

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

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

**May 16, 2007**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

**IN RE: HJR37** by McReynolds (Proposing a constitutional amendment to authorize a change in the manner of determining the amount of the exemption from ad valorem taxation to which a disabled veteran is entitled.), **As Engrossed**

Since the proposed constitutional amendment would be self-enacting, adoption of the amendment by Texas voters could result in a larger property tax exemption for disabled veterans. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The cost to the state for publication of the resolution is \$77,468.

The resolution would propose an amendment to Article VIII, Section 2(b) of the Texas Constitution, relating to a property tax exemption for disabled veterans.

The State Constitution allows the Legislature to grant a disabled veteran a property tax exemption based on a veteran's disability rating. This provision is implemented in Tax Code Section 11.22(a)

Under the Constitution, the Legislature may grant an exemption of up to \$5,000 if the veteran has a disability rating of 10 percent to 30 percent; an exemption of up to \$7,500 for a disability rating greater than 30 percent to 50 percent; an exemption of up to \$10,000 for a disability rating greater than 50 percent to 70 percent; and an exemption up to \$12,000 for a disability rating of more than 70 percent.

Under the proposed amendment to Article VIII, Section 2(b), the upper limits for each disability rating would be revised to read "less than" instead of "not more than." As such, individuals with disability ratings of 30 percent, 50 percent, and 70 percent could qualify for exemptions of as much as \$7,500, \$10,000, and \$12,000, respectively. Currently, their highest possible exemptions are \$5,000, \$7,500, and \$10,000, respectively.

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 proposed amendment would be submitted to voters at an election to be held November 6, 2007.

**Local Government Impact**

Since the proposed constitutional amendment would be self-enacting, adoption of the amendment by Texas voters could result in the loss of an undetermined amount of revenue to local taxing units. An undetermined number of disabled veterans could qualify for a greater exemption amount. For example, a disabled veteran who now receives a \$5,000 exemption with a 30 percent disability rating would subsequently receive a \$7,500 exemption.

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

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