LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 2nd CALLED SESSION - 2005

August 5, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: **SJR7** by Wentworth (proposing a constitutional amendment increasing the amount of the residence homestead exemption from ad valorem taxation for public school purposes to $22,500 and providing for an adjustment of the limitation on the total amount of taxes that may be imposed for those purposes on the homesteads of the elderly or disabled to reflect the increased exemption amount and changes in school district ad valorem tax rates.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR7, Committee Report 1st House, Substituted: 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	($625,681,000)
2009	($678,513,000)
2010	($726,811,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *FOUNDATION SCHOOL FUND* 193	Probable Revenue (Loss) from *School Districts*	Probable (Cost) from *GENERAL REVENUE FUND* 1
2006	$0	$0	($66,497)
2007	$0	($625,681,000)	$0
2008	($625,681,000)	($52,832,000)	$0
2009	($678,513,000)	($48,298,000)	$0
2010	($726,811,000)	($44,621,000)	$0

Fiscal Analysis

The 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 2006 with the proposed additional exemption, the homeowner would have the tax ceiling recalculated and set at the reduced 2006 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 2006 tax year less the tax amount for the additional $7,500 exemption times the school district's 2006 tax rate (plus any 2006 taxes attributable to 2005 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, WP, SJS, SD, DLBe