

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 11, 2009

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

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

IN RE: HB2878 by Sheffield (Relating to the establishment for purposes of ad valorem taxation of an initial limit on the appraised value of the residence homestead of a disabled or elderly person that was rehabilitated or constructed as a replacement residence under the federal community development block grant program or a housing rehabilitation program of the Texas Department of Housing and Community Affairs.), **Committee Report 1st House, Substituted**

Contingent on the passage of a proposed constitutional amendment, the bill would limit appraised value increases for disabled persons or persons 65 or older who own a residential homestead rehabilitated or constructed under certain federal and state programs on land that previously qualified as part of a residence homestead. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

Contingent on the passage of a proposed constitutional amendment, the bill would limit appraised value increases for disabled persons or persons 65 or older who own a residential homestead rehabilitated or constructed under certain federal and state programs on land that previously qualified as part of a residence homestead. The limitation would apply in the first year after the homestead was rehabilitated or constructed. The property value in that year would be the lesser of the market value or 110 percent of the appraised value for the preceding tax year. The limitation expires on January 1 if none of the current owners owned the property when built under the federal or state programs specified.

The bill would include the appraised value limitation in calculations necessary to determine tax rates of units of local government and as deductions from taxable value used in school funding formulas.

Currently, disabled persons or persons 65 or older can qualify for a tax ceiling on their residence homestead that limits the taxes imposed to no greater than those imposed in the first year of qualification. However, improvements are not covered by the tax ceiling and increase the taxes in the year they are added. Contingent on a constitutional amendment, the bill would limit the value contributed by improvements to 10 percent of the previous year's appraised value if the improvements are built under certain federal or state programs. Improvements in subsequent years would be subject to the general rule and added to the taxable value.

Since data is not available about the potential number of participants in the programs or the value of new homesteads that might be constructed, the fiscal impact cannot be estimated.

The bill would take effect January 1, 2010, contingent on the passage of a constitutional amendment.

Local Government Impact

Contingent on the passage of a proposed constitutional amendment, the bill would limit appraised value increases for disabled persons or persons 65 or older who own a residential homestead rehabilitated or constructed under certain federal and state programs on land that previously qualified as part of a residence homestead. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced. Since data is not available about the potential number of participants in the programs or the value of new homesteads that might be constructed, the fiscal impact cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS