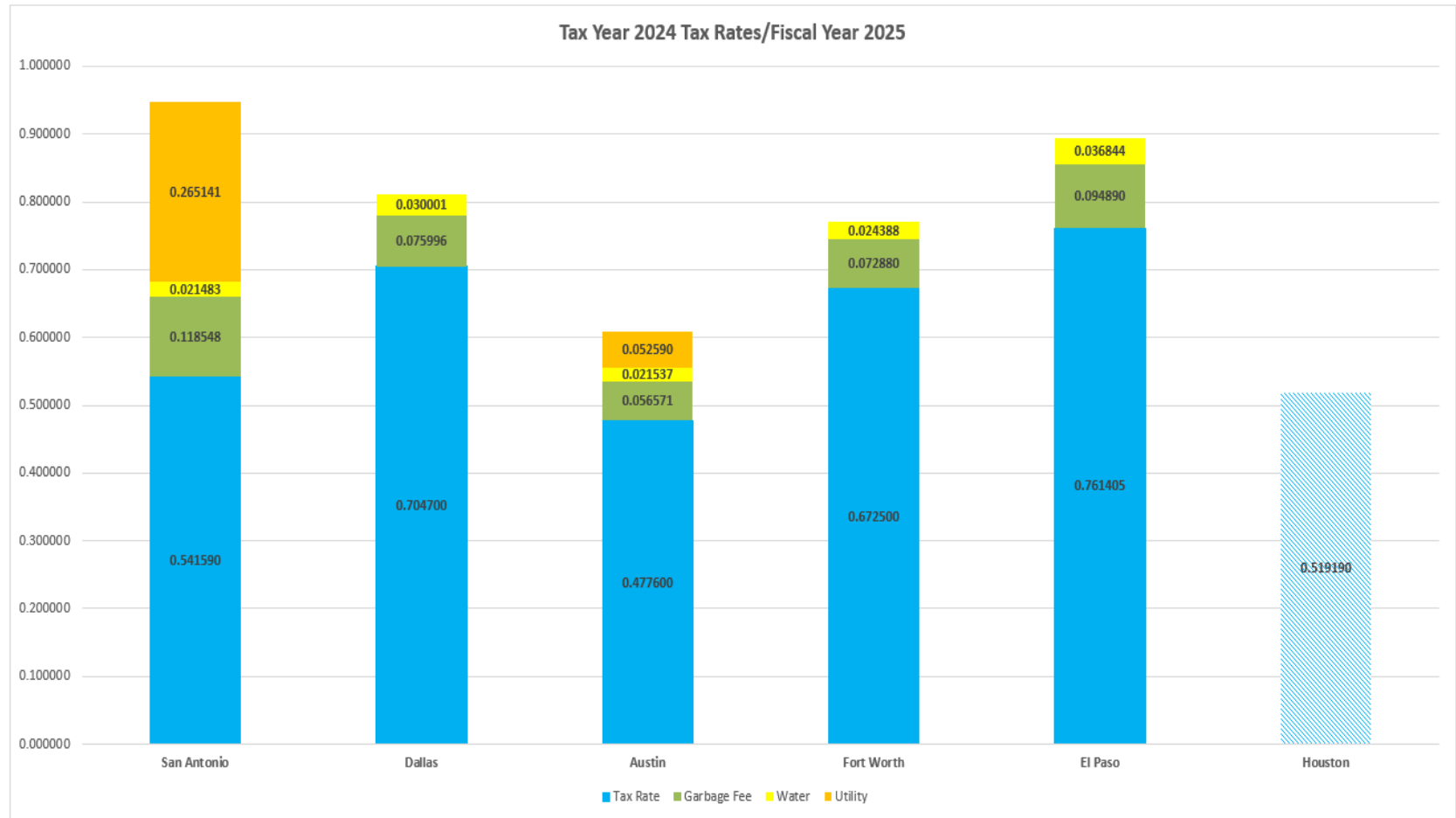
Property Tax Rate Comparison

Houston's property tax rate is lower than that of other major cities in Texas.



