

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 7, 2007**

**TO:** Honorable Jim Keffer, Chair, House Committee on Ways & Means

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

**IN RE: HB1494** by Bonnen (Relating to calculation of the ad valorem taxes on the residence homestead of an elderly or disabled person.), **As Introduced**

Passage of the bill would prohibit a 65-and-over or disabled homeowner from moving from one qualified homestead and qualifying for another exemption at a new location. As a result, taxable property values on those properties to which a 65-and-over or disabled homeowner moved mid year would be increased and the related costs to the Foundation School Fund would be decreased.

The bill would repeal Section 26.10(b) of the Tax Code, which requires the appraisal district to prorate a 65-and-over and disabled homestead exemption when a 65-and-over or disabled homeowner on January 1 of the tax year qualifies a subsequent homestead for a residence homestead exemption during the same year.

The bill would amend Section 26.112 of the Tax Code by removing the reference to Section 26.10(b).

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.

Passage of the bill would have the effect of prohibiting a 65-and over or disabled person from moving from one qualified homestead and qualifying for another at a new location, because Section 11.13(h) of the Tax Code provides, "a person may not receive an exemption for more than one residence homestead in the same year." The section that would be repealed is an exception to this general rule.

Repeal of the current proration provision would in effect cause a 65-or-over or disabled exemption to stay with a property for the entire tax year if the person who qualified for the exemption sold that property. Likewise, if the person who qualified for the exemption bought a different homestead, that person could not qualify for a 65-or-over or disabled exemption on the new homestead until January 1 of the next year. As such, this bill would result in an undetermined value gain on those properties to which a 65-or-over or disabled person moved mid year.

This bill would take effect January 1, 2008.

**Local Government Impact**

Since passage of this bill would prohibit a 65-and-over or disabled homeowner from moving from one qualified homestead and qualifying for another exemption at a new location, local units of government would realize a gain in taxable property values and the related ad valorem tax revenue on those properties to which a 65-and-over or disabled homeowner moved mid year.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, CT, SD, SJS