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H.B. No. 1613

A BILL TO BE ENTITLED

AN ACT

relating to the provision of state aid to certain local governments to offset the cost of the exemption from ad valorem taxation of the residence homestead of a 100 percent or totally disabled veteran.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. This Act may be cited as the State Economic Reimbursement for Veterans Exemption (SERVE) Act.

SECTION 2. Sections 140.011(a)(1) and (2), Local Government Code, are amended to read as follows:

(1) "Ad valorem tax [~~General fund~~] revenue" means the dollar amount of ad valorem taxes imposed [~~revenue generated~~] by a local government for the tax year in which the local government's [~~from the following sources during a~~] fiscal year begins [~~and deposited in the dedicated general operating fund of the local government during that fiscal year~~].

[~~(A) ad valorem taxes,~~

[~~(B) sales and use taxes,~~

[~~(C) franchise taxes, fees, or assessments charged for use of the local government's right-of-way,~~

[~~(D) building and development fees, including permit and inspection fees,~~

[~~(E) court fines and fees,~~

[~~(F) other fees, assessments, and charges, and~~

[~~(G) interest earned by the local government].~~

1           (2) "Local government" means a municipality or county

2 [~~+~~

3                   ~~[(A) a municipality adjacent to a United States~~  
4 ~~military installation; and~~

5                   ~~[(B) a county in which a United States military~~  
6 ~~installation is wholly or partly located].~~

7           SECTION 3. Section 140.011, Local Government Code, is  
8 amended by amending Subsections (b), (d), (h), and (i) and adding  
9 Subsections (j) and (k) to read as follows:

10           (b) To serve the state purpose of ensuring that the cost of  
11 providing ad valorem tax relief to disabled veterans is shared  
12 equitably among the residents of this state, a local government is  
13 entitled to a disabled veteran assistance payment from the state  
14 for each fiscal year that the local government is a qualified local  
15 government. A local government is a qualified local government for  
16 a fiscal year if the amount of lost ad valorem tax revenue  
17 calculated under Subsection (c) for that fiscal year is [~~equal to~~  
18 ~~or~~] greater than one [~~two~~] percent of the local government's ad  
19 valorem tax [~~general fund~~] revenue for that fiscal year.

20           (d) Subject to Subsection (i), a [A] disabled veteran  
21 assistance payment made to a qualified local government for a  
22 fiscal year is calculated by subtracting from the local  
23 government's lost ad valorem tax revenue calculated under  
24 Subsection (c) for that fiscal year an amount equal to one percent  
25 of the local government's ad valorem tax [~~general fund~~] revenue for  
26 that fiscal year.

27           (h) The disabled veteran local government assistance trust

1 fund is established as a trust fund outside the state treasury. The  
2 fund consists of money deposited to the credit of the fund under  
3 Section 151.801, Tax Code, and other money deposited to the credit  
4 of the fund at the direction of the legislature. The comptroller  
5 shall administer the fund as trustee on behalf of qualified local  
6 governments. The comptroller shall allocate the money deposited to  
7 the credit of the fund [~~transfer funds to a newly created account in~~  
8 ~~the state treasury~~] for the purpose of making payments to which  
9 qualified [~~reimbursement of~~] local governments are entitled under  
10 this section. The comptroller may make a payment from the fund to a  
11 qualified local government without the necessity of an  
12 appropriation.

13 (i) If the comptroller determines that the balance of the  
14 disabled veteran local government assistance trust fund in a state  
15 fiscal year is not sufficient to pay the full amount of each  
16 disabled veteran assistance payment to qualified local governments  
17 in that year, the comptroller shall proportionately reduce the  
18 amount of each payment made to the qualified local governments that  
19 year as necessary to prevent the fund from becoming insolvent.

20 (j) If in a state fiscal year the amount of money in the  
21 disabled veteran local government assistance trust fund exceeds the  
22 amount necessary to pay the full amount of each disabled veteran  
23 assistance payment to qualified local governments in that year, the  
24 comptroller shall transfer the excess amount to the general revenue  
25 fund not later than the last day of that year.

26 (k) The comptroller shall adopt rules necessary to  
27 implement this section.

1 SECTION 4. Section 151.801, Tax Code, is amended by  
2 amending Subsection (a) and adding Subsection (g) to read as  
3 follows:

4 (a) Except for [~~the~~] amounts otherwise allocated under this  
5 section [~~Subsections (b), (c), (c-2), (c-3), and (f)~~], all proceeds  
6 from the collection of the taxes imposed by this chapter shall be  
7 deposited to the credit of the general revenue fund.

8 (g) Each state fiscal year the comptroller shall determine  
9 in the manner prescribed by this subsection an amount of the  
10 proceeds from the collection of the taxes imposed by this chapter  
11 and deposit that amount to the credit of the disabled veteran local  
12 government assistance trust fund established under Section  
13 140.011, Local Government Code. For the state fiscal years  
14 beginning September 1, 2023, and September 1, 2024, the amount to be  
15 deposited to the credit of the disabled veteran local government  
16 assistance trust fund is \$200 million. In the state fiscal year  
17 beginning September 1, 2025, and each subsequent state fiscal year,  
18 the amount to be deposited to the credit of the disabled veteran  
19 local government assistance trust fund is an amount equal to the  
20 amount deposited to the credit of the fund in the preceding state  
21 fiscal year, adjusted by the annual rate of change in disabled  
22 veteran assistance payments made under Section 140.011, Local  
23 Government Code. For purposes of this subsection, the annual rate  
24 of change in disabled veteran assistance payments is equal to the  
25 percentage increase, if any, in the amount of disabled veteran  
26 assistance payments made under Section 140.011, Local Government  
27 Code, in the preceding state fiscal year as compared to the amount

1 of those payments made in the state fiscal year preceding that state  
2 fiscal year. When computing the annual rate of change in disabled  
3 veteran assistance payments for purposes of this subsection, the  
4 comptroller may not consider the amount by which a disabled veteran  
5 assistance payment was reduced under Section 140.011(i), Local  
6 Government Code.

7       SECTION 5. Section 140.011, Local Government Code, as  
8 amended by this Act, applies to the eligibility of a local  
9 government to apply for, and the calculation of, a disabled veteran  
10 assistance payment beginning with the fiscal year of the local  
11 government that ends in the 2023 tax year.

12       SECTION 6. This Act takes effect September 1, 2023.