

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 24, 2009**

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

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

**IN RE: HB1155** by McReynolds (Relating to the ad valorem taxation of the residence homestead of a disabled veteran or the surviving spouse of a disabled veteran.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1155, As Introduced: a negative impact of (\$234,000) 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	(\$234,000)
2012	(\$304,000)
2013	(\$324,000)
2014	(\$341,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts - Net Impact</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2010	\$0	\$0	\$0	\$0
2011	(\$234,000)	(\$77,000)	(\$69,000)	(\$66,000)
2012	(\$304,000)	(\$72,000)	(\$92,000)	(\$88,000)
2013	(\$324,000)	(\$74,000)	(\$111,000)	(\$105,000)
2014	(\$341,000)	(\$80,000)	(\$116,000)	(\$110,000)

**Fiscal Analysis**

The bill would amend the Tax Code to allow disabled veterans, or their surviving spouses, to transfer residence homestead exemptions from one residence homestead to another.

If the disabled veteran's homestead exemption is transferred, the exemption amount on the former homestead would be prorated, and the exemption amount on the new residence homestead would be as if it had qualified on January 1 of the year the new residence is acquired. The bill would establish a method for prorating taxes under these circumstances. The bill also allows for corrections to tax bills and refunds if the transfer of the exemption takes place after tax bills are mailed or paid.

The bill would take effect January 1, 2010.

### **Methodology**

Currently, veterans qualify for exemptions January 1, of the year following acquisition of property. The bill would allow transfer of exemptions on existing residence homesteads to new homesteads. The existing exemption would be prorated for the portion of the year it qualified. The exemption on the new residence would be calculated as if the property was owned on January 1 of the year of acquisition. Therefore the veteran would receive more of an exemption in the year of the transfer.

In 2008 it was reported that 189,075 veterans qualified for exemptions, and the average veteran exemption was \$8,800. The number of exemptions was estimated to increase by 4.2 percent, the average increase in previous seven years. This average exemption was assumed to be prorated for one half of the year. The value loss was trended through the projection period, and trended school district tax rates were applied to estimate the cost of the exemption.

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 districts' debt 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.

### **Local Government Impact**

The estimated 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