

BILL ANALYSIS

C.S.H.B. 742
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

S.J.R. 29, 80th Legislature, Regular Session, 2007, proposed a constitutional amendment that became Proposition 9 and was approved by over 85 percent of Texas voters in November 2007. The amendment revised Article VIII, Texas Constitution, authorizing the legislature to exempt up to the entire appraised value of a totally disabled veteran's residence homestead for purposes of property taxation. The amendment also aligned the eligibility requirements for the state's property tax exemptions with federal disability ratings. S.B. 666, 80th Legislature, Regular Session, 2007, which was to have been the enabling legislation for S.J.R. 29, did not pass.

C.S.H.B. 742 implements the changes made to the Texas Constitution authorized by the voters in Proposition 9 in 2007. Specifically, the bill amends the Tax Code to grant an exemption from taxation of the total appraised value of a veteran's residence homestead to a veteran who receives 100 percent compensation due to a service-connected disability or a combination of disability and unemployability. Additionally, the bill amends the disability ratings used in the current table of disabled veteran property tax exemptions to match the changes made to Article VIII of the constitution as a result of the passage of Proposition 9 in 2007.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 742 amends the Tax Code to entitle a disabled veteran to an exemption from property taxation of the total appraised value of the veteran's residence homestead if the veteran receives from the U.S. Department of Veterans Affairs, or its successor, 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability. The bill establishes that the entitlement to the exemption from property taxation for a 100 percent disabled veteran applies to a tax year beginning on or after January 1, 2009. The bill establishes that such an exemption, once allowed, need not be claimed in subsequent years, and that the exemption applies to the property until it changes ownership or the person's qualification for the exemption changes. The bill, however, provides that the chief appraiser may require a person allowed such an exemption to file a new application to confirm qualification for the exemption. The bill specifies that the chief appraiser's requirement to accept and approve or deny a late application for a residence homestead exemption, if filed not later than one year after the tax delinquency date, includes an application for a disabled veteran's residence homestead exemption.

C.S.H.B. 742 revises the disability rating schedule to increase, from \$5,000 to \$7,500, the property tax exemption for a property designated by a veteran with a disability rating of 30 percent, and to increase, from \$7,500 to \$10,000, the exemption for a property designated by a veteran with a disability rating of 50 percent, and from \$10,000 to \$12,000, the exemption for

property designated by a veteran with a disability rating of 70 percent.

C.S.H.B. 742 amends the Government Code to remove residence homesteads owned by veterans with a disability rating of 100 percent from being included as taxable property in the comptroller's annual determination of school district property values.

C.S.H.B. 742 makes its provisions applicable to a tax year beginning on or after January 1, 2009.

C.S.H.B. 742 defines "disabled veteran" and "residence homestead" by reference.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 742 differs from the original by adding a provision establishing that the property taxation exemption entitled to a veteran receiving 100 percent disability compensation applies to the property until the property changes ownership or the person's qualification for the exemption changes and that such exemption, once allowed, need not to be claimed in subsequent years, although a chief appraiser may require a new application to reconfirm qualification for the exemption.

C.S.H.B. 742 adds a provision, not in the original, specifying that an application for a disabled veteran's residence homestead exemption is included in the types of late applications that the chief appraiser is required to approve or deny if the late application is filed not later than one year after the tax delinquency date.

C.S.H.B. 742 differs from the original by applying the exemption to a tax year beginning on or after January 1, 2009, rather than beginning on or after January 1, 2010, as in the original. The substitute also differs from the original by changing the effective date of the bill.