

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 11, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: **HB209** by Bohac (Relating to the determination of the appraised value of a residence homestead for ad valorem taxation.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB209, As Introduced: a negative impact of (\$174,249,000) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	(\$174,249,000)
2012	(\$235,723,000)
2013	(\$270,985,000)
2014	(\$281,972,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts - Net Impact	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Cities
2010	\$0	\$0	\$0	\$0
2011	(\$174,249,000)	(\$57,974,000)	(\$68,146,000)	(\$77,811,000)
2012	(\$235,723,000)	(\$56,581,000)	(\$85,145,000)	(\$96,962,000)
2013	(\$270,985,000)	(\$64,745,000)	(\$97,060,000)	(\$110,241,000)
2014	(\$281,972,000)	(\$65,902,000)	(\$99,802,000)	(\$113,063,000)

Fiscal Analysis

The bill would amend Chapters 23 and 25 of the Tax Code, regarding property appraisal.

The bill would change the requirements for a periodic reappraisal plan as it applies to residential homesteads. Under the bill, residence homesteads could be reappraised not more than once every two years. In addition, the appraised value of a residence homestead could not be increased in a year in which the property was not reappraised. These restrictions would not apply in a year in which a limitation on the appraised value of a homestead expired. An owner of a residence homestead would be entitled to a reappraisal upon written request to the appraisal district.

The bill would amend Chapter 403 of the Government Code, to make conforming changes to provisions governing the Comptroller's Property Value study.

The bill would be effective January 1, 2010, and would apply only to the tax year that begins on or after the effective date.

### **Methodology**

The growth in homestead value was projected based on historical information from appraisal districts. Under the bill, appraisal districts would only be able to capture the value growth every other year. The lost growth in non-reappraisal years would translate into taxing unit revenue losses and increased state allocations to school districts.

For the purpose of this estimate, it was assumed that half of appraisal districts would be constrained from reappraising in 2010, the first year the bill would be in effect, because of a 2009 reappraisal. The other half would be constrained from reappraising in 2011. In either case, appraisal districts would not reappraise in the following year under the bill's requirements. In effect, the state's tax base would lose half the homestead value growth each year from fiscal 2011 forward.

An additional cost would be created by the homeowner's option to request a reappraisal in a non-reappraisal year. Because homeowners whose homes are losing value would request reappraisals while other homeowners would not, taxing units would lose value in a non-reappraisal year. It was assumed that newly constructed homesteads would be appraised and added to the roll each year as they are completed, reducing the cost.

The appropriate trended taxing unit rates were applied to the trended value losses to estimate revenue losses to cities and counties. Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), the portion of the cost related to school district compressed rates is transferred to the state. A portion of the school district debt (facilities funding) and enrichment costs is also transferred to the state after a one-year lag because of the operation of the funding formulas. All costs were estimated over the five year projection period.

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 growth of the equalized yield on those enrichment pennies would slow, resulting in slower growth in state aid.

The Comptroller's office indicates that limiting the reappraisal of homesteads to once every other year could conflict with the constitutional requirement of equal and uniform taxation.

### **Local Government Impact**

The fiscal implication to units of local government is reflected in the above table.

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

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