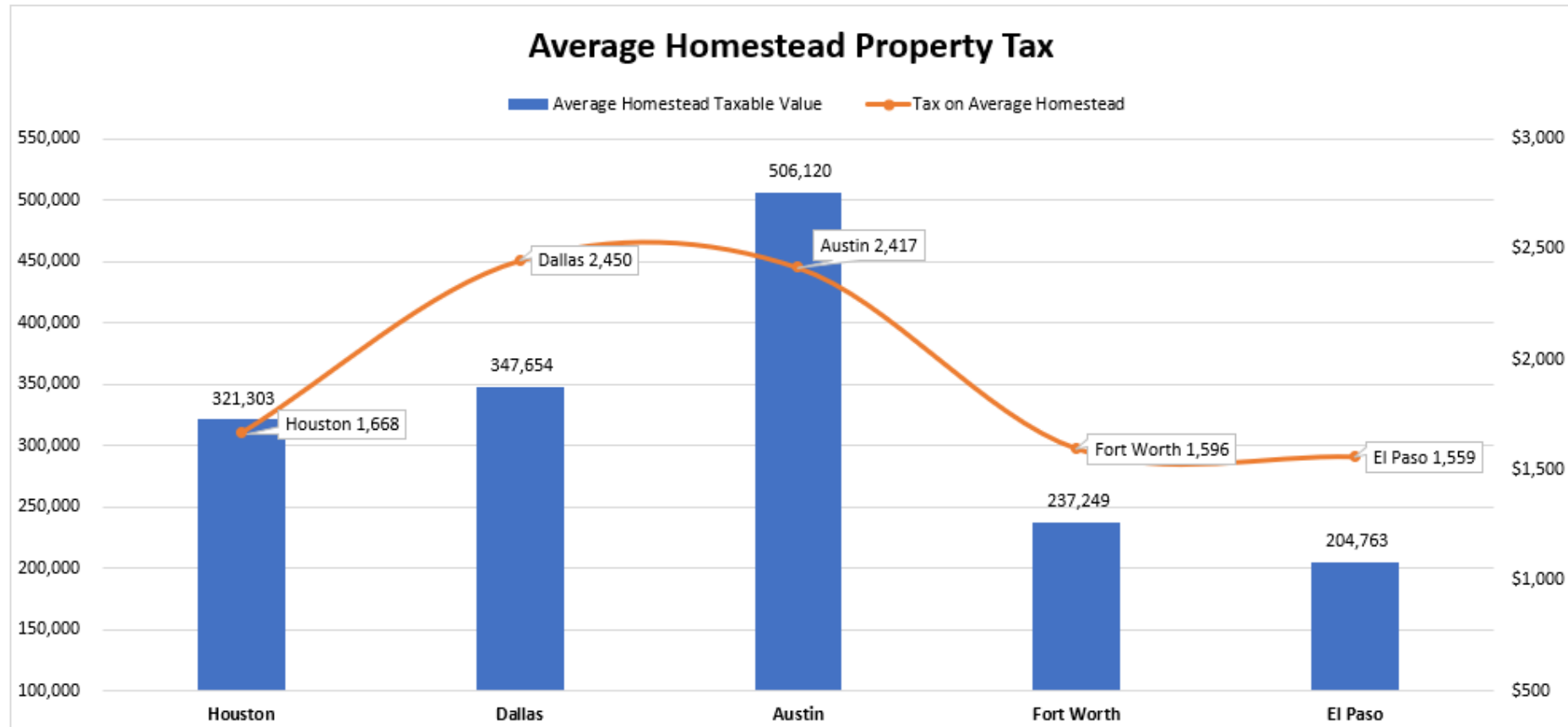


Tax and Fee Comparison





Comparison of Average Homestead Property Taxes



	Houston	Dallas	Austin	Fort Worth	El Paso
Average Homestead Taxable Value	321,303	347,654	506,120	237,249	204,763
Adopted Tax Rate	51.919	70.470	47.760	67.250	76.141
Tax Bill @ Current Tax Year Rate	\$1,668	\$2,450	\$2,417	\$1,596	\$1,559



Tax Year 2025/Fiscal Year 2026 Proposed Tax Rates

	Taxable Value Growth 4.87%		
	Collection Rate 97.6%		
	Tax Rate	Property Tax Revenue	Variance to Budget
Tax Year 2025/Fiscal Year 2026		(\$ in thousands)	(\$ in thousands)
Prior Year Rate	0.519190	\$1.452B	(\$52.6M)
No-New-Revenue Tax Rate	0.528223	\$1.478B	(\$26.8M)
Prop 1 + H Rate Adopted Budget	0.537862	\$1.504B	-
Voter-Approval Tax Rate	0.553421	\$1.548B	\$43.2M



Tax Year 2025/Fiscal Year 2026 Proposed Tax Rates

- We are not proposing to increase the tax rate.
- For context purposes only, a \$0.01 increase to the tax rate would mean:
 - Average homestead homeowner: \$2.85/month
 - Average Over 65: \$0.68/month
- Assumptions:
 - Average home value of \$342k
 - Over 65 exemption of \$260k



Tax Year 2025/Fiscal Year 2026 Proposed Tax Rates

**August Finance MOFR projection vs. Revised projection with Proposed Tax Rate
(\$in thousands)**

Category	August Finance Projection	August Finance Projection with Proposed Tax Rates	Variance
Beginning Fund Balance	450,096	450,096	-
Property Tax	1,504,362	1,451,749	(52,613)
Sales Tax	902,316	902,316	-
Franchise Fees	146,146	146,146	-
Other Revenues	372,997	372,997	-
Other Sources	46,102	46,102	-
Total Revenue & Sources	2,971,923	2,919,310	(52,613)
Operating Expenditures	2,539,771	2,539,771	-
Debt Services	508,000	508,000	-
Total Expenditures	3,047,770	3,047,770	-
Changes to Designated Fund Balance	(97)	(97)	-
Change in Inventory/Prepaid Items/Impress Cash	-	-	-
Ending Fund balance	374,151	321,538	(52,613)
Fund Balance % Less Debt Service	14.73%	12.66%	-2.07%