

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 19, 2009

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

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

IN RE: HB3613 by Otto (Relating to the determination of the market value of a residence homestead for ad valorem tax purposes on the basis of the property's value as a residence homestead.),
As Engrossed

Passage of the bill would reduce appraised values for homesteads in areas that are in transition from residential to a more valuable use. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Chapter 23 of the Tax Code to require that the market value of a residence homestead be determined solely on the basis of its use as a homestead and not at its highest and best use.

According to the Comptroller of Public Accounts, the vast majority of residence homesteads are at their highest and best use. Only homesteads in areas that are in transition from residential to a more valuable use (such as commercial) and are allowed by local zoning to make that transition would be affected by this bill. The bill would reduce appraised values for those residence homesteads, but information about the number and value of such homesteads is unavailable. As a result, the fiscal impact of the bill cannot be estimated.

The bill would take effect January 1, 2010, and would apply only to an ad valorem tax year beginning on or after that date, contingent upon passage of a constitutional amendment authorizing the exemption.

Local Government Impact

Passage of the bill would reduce appraised values for homesteads in areas that are in transition from residential to a more valuable use. 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