

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 10, 2009

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

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

IN RE: HB637 by Guillen (Relating to the authority of the governing body of a taxing unit to adopt a local option residence homestead exemption from ad valorem taxation of not less than \$5,000 or more than \$30,000.), **As Introduced**

The bill would have a fiscal impact on the state associated with facilities and enrichment funding if school districts switch from the current optional percentage exemption to the new exemption resulting in value losses, and if the state funds one half of the optional exemptions as it is currently permitted to do.

The bill would amend the Tax Code to allow taxing units to adopt a local option residence homestead exemption from ad valorem taxation of at least \$5,000 and not more than \$30,000. This would be in lieu of the percentage local option exemption, which may not exceed 20 percent.

The bill would make conforming amendments to school finance provisions. Current school finance formulas provide for facilities and enrichment funding for one-half of the optional exemptions to the extent funds are available. As a result the proposed bill could cause a state fiscal impact on facilities and enrichment funding.

There would be no impact to the state through the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006) because the bill would direct the commissioner of education to adjust hold-harmless payments to offset any increase that otherwise would have accrued to school districts. The bill would be effective January 1, 2010, contingent on the adoption of a constitutional amendment which would be submitted to voters at an election to be held November 3, 2009.

Local Government Impact

A homestead exemption of \$30,000 could exceed the amount exempted by the current percentage homestead exemption in some local taxing units. To the extent that these local taxing units switch from the percentage homestead exemption to the new exemption or adopt the new exemption for the first time in lieu of the percentage exemption, the proposed bill would create a cost to local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS