

SENATE AMENDMENTS

2nd Printing

By: Otto, Oliveira, Paxton, Taylor, Peña,
et al.

H.B. No. 3613

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the determination of the market value of a residence
3 homestead for ad valorem tax purposes on the basis of the property's
4 value as a residence homestead.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 23.01, Tax Code, is amended by adding
7 Subsection (c) to read as follows:

8 (c) The market value of a residence homestead shall be
9 determined solely on the basis of the property's value as a
10 residence homestead, regardless of whether the residential use of
11 the property by the owner is considered to be the highest and best
12 use of the property.

13 SECTION 2. This Act takes effect only if the constitutional
14 amendment proposed by the 81st Legislature, Regular Session, 2009,
15 authorizing the legislature to provide for the ad valorem taxation
16 of a residence homestead solely on the basis of the property's value
17 as a residence homestead is approved by the voters. If that
18 amendment is not approved by the voters, this Act has no effect.

19 SECTION 3. This Act applies only to an ad valorem tax year
20 that begins on or after the effective date of this Act.

21 SECTION 4. This Act takes effect January 1, 2010.

ADOPTED

MAY 25 2009

Letty Spaw
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: *Chun*
J-J. Heng

1 Amend H.B. No. 3613 by adding the following appropriately
2 numbered SECTION to the bill and renumbering subsequent SECTIONS of
3 the bill accordingly:

4 SECTION _____. (a) Subchapter B, Chapter 11, Tax Code, is
5 amended by adding Section 11.131 to read as follows:

6 Sec. 11.131. RESIDENCE HOMESTEAD OF 100 PERCENT OR TOTALLY
7 DISABLED VETERAN. (a) In this section:

8 (1) "Disabled veteran" has the meaning assigned by
9 Section 11.22.

10 (2) "Residence homestead" has the meaning assigned by
11 Section 11.13.

12 (b) A disabled veteran who receives from the United States
13 Department of Veterans Affairs or its successor 100 percent
14 disability compensation due to a service-connected disability and a
15 rating of 100 percent disabled or of individual unemployability is
16 entitled to an exemption from taxation of the total appraised value
17 of the veteran's residence homestead.

18 (b) Subsection (a), Section 11.22, Tax Code, is amended to
19 read as follows:

20 (a) A disabled veteran is entitled to an exemption from
21 taxation of a portion of the assessed value of a property the
22 veteran owns and designates as provided by Subsection (f) [~~of this~~
23 ~~section~~] in accordance with the following schedule:

24 an exemption of	for a disability rating of	
25 up to:	at least:	but <u>less</u> [not greater] than:
26 \$5,000 of the	10%	30%
27 assessed value		
28 7,500	<u>30</u> [31]	50
29 10,000	<u>50</u> [51]	70

1 12,000 70 [~~71~~] and over

2 (c) Subsection (c), Section 11.43, Tax Code, is amended to
3 read as follows:

4 (c) An exemption provided by Section 11.13, 11.131, 11.17,
5 11.18, 11.182, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j),
6 or (j-1), 11.29, 11.30, or 11.31, once allowed, need not be claimed
7 in subsequent years, and except as otherwise provided by Subsection
8 (e), the exemption applies to the property until it changes
9 ownership or the person's qualification for the exemption changes.
10 However, the chief appraiser may require a person allowed one of the
11 exemptions in a prior year to file a new application to confirm the
12 person's current qualification for the exemption by delivering a
13 written notice that a new application is required, accompanied by
14 an appropriate application form, to the person previously allowed
15 the exemption.

16 (d) Subsection (a), Section 11.431, Tax Code, is amended to
17 read as follows:

18 (a) The chief appraiser shall accept and approve or deny an
19 application for a residence homestead exemption, including a
20 disabled veteran residence homestead exemption, after the deadline
21 for filing it has passed if it is filed not later than one year after
22 the delinquency date for the taxes on the homestead.

23 (e) Section 403.302, Government Code, is amended by adding
24 Subsection (d-1) to read as follows:

