



# CITY OF HOUSTON

Finance Department

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May 16, 2025

The Honorable Morgan Meyer  
Chair, House Committee on Ways and Means  
P.O. Box 2910  
Austin, TX 78768

Dear Chairman Meyer and Members of the Committee:

The City of Houston (the "City") appreciates the opportunity to provide testimony on S.B. 2541. Under Chapter 26 of the Tax Code, taxing units calculate the Unused Increment Rate utilizing the three tax years preceding the current tax year. S.B.2541 would allow taxing units to calculate the Unused Increment Rate utilizing only the two tax years preceding the current tax year.


The City of Houston is unique among all Texas cities because of a local property tax revenue cap added to the City Charter by voters in 2004. The City of Houston's revenue cap prohibits the City from levying ad valorem taxes at a tax rate that results in revenues expected to be above a limit equal to the lesser of the actual revenues in the preceding fiscal year, plus 4.5%, or a formula that is based upon the actual revenues received in fiscal year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth.

If S.B. 2541 were enacted the estimated financial impact on the City of Houston would be \$34 million in lost revenue that may fund critical public services. Although the Voter-Approval Tax Rates calculations would result in higher tax rates, the City's local revenue cap is more restrictive. Houston's local revenue cap has resulted in a reduction of the property tax rate in the last 9 out of 11 years.

In addition, Houston has the highest population in the state and the fourth-highest population in the U.S. To serve this population, while under a self-imposed property tax cap, any additional loss in revenue would impact Houstonians.

The City of Houston values the opportunity to raise its opposition to S.B. 2541.

Respectfully submitted,

Melissa Dubowski   
Chief Business Officer and Finance Director  
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City of Houston