

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

February 27, 2007

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

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

IN RE: HB457 by Rodriguez (Relating to providing notice of residence homestead exemptions from ad valorem taxation to owners of certain residential real property.), **Committee Report 1st House, Substituted**

Passage of the bill could result in additional homeowners utilizing a homestead exemption. 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 Chapter 25 of the Tax Code to require the chief appraiser to send a written notice of the availability of homestead exemptions to real property owners at such time that appraisal value notices are sent.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state. However, to the extent that an undetermined number of homeowners would seek a homestead exemption following receipt of the notice that would be required by this bill, the state could see an undetermined negative fiscal impact due to the operation of the state's school finance system.

School district information indicates that there are approximately 4.7 million single family residences in Texas that qualify for the residence homestead exemption. School districts also reported approximately 6.3 million total single family residences in Texas. Of the approximately 1.6 million single family residences not currently homestead exemption-qualified, some undetermined number are owner-occupied. Certain real property parcels from other property categories (multifamily, farm and ranch improvements, etc) are also owner-occupied.

The bill would take effect January 1, 2008.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. There would be such additional costs for the preparation of the homestead availability letters.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS