

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 11, 2003

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways and Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: HJR60 by McClendon (Proposing a constitutional amendment to prohibit increases in ad valorem taxes imposed by a political subdivision on the residence homestead of an elderly person or the person's surviving spouse.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR60, As Introduced: a negative impact of (\$85,275) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$85,275)
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/ (Loss) from <i>Cities</i>	Probable Revenue Gain/ (Loss) from <i>Counties</i>
2004	(\$85,275)	\$0	\$0
2005	\$0	(\$9,853,000)	(\$5,646,000)
2006	\$0	(\$10,444,000)	(\$5,985,000)
2007	\$0	(\$11,071,000)	(\$6,344,000)
2008	\$0	(\$11,735,000)	(\$6,725,000)

Fiscal Analysis

The resolution would propose an amendment to Article VIII of the Texas Constitution to extend the school district property tax limitation on homesteads of the elderly to all taxing units. Once a person received a 65-or-over homestead exemption, the property taxes for each taxing unit could not increase as long as the person owned and lived in that home. Taxes could go below the ceiling, but they could not rise above the ceiling.

Adoption of the resolution would extend the school district tax ceiling on homesteads of the elderly (tax freeze) to all taxing units. The fiscal impact is based on information reported by cities and

counties to the Comptroller's Property Tax Division. The cost to special districts was not available because the Comptroller's Property Tax Division does not receive or maintain information that would be helpful in determining potential costs to special districts.

Methodology

The fiscal estimate assumes that the original school district freeze date for 65-or-over taxpayers would not be honored, because the bill contains no explicit language making the bill's effect retroactive. Under this assumption, the base year for the proposed taxing unit freeze would be tax year 2003. The first freeze loss would occur in tax year 2004 (fiscal 2005). If the bill were retroactive, the costs would be higher.

The historical value lost to the school district 65-or-over tax freeze was trended over the projection period. Each year's incremental loss to the 65-or-over tax freeze was estimated by subtracting each year's projected loss from the next year's projected cost.

The incremental losses to the 65-or-over tax freeze represent the value loss to counties. A factor of 0.751, representing the amount of statewide residential value inside city limits, was applied to estimate the city loss. The appropriate weighted average tax rates were applied to derive the county and city revenue losses.

Local Government Impact

The fiscal impact on local taxing units is reflected in the above tables.

Source Agencies: 304 Comptroller Of Public Accounts

LBB Staff: JK, JO, SD, WP, BR