

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 14, 2003**

**TO:** Honorable Leticia Van de Putte, Chair, Senate Committee on Veteran Affairs & Military Installations

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1223** by Madden (Relating to continuation of a residence homestead ad valorem tax exemption when the owner temporarily ceases occupying the homestead due to military service or other causes.), **As Engrossed**

**No significant fiscal implication to the State is anticipated.**

This bill would establish criteria for determining whether, for property tax purposes, a person has stopped occupying a residential structure as a principal residence.

Under the bill, a homestead would not lose its qualified homestead status when a person temporarily stopped occupying the structure and did not establish a different principal residence if the absence was for a period of less than two years or was caused by the owner's military service outside the United States or residency in a residential health care facility.

Current law provides a presumption of continued qualification as a primary residence if the owner has not established another principal residence and intends to return and occupy the structure as the principal residence. Because of the proposed two-year absence limitation, passage of this bill could result in a greater number of owners losing their qualified homestead status and a related increase in taxable property values.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause an increase in school district taxable values reported to the Commissioner of Education by the Comptroller, and reduce the costs to the Foundation School Fund. The amount of the change would depend upon the number of owners that would lose their qualified homestead status under the amended provisions.

**Local Government Impact**

Because of the proposed two-year absence limitation, passage of this bill could result in a greater number of owners losing their qualified homestead status and a related increase in taxable property values for local taxing units.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JK, WK, WP, DLBe