

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: HB2942 by Talton (Relating to the qualification date for a residence homestead exemption from ad valorem taxation.), **As Introduced**

Passage of the bill would allow a person who acquired property after January 1 of a tax year to receive a homestead exemption during that tax 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 in the Tax Code relating to the qualification date of the residence homestead exemption.

The bill would provide that a person who acquired property after January 1 of the tax year would be entitled to receive an exemption authorized by Section 11.13 (homestead exemptions) other than the 65-and-over and disabled school district homestead exemptions and local option homestead exemptions for all taxing units for that entire tax year if the person qualified the property for that exemption during that tax year.

The bill would not change Section 11.42(c) of the Tax Code, which provides for qualification for a 65-and-over homestead exemption for the entire year if the individual qualified for the exemption during the tax year.

The bill would require the proration of a residence homestead exemption if the exemption terminated during the tax year. Current law requires proration of a terminated homestead only for 65-and-over and disabled homestead exemptions.

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 September 1, 2007.

Local Government Impact

Passage of the bill could result in a loss of revenue to taxing units, since current law requires an individual who acquires a home after January 1 to wait until the following tax to qualify for a residence homestead exemption on the home. The amount of revenue loss would depend on the number of persons who acquired real property after January 1 and qualified that property for a

residence homestead exemption after having a previous homestead exemption for another home terminated in the same tax year, coupled with the granting of a homestead exemption on the previous homestead to a subsequent owner. The Comptroller's Property Tax Division does not receive or maintain information from appraisal districts that would be helpful in determining the fiscal impact of this bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS