

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 25, 2007

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

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

IN RE: SB666 by Carona (Relating to an exemption from ad valorem taxation of the residence homesteads of certain totally disabled veterans.), **As Introduced**

Passage of the bill, along with a constitutional amendment, would provide that a disabled veteran classified as having a service-connected disability with a disability rating of 100 percent or of totally disabled would be entitled to a total exemption from property taxes of the veteran's residence homestead. 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 Section 11.13 of the Tax Code to provide that a disabled veteran classified as having a service-connected disability with a disability rating of 100 percent or of totally disabled would be entitled to a total exemption from property taxes of the veteran's residence homestead.

The bill would amend Section 403.302 of the Government Code to provide that property subject to the proposed total exemption would not be considered to be taxable property for purposes of the Comptroller's school district property value study.

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, contingent on passage of a constitutional amendment authorizing the exemption.

Local Government Impact

Passage of the bill and a constitutional amendment authorizing the exemption would result in an undetermined loss of revenue to units of local government. The Comptroller's Property Tax Division receives and maintains information only on the number of disabled veteran exemptions granted and the value loss attributable to those exemptions. The division does not receive information from appraisal districts specifying the number of disabled veterans with a 100 percent disability rating. The amount of revenue loss would depend on the number of disabled veterans receiving a 100 percent disability rating who own residence homesteads.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS