

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 16, 2007

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

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

IN RE: HB358 by McReynolds (Relating to the determination of the amount of the exemption from ad valorem taxation to which a disabled veteran is entitled and to the entitlement of a disabled veteran or surviving spouse to pay ad valorem taxes on the person's residence homestead in installments.), **As Engrossed**

Passage of the bill — and adoption by Texas voters of the proposed constitutional amendment in HJR 37 — could result in a larger property tax exemption for disabled veterans. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Section 11.22 of the Tax Code, relating to the property tax exemption for disabled veterans.

Section 11.22(a) grants a disabled veteran a property tax exemption based on a veteran's disability rating. Under current law, a veteran is entitled to a \$5,000 exemption for a disability rating equal to at least 10 percent but not greater than 30 percent; an exemption of \$7,500 for a disability rating at least 31 percent but not greater than 50 percent; an exemption of \$10,000 for a disability rating at least 51 percent but not greater than 70 percent; and an exemption \$12,000 for a disability rating at least 71 percent or more.

Under the bill, the upper limits for each disability rating would be revised to read "less than" instead of "not greater than." As such, individuals with disability ratings of 30 percent, 50 percent, and 70 percent would qualify for exemptions of \$7,500, \$10,000, and \$12,000, respectively. Currently, they qualify for exemptions of \$5,000, \$7,500, and \$10,000, respectively.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, 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 could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The bill would take effect January 1, 2008, contingent upon passage of a constitutional amendment authorizing the limitation.

Local Government Impact

Passage of the bill — and adoption by Texas voters of the proposed constitutional amendment in HJR 37 — could result in the loss of an undetermined amount of revenue to local taxing units. An undetermined number of disabled veterans could qualify for a greater exemption amount. For example, a disabled veteran who now receives a \$5,000 exemption with a 30 percent disability rating would subsequently receive a \$7,500 exemption.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS