

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 23, 2005

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

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

IN RE: HB213 by Guillen (Relating to a limitation on the amount of ad valorem taxes that may be imposed on the residence homestead of an eligible person serving on active duty in the United States armed forces or the National Guard.), **Committee Report 1st House, Substituted**

Passage of the bill would allow certain persons to qualify for property tax limitations that would not qualify for those benefits under current law. The resulting reduction in taxable property values would increase costs to the Foundation School Fund.

The bill would authorize taxing units to adopt a property tax limitation on the homes of certain persons serving on active duty in the United States armed forces or National Guard who qualify for a residence homestead exemption.

The limitation could be adopted by a taxing unit's governing body, or through an election triggered by the petition of at least five percent of the registered voters in a tax unit. The limitation would be set at the amount of taxes imposed by the taxing unit in the first year after the year in which the limitation was established. The limitation would expire on January 1 of the first year that none of the owners of the property qualified for a residence homestead exemption or no longer met the bill's active duty or minimum salary requirements.

The limitation would be limited to active duty personnel whose monthly salary is less than two times the minimum monthly salary of the highest-ranking noncommissioned officer serving on active duty in that individual's branch of the armed forces or National Guard for August of the preceding year. The Comptroller would determine and publish in the *Texas Register* and notify each appraisal district the salary information required for determining qualification.

It is assumed that the related constitutional amendment is approved by voters. 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 would reduce school district taxable values reported to the Commissioner of Education by the Comptroller.

Local Government Impact

It is assumed that the related constitutional amendment is approved by voters. Since the bill would authorize limitations of property taxes under certain conditions, taxable property values and the related ad valorem taxes for units of local government would decrease.

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

LBB Staff: JOB, SD, WP, DLBe