

TEXAS SCHOOL COALITION PRIORITIES

Recapture Relief

Reinstate early payment discount to reduce recapture burden.



RECAPTURE TAKES BILLIONS OF DOLLARS AWAY FROM PUBLIC SCHOOLS.

- Recapture is the mechanism through which the state removes local property-tax dollars from school districts with relatively high property values per student.
- The state removed an estimated \$2.7 billion from public schools through recapture during 2023-24.
- Recapture has become a major revenue source for the state, because the dollars collected from recapture go into the state treasury.

STATEWIDE REDUCTIONS IN PROPERTY-TAX RATES HAVE REDUCED RECAPTURE.

- The state has committed billions of dollars in recent years in compressing local property-tax rates and replacing that revenue with state dollars.
- Rate compression has reduced the total amount of money that the state removes from school districts through recapture.
- Still, recapture carries a heavy burden for homeowners and businesses, and reducing recapture is a way to keep more local dollars in local schools.

LEGISLATORS COULD REDUCE RECAPTURE BY REINSTATING A DISCOUNT FOR SCHOOL DISTRICTS THAT PAY EARLY.

- School districts typically make a recapture payment to the state toward the end of the district's fiscal year.
- Until 2019, the state offered a discount to districts that made their recapture payments early.
- The state continues to offer an early-payment discount for payers of other types of taxes, such as businesses that send revenue to the state from sales taxes and motor vehicle sales taxes.

AN EARLY-PAYMENT DISCOUNT WOULD KEEP MORE DOLLARS IN LOCAL SCHOOLS FOR THE EDUCATION OF THE STATE'S FUTURE WORKFORCE.

- An early-payment discount could save school districts more than \$100 million per year.
- Dollars saved from the discount would help school districts use more of the revenue they collect for instructional purposes, such as hiring and retaining teachers and maintaining academic programs.
- Schools that keep more of the dollars they collect from taxpayers — rather than sending those dollars away to the state — will be in a better position to meet local workforce needs.

An early-payment discount could save Texas public schools more than \$100 million per year in recapture payments.

– Based on estimates of total recapture paid in 2023-24