

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 1, 2007

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

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

IN RE: HB3667 by Delisi (Relating to the establishment of a limit on the amount of ad valorem taxes that may be imposed on the residence homestead of a disabled or elderly person that is constructed under the federal community development block grant program or a housing rehabilitation program of the Texas Department of Housing and Community Affairs and that replaces the person's former residence homestead.), **Committee Report 1st House, Substituted**

Passage of the bill would provide a property tax limitation on the residence homestead of a disabled person or a person who is 65 years of age or older under certain circumstances. 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 provide a property tax limitation on the residence homestead of a disabled person or a person who is 65 years of age or older.

To qualify, the property would have to consist of a structure built on land that the person previously qualified as part of the person's residence homestead and that was constructed under a housing rehabilitation program of the Texas Department of Housing and Community Affairs, or a successor program administered by that agency or under the federal community development block grant program.

Under the bill, property taxes would not be increased above the amount of taxes imposed by the taxing unit on the person's former residence homestead in the most recent tax year in which the taxing unit imposed taxes on the former residence.

The bill would make conforming amendments to the Tax 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 the 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 and any revenue loss would depend on the number of residence homesteads that would qualify for the proposed limitation and the appraised value of those homesteads. 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