

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 17, 2009

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

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

IN RE: HB1172 by Martinez, "Mando" (Relating to an exemption from ad valorem taxation of the residence homesteads of certain partially disabled veterans.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1172, As Introduced: a negative impact of (\$99,033,000) 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	(\$99,033,000)
2012	(\$121,204,000)
2013	(\$136,365,000)
2014	(\$153,429,000)

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	(\$99,033,000)	(\$32,949,000)	(\$38,730,000)	(\$44,223,000)
2012	(\$121,204,000)	(\$27,648,000)	(\$43,359,000)	(\$49,377,000)
2013	(\$136,365,000)	(\$32,361,000)	(\$48,779,000)	(\$55,403,000)
2014	(\$153,429,000)	(\$37,751,000)	(\$54,848,000)	(\$62,136,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code to provide that a disabled veteran who has a disability rating, as defined in Section 11.22 of the Tax Code, of less than 100 percent is entitled to an exemption from taxation of a percentage of the appraised value of the disabled veteran's residence homestead equal to the disabled veteran's disability rating. The bill does not affect any exemptions under current law.

The bill would amend Chapter 403 of the Government Code to make conforming changes in the Comptroller's property value study.

The bill will take effect January 1, 2010, contingent upon the passage of a constitutional amendment to be submitted to voters at an election to be held November 3, 2009.

Methodology

The number of veterans with a disability rating of less than 100 percent that own homesteads was estimated based on information from appraisal districts and trended through the five year projection period. The number of qualifying veterans in each year was multiplied by the projected average appraised value of veterans' homesteads and by an estimated average disability rating to develop an annual taxable value loss in each year of the projection period. The applicable projected tax rates were applied to estimate the levy loss to cities and counties, and to estimate the initial school district loss.

Because of the operation of the hold harmless provisions of HB 1, 79th Legislature (2006), the school district cost related to the compressed rate is transferred to the state. Portions of the enrichment cost and the school district debt (facilities) cost are also transferred to the state after a one-year lag because of the operation of the enrichment and facilities 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 fiscal implication to units of local government is reflected in the above table and is contingent upon passage of a constitutional amendment authorizing the exemption.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS