

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 1st CALLED SESSION - 2005

July 17, 2005

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HJR25 by Keffer, Jim (Proposing a constitutional amendment increasing the amount of the residence homestead exemption from ad valorem taxation for public school purposes and providing for a corresponding adjustment of the limitation on the amount of ad valorem taxes that may be imposed for those purposes on the homesteads of certain persons.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR25, As Introduced: a negative impact of (\$66,497) through the biennium ending August 31, 2007.

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
2006	(\$66,497)
2007	\$0
2008	\$0
2009	(\$678,513,000)
2010	(\$726,811,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable (Cost) from <i>GENERAL REVENUE FUND 1</i>
2006	\$0	\$0	(\$66,497)
2007	\$0	\$0	\$0
2008	\$0	(\$678,513,000)	\$0
2009	(\$678,513,000)	(\$48,298,000)	\$0
2010	(\$726,811,000)	(\$44,621,000)	\$0

Fiscal Analysis

This resolution would propose an amendment to Article VIII of the Texas Constitution to increase the \$15,000 school property tax homestead exemption to \$22,500.

The proposed amendment would provide that if a homeowner's school tax ceiling exceeded the amount of taxes calculated for 2007 with the proposed additional exemption, the homeowner would have the tax ceiling recalculated and set at the reduced 2007 amount if the homeowner was disabled or aged 65 or over. The new limitation would be the amount of school district taxes imposed for the 2007

tax year less the tax amount for the additional \$7,500 exemption times the school district's 2007 tax rate (plus any 2007 taxes attributable to 2006 improvements, other than improvements made in compliance with governmental regulations or repairs).

The proposed amendment would be submitted to voters at an election to be held November 8, 2005.

Methodology

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 resolution would cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The resolution would increase the school district homestead exemption from \$15,000 to \$22,500 (an additional \$7,500), contingent on passage of a constitutional amendment. Some low-value residences are appraised at less than \$22,500, so the entire amount of the new exemption would not be absorbed. The Comptroller's office multiplied the gross amount of the additional homestead exemption by an absorption factor to estimate the net value loss. The value loss was trended through the projection period, and trended school district tax rates were applied to estimate the cost of the exemption. School district costs would be reimbursed by the state after a one-year lag through the school funding formula. There would be no losses to taxing units other than the state and school districts.

The cost to the state for publication of the resolution is \$66,497.

Local Government Impact

There would be no losses to taxing units other than school districts. The amounts for local school districts are shown in the above tables.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: JOB, SD, DLBe