



Volume 13 Number 2

January 2006

# State Tax Return

## Texas School Finance System Held To Be An Unconstitutional State-Wide Property Tax

Kirk Lyda  
Dallas  
(214) 969-5013

Charolette F. Noel  
Dallas  
(214) 969-4538

On November 22, 2005, the Texas Supreme Court issued its decision on the most recent state constitutional challenge to Texas' so-called "Robin Hood" property tax system for financing public schools.<sup>1</sup>

The Texas Supreme Court upheld the District Court ruling that the Texas public school finance system is an unconstitutional state-wide property tax, but reversed the District Court holding that school financing was constitutionally inadequate. The prior District Court order enjoining the use of the current unconstitutional system is postponed until June 1, 2006.

Since the Texas Legislature's next regularly scheduled session does not begin until January 2007, the Texas Governor has announced he will call a Special Session of the Legislature to address public school finance "at an appropriate time." Most expect the Session to be called sometime after the March primary elections.

Future articles will discuss the rationale for the decision and proposed legislative fixes. While the Legislature might seek to raise the ceiling on the local property tax rates, more significant legislative changes are expected. ■

---

<sup>1</sup> See *Neeley v. West Orange-Cove Consol. Independent School Dist.*, Nos. 04-1144, 05-0145, 05-0148, \_\_\_ S.W. 3d \_\_\_, 2005 WL 3116298, 49 Tex. Sup. Ct. J. 119 (Tex. Nov. 22, 2005).



This article is reprinted from the *State Tax Return*, a Jones Day monthly newsletter reporting on recent developments in state and local tax. Requests for a subscription to the *State Tax Return* or permission to reproduce this publication, in whole or in part, or comments and suggestions should be sent to Susan Ervien (214/969-3694 or [shervien@jonesday.com](mailto:shervien@jonesday.com)) in Jones Day's Dallas Office, 2727 N. Harwood Street, Dallas, TX 75201.

©Jones Day 2006. All Rights Reserved. No portion of the article may be reproduced or used without express permission. Because of its generality, the information contained herein should not be construed as legal advice on any specific facts and circumstances. The contents are intended for general information purposes only.