LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 8, 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 of a limit on the amount of ad valorem taxes that may be imposed on the residence homestead of a disabled or elderly person that is constructed under the federal community development block grant program or a housing rehabilitation program of the Texas Department of Housing and Community Affairs and that replaces the person's former residence homestead.), **As Introduced**

Passage of the bill would create a property tax ceiling for disabled persons or persons 65 or older who own a residential homestead constructed under certain federal and state programs during the year the property is covered by the program. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill creates a property tax ceiling for disabled persons or persons 65 or older who own a residential homestead constructed under certain federal and state programs on land that previously qualified as part of a residence homestead. The tax ceiling will not exceed the amount of taxes imposed on the former residence homestead. If improvements are made to the residence homestead, a new tax ceiling will be established based on the increased value attributable to the improvements.

The limitation expires on January 1 if none of the current owners owned the property when built under the federal or state programs specified. If it is discovered that these properties were erroneously allowed a residence homestead exemption, the back taxes due will be the difference between what should have been imposed and what was imposed under these new provisions.

The bill also allows these tax ceilings to be included in determining separate appraisals of cooperative housing corporations based on stockholder interests under Section 23.19.

The bill includes these tax ceilings in calculations necessary to determine effective 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 limit and increase the taxable base in the year they are added. The bill would exclude the value of improvements for constructing a new homestead residence during the year the property is covered by the program. 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 program or the value of new homestead residences 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

Passage of the bill would create a property tax ceiling for disabled persons or persons 65 or older who own a residential homestead constructed under certain federal and state programs during the year the property is covered by the program. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JOB, MN, SD, SJS