

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: HJR23 by Guillen (Proposing a constitutional amendment to authorize a political subdivision to establish an ad valorem tax freeze on residence homesteads of certain persons serving on active duty in the United States armed forces or the National Guard.), **Committee Report 1st House, Substituted**

Passage of the resolution and the authorizing legislation 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 cost to the state for publication of the resolution is \$66,497.

The resolution would propose an amendment to Article VIII of the Texas Constitution to 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 the National Guard who qualified for a residence homestead exemption.

The limitation could be adopted by a taxing unit's governing body, or through an election triggered by 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 be allowed to increase to reflect the value of improvements to the homestead.

The Legislature would be allowed to provide for the transfer of the limitation to a different residence homestead and would be authorized to set income and other eligibility limits and define "active duty."

It is assumed that the related authorizing legislation is passed. 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 reduce school district taxable values reported to the Commissioner of Education by the Comptroller.

Local Government Impact

It is assumed that the related authorizing legislation is passed. Since the resolution 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

LBB Staff: JOB, SD, WP, DLBe