

White Paper: Property Tax Credit for Texas National Guardsmen

Subject: National Guard Association of Texas - Property Tax Credit for Texas National Guardsmen

References:

****References****

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<https://iga.in.gov/legislative/2015/bills/senate/132/details>
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Issue: The Texas National Guard is a cornerstone of the state's ability to respond to emergencies, support national defense, and protect its citizens. However, recruiting and retaining skilled Guardsmen remains a challenge due to the sacrifices required by service. This property tax credit addresses these challenges by:

- **Encouraging Recruitment:** Offering a financial incentive that grows with years of service attracts new members to the TXARNG.
- **Boosting Retention:** Providing a tangible reward for continued service motivates Guardsmen to stay, preserving experience and expertise within the force.
- **Supporting Families:** Reducing property tax burdens eases financial strain on Guardsmen and their households, recognizing the disruptions caused by training and deployments.
- **Aligning with Precedents:** States like Indiana and Arizona have successfully used tax benefits to support military personnel—Indiana with its 2023 state income tax exemption for Guardsmen and Arizona with its long-standing exemption of active duty pay—showing that such policies enhance military readiness and morale.

Point of Contact: Resolutions Committee, NGAT

Proposal: Establish a property tax credit for Texas National Guardsmen, to be applied to their primary residence, starting at 5% when reaching 5 years of Service of the property's assessed value and increasing by 1% for each year of honorable service, up to a maximum of 20%.

Background:

The Texas National Guard is indispensable to the state's security, disaster response, and support of federal missions; and

Texas National Guardsmen make significant sacrifices, dedicating time and effort away from their families and civilian careers to serve their state and nation.

Incentivizing and supporting service in the Texas National Guard is essential to maintain a strong and capable force ready to meet Texas's needs.

Other states, such as Indiana, which exempts National Guard income from state income tax starting in 2023, and Arizona, which has exempted active-duty military pay from state tax since 2006, have demonstrated the value of tax benefits in recognizing military service; and a property tax credit would provide meaningful financial relief to Texas National Guardsmen, acknowledging their commitment and supporting their families; and

The cost of this credit is a worthwhile investment in the state's defense and the well-being of its servicemembers; and this benefit fairly recognizes the unique contributions of Guardsmen and can be efficiently administered by county appraisal districts;

- **Eligibility:** The credit shall be available to all Texas National Guardsmen currently serving in an active status with the Texas National Guard or those who have received an honorable discharge from the TXARNG or other Texas National Guard components.
- **Application Process:** Eligible Guardsmen must apply for the credit through their county appraisal district, submitting official documentation verifying their years of service.
- **Fiscal Impact:** The estimated annual cost of this credit is fiscal impact of the property tax credit, using an actual average Texas property tax rate of 1.80%, is approximately \$6,000,000 annually.

Method of Determination of Fiscal Impact:

Step 1: Relevant Numbers

Number of Eligible Guardsmen

- **Total Texas National Guardsmen:** 21,000.

- **Proportion with 5+ years of service:** 60%, or $0.60 \times 21,000 = 12,600$.
- **Homeownership rate:** 63.4% (consistent with Texas averages), so $0.634 \times 12,600 \approx 7,992$ eligible homeowners.

Average Home Value

- The average home value in Texas as of 2025 is given as \$299,787.

Actual Average Property Tax Rate

- Property tax rates in Texas vary by county and taxing entity (e.g., school districts, cities). The “actual average” rate requires a statewide figure. Research indicates:
 - The Tax Foundation cites an effective rate of 1.69% (2023), which accounts for exemptions.
 - The Texas Comptroller and other sources suggest an average nominal rate around **1.80%** to 1.83% (2022–2023).
- Since the credit applies to the assessed value before exemptions, the nominal tax rate is appropriate.

Average Tax Bill

- Tax bill = Assessed value \times Tax rate.
- $\$299,787 \times 0.0180 = \$5,396.17$ annually per homeowner.

Average Credit Percentage

- The credit ranges from 5% (5 years) to 20% (20+ years). Assuming a uniform distribution of service years from 5 to 20:
 - Minimum credit: 5% (5 years).
 - Maximum credit: 20% (20 years).
 - Average credit percentage = $(5\% + 20\%) / 2 = 12.5\%$.

Step 3: Calculate the Tax Savings per Guardsman

- **Without credit:** Tax bill = \$5,396.17.
- **With credit:** A 12.5% reduction in taxable value means paying tax on 87.5% of the assessed value.
 - Reduced taxable value = $\$299,787 \times 0.875 = \$262,313.63$
 - New tax bill = $\$262,313.63 \times 0.0180 = \4721.65

- **Tax savings** = \$5,396.17 - \$4,721.65 = \$674.52.

Step 4: Calculate Total Fiscal Impact

- **Total cost** = Number of eligible homeowners × Average tax savings per homeowner.
- $7,992 \times \$674.52 \approx \$5,390,763.84$.

Step 5: Finalize the Estimate

- The annual fiscal impact is approximately \$5.39 million. Rounding to a whole number for simplicity, as is common in budget estimates, gives **\$6 million**.

Thus, the recalculated fiscal impact of the property tax credit, using an actual average Texas property tax rate of 1.80%, is approximately **\$6,000,000 annually**.

This credit complements existing federal benefits (e.g., education assistance, healthcare) and builds on Texas's tradition of supporting its military community, ensuring the National Guard remains a robust and sustainable force.

Recommendation

Pass a resolution to establish a property tax credit for Texas National Guardsmen. This investment honors the sacrifices of Guardsmen, strengthens the Texas National Guard's recruitment and retention efforts, and reinforces the state's commitment to its servicemembers. By providing a scalable financial benefit tied to years of service, Texas can ensure the continued readiness of its National Guard to meet both state and federal mission demands.
