



## KEY POINTS TO REMEMBER:

- ▶ Both the number of school districts paying recapture and the total amount paid have increased considerably since the enactment of House Bill 3 in 2019.
- ▶ Statewide, school districts will pay nearly \$5 billion in total recapture this year.
- ▶ Providing an incentive for schools to pay early brings more revenue into the state treasury at an earlier point in the year, so the state can benefit from interest on those dollars and help defray the need to borrow funds in times when the state isn't flush with funds.
- ▶ An early-payment credit is a simple way to reduce recapture for all districts required to pay it, without a significant cost to the state.
- ▶ The state often affords early-payment credits to other taxpayers, such as corporate entities who collect and remit the sales tax.

### ISSUES IN FOCUS:

## Early-Payment Credits for School Districts Paying Recapture

*Credit incentivizes early payment and offers relief from record-high recapture*

# 241

**TEXAS SCHOOL DISTRICTS PAY RECAPTURE**

# \$4.96

**BILLION IS THE PROJECTED STATEWIDE COST OF RECAPTURE THIS YEAR**

### WHAT IS AN EARLY-PAYMENT CREDIT?

Prior to the passage of House Bill 3 in 2019, the state gave school districts a credit on recapture payments if the district paid early in the fiscal year. This credit served as an incentive for districts to make their payment early – which kept more dollars in local school districts while also bringing revenue into the state treasury earlier in the year. Without the credit, school districts will tend to make their recapture payments late in the fiscal year.

### WHY SHOULD TEXAS BRING BACK THE EARLY-PAYMENT CREDIT?

Since House Bill 3 was enacted in 2019 and the credit went away, recapture has risen to record levels. School districts are looking for some type of relief. Typically, reducing recapture can be expensive for the state because it requires an increase in overall state funding for education or a reduction in school property taxes. The early-payment credit is a way to provide some recapture relief – and therefore keep more local dollars in local schools – without a significant cost to the state.

### DO OTHER TAXPAYERS RECEIVE A SIMILAR CREDIT?

The early-payment credit is given to other taxpayers, such as businesses that pay the corporate franchise tax. For sales taxes (the largest source of state tax revenue in Texas), the state offers a prepayment discount for quarterly or monthly filers, as well as a 0.5 percent timely filing discount for any taxpayer filing timely reports and payments.



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