LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 25, 2009

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

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

IN RE: **HB770** by Howard, Donna (Relating to the ad valorem taxation of a residence homestead that is rendered uninhabitable or unusable by a casualty or by wind or water damage.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would add new Section 11.135 to the Tax Code to require the continuation of a homestead exemption when a residence is under repair following an event that rendered the residence uninhabitable or unusable. The owner would be required to begin repairs within one year, and the exemption would be limited to two years.

The bill would impose an additional tax to recapture the difference between the amount that would have been taxed and the amount actually taxed with the exemption if the owner sells the property before the completion of a replacement qualified residential structure. The bill would require a lien to be attached to the property to secure payment of the additional tax and interest. The Comptroller would adopt rules and forms to implement this new section.

The bill would make conforming amendments to continue the limitation on tax increases during the construction period and to exclude covered renovations from treatment as improvements for the purpose of calculating any limitation on tax increases.

The extent to which homeowners would return to damaged and uninhabitable residences is unknown. The extent to which appraisal districts are discontinuing homestead exemptions and homestead tax increase limitations on damaged and uninhabited homesteads is also unknown. To the extent that property tax exemptions and limitations would be continued under the bill that would have been removed under current law, there would be a loss to taxing units and to the state. The overall fiscal impact on the state and local taxing units would be insignificant.

The bill would take effect January 1, 2010, and would only apply to ad valorem taxes imposed for a tax year beginning on or after the effective date.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS