

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 24, 2007

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

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

IN RE: HB2255 by McReynolds (Relating to the ad valorem taxation of the residence homestead of a disabled veteran or the surviving spouse of a disabled veteran.), **As Introduced**

The bill would allow a disabled veteran or surviving spouse thereof who had applied the disabled veteran's property tax exemption to a residence homestead to apply the exemption to a different homestead at any time during a tax year, effective January 1 of that year. As a result, taxable property values could be decreased and the related costs to the Foundation School Fund could be increased.

The bill would amend Chapters 11 and 26 of the Tax Code relating to the ad valorem taxation of the residential homestead of a disabled veteran or a surviving spouse thereof.

The bill would allow a disabled veteran or surviving spouse thereof who had applied the disabled veteran's property tax exemption to a residence homestead to apply the exemption to a different homestead at any time during a tax year, effective January 1 of that year.

The bill would require proration of the disabled veteran's exemption if the exemption were applied to a residence homestead and the homestead terminated during a tax year.

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 is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would decrease, resulting in a decrease in state aid.

The bill would take effect January 1, 2008.

Local Government Impact

Passage of the bill could result in a loss of revenue to local units of government in instances where a disabled veteran applied his or her disabled veteran's property tax exemption to a homestead and applied the exemption to a different homestead during a tax year. The potential revenue loss likely would not be significant.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS