

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

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

**April 18, 2007**

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

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

**IN RE: HB3067** by Guillen (Relating to a limitation on the total amount of ad valorem taxes that may be imposed by a taxing unit on the residence homestead of an eligible person who is a member of a reserve component of the United States armed forces and is ordered to active military duty.), **As Introduced**

**Passage of the bill would authorize taxing units to adopt a property tax limitation on the homes of persons serving on active duty in the United States armed forces who qualify for a residence homestead exemption. 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 Chapter 11 of the Tax Code to authorize taxing units to adopt a property tax limitation on the homes of persons serving on active duty in the United States armed forces who qualify for a residence homestead exemption.

The limitation could be adopted by a taxing unit's governing body or through an election triggered by the petition of at least five percent of the registered voters in a taxing unit. The limitation would be set at the amount of taxes imposed by the taxing unit in the first year after the year in which the limitation was established. The limitation would be allowed to increase to reflect the value of improvements to the homestead. The limitation would expire on January 1 of the first year that none of the owners of the property qualified for a residence homestead exemption or no longer met the bill's active duty requirements.

The limitation would be restricted to active duty personnel who are members of a reserve component of the armed forces of the United States, including the National Guard, and are deployed or stationed on active duty for any part of a tax year at a location that is at least 60 miles from the individual's residence homestead and have been continuously deployed or stationed on active duty at least the preceding six months, disregarding temporary periods of leave or other absences, at one or more locations each of which is at least 60 miles from the individual's residence homestead.

"Active duty" would be defined as full-time duty in the active military service of the United States, including full-time training duty, annual training duty, and attendance while in the active military service at a school designated as a service school by law or by the secretary of the military department concerned.

The bill would allow transfer of the limitation to a different residence homestead in the same taxing unit.

The bill would make conforming amendments to the Tax Code, the Education Code, and the Government Code.

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, and apply only to ad valorem taxes imposed on or after that date, contingent upon passage of a constitutional amendment authorizing the limitation.

### **Local Government Impact**

The fiscal impact on units of local government would depend on the number of entities adopting the proposed limitation, the number of persons who met the qualifications for the limitation, and the duration of the limitation. The Comptroller's Property Tax Division does not receive or maintain information from taxing units that would be helpful in estimating the potential loss of revenue to local taxing units adopting the proposed limitation.

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

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