



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

Insurance News

Date: January 12, 2009
Source: Dallas Morning News
Author: Terrence Stutz

SIIS Office: (512) 795-8214
SIIS Cell: (512) 965-4001 Jerry
(512) 468-6965 Sandra

Texas homeowners might get property tax, insurance relief from Legislature

AUSTIN – Homeowners struggling to pay their property taxes and insurance bills – two of their biggest expenses – are looking to the Texas Legislature for relief.

Lawmakers were reluctant to tackle such issues as runaway property appraisals and hefty insurance costs two years ago.

But there may be some breakthroughs when they meet this year. For example, one Senate proposal would give cities and counties the right to levy up to a half-cent increase in the sales tax and use the revenue to reduce property taxes.

And with the economy suffering from a meltdown in the housing market that is spreading to Texas, lawmakers are expected to consider a multitude of other measures affecting homeowners – from beefed-up regulation of mortgage brokers to tougher rules against shoddy home construction practices. Climbing electric utility rates also will get some attention.

But taxes and insurance may be foremost on the minds of homeowners, whose costs continue to jump as the economy worsens.

While some lawmakers cite insurance reform and property tax cut laws passed earlier this decade, critics say the benefits of those laws have either tapered off or not lived up to the promises.

Even recent reports from House and Senate committees that studied the property tax system found that many homeowners are feeling a heavier tax burden these days – despite a one-third cut in school property taxes in 2006.

For Additional Information:

8303 N Mopac, Ste B-231
Austin, TX 78759

Phone: (512) 795-8214
Fax: (512) 795-9363



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

Insurance News

"Dissatisfaction with the [property] tax system is high across the state," said a study by a special House committee on property tax relief and appraisal reform.

"Escalating values have caused taxpayers to feel that the one-third reduction in school taxes ... has been consumed by appraisal increases and other taxing jurisdiction increases. And as property taxes continue to increase, fewer Texans will realize the dream of homeownership."

Paul Perry, a homeowner in Ellis County, saw his property taxes increase 10 percent from one year to the next.

"Whatever I gained from the property tax cut is already being taken away," said Perry, a financial manager who owns a five-bedroom home valued at just under \$200,000. "And it's happening when we're in a recession. In my household, we've been forced to economize, but local governments haven't curtailed their spending at all."

Perry said the problem has been compounded by property appraisals that keep rising, bringing even higher tax bills.

Similarly, Richardson homeowner Nita Berry has seen her insurance bills increase annually – more than 60 percent in the last five years – making her wonder if she'll be able to afford coverage.

"Every year the price goes up," said Berry, a retired driver education teacher who has lived in her three-bedroom brick veneer home since 1979. "It's a big expense for someone who's living on Social Security."

After reading her current policy, she noticed that she is paying a higher premium this year – nearly \$1,200 on a home valued at \$100,000 – for thinner coverage.

State Insurance Commissioner Mike Geeslin, citing problems in the system that allow insurers to increase rates at will, recommended to a House-Senate committee that the law be changed to require the biggest companies to get state approval before hiking rates.

But the panel deadlocked, 6-6. And it will be up to the Legislature to decide whether to move the idea forward this session.

Homeowner rates

For Additional Information:

8303 N Mopac, Ste B-231
Austin, TX 78759

Phone: (512) 795-8214
Fax: (512) 795-9363



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

Insurance News

Homeowners have been waiting for rate relief since an insurance reform law was enacted in 2003, said Sen. Royce West, D-Dallas. Texans continue to pay the highest premiums in the nation.

"The reality is that insurance rates in Texas have not gone down," West said. "We've got to find a way to lower rates. If a prior approval system will allow us to do that, that's what we need to do."

Consumer groups are promoting the idea while the industry wants to preserve the current "file-and-use" system that allows companies to raise rates after notifying the state.

"Until we give the commissioner the right tools to regulate companies, we will see premiums stay too high while coverage for homeowners is whittled down to the bone," said Alex Winslow of Texas Watch, a consumer group.

Industry spokesman Beamon Floyd said the current system is working well.

"If Texas had had prior approval of insurance rates before Hurricane Ike hit last year, would rates have been lower and if so, where would we [insurance companies] be right now?" he asked, referring to the huge losses suffered by insurers when the hurricane struck the Texas coast last summer. Current law allows competition among insurers and lower rates for consumers, Floyd said.

Property taxes

Homeowners are just as concerned about the property taxes they pay. And with good reason, said one state senator who is carrying one of the most prominent tax relief proposals of the session.

"The [property tax] legislation we passed in 2006 has not given and will never give the relief that people were promised," said Sen. Kevin Eltife, R-Tyler, referring to the school funding package that cut school property taxes.

Eltife has proposed a measure that would give cities and counties the right to levy up to a half-cent increase in the sales tax and use the revenue to reduce property taxes. Each could approve an extra quarter-cent increase, subject to voter approval. The Senate Finance Committee adopted the option last week.

For Additional Information:

8303 N Mopac, Ste B-231
Austin, TX 78759

Phone: (512) 795-8214
Fax: (512) 795-9363



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

Insurance News

"This is a way for voters to decide if they would rather pay more in sales tax or property taxes," Eltife said. The plan would allow a maximum sales tax rate of 8.75 percent – an increase of half a percent.

A study by a leading tax research foundation last year indicated that a big chunk of the school property tax relief approved in 2006 has been wiped out by higher property appraisals and unprecedented tax hikes by cities and counties.

"There is no question that property taxes today are less than they would have been if the Legislature had done nothing," said Dale Craymer of the Texas Taxpayers and Research Association, author of the study. "But there were no dramatic drops, and we are probably now reverting back to the annual tax increases that property owners have seen in recent years."

Gov. Rick Perry and legislative leaders in the past have voiced support for a new cap on annual property appraisal increases – now set at 10 percent – and new limits on how much cities and counties can raise property tax revenues.

And lawmakers are expected to consider several measures that would address property appraisals and local revenue caps.

But those ideas have not done well in past sessions, in part because of opposition by local governments.

Elna Christopher of the Texas Association of Counties said lower revenue caps would hurt government services, particularly in high-growth areas where services must be expanded to accommodate new residents. She also disputed claims that cities and counties have swallowed up the savings in school property taxes by raising their own taxes.

HOMEOWNER ISSUES

Here are some of the homeowner issues before the Legislature:

Property tax relief: A plan to allow cities and counties to increase the local sales tax rate to help reduce property taxes.

For Additional Information:

8303 N Mopac, Ste B-231
Austin, TX 78759

Phone: (512) 795-8214
Fax: (512) 795-9363



Southwestern Insurance Information Service

WWW.SIISINFO.ORG

Insurance News

Property appraisal caps: Various proposals to reduce the current limit of 10 percent on annual appraisal increases. Some lawmakers want the cap cut to 5 percent.

Tax revenue caps: Proposals to further restrict how much cities and counties can increase property tax revenues each year without voter approval. The current threshold is 8 percent.

Homeowner insurance rates: Plans to require companies to get approval from the state before increasing rates. In addition, changes to stabilize insurance coverage along the Texas coast will be under consideration.

Home construction: Measures to provide greater authority to the Texas Residential Construction Commission to punish builders for shoddy construction practices and streamline the complaint process for homeowners.

Mortgages: Improved regulation of mortgage brokers and new disclosure requirements to protect homebuyers. Also, new rules to mandate counseling for buyers receiving subprime mortgages.

For Additional Information:

8303 N Mopac, Ste B-231
Austin, TX 78759

Phone: (512) 795-8214
Fax: (512) 795-9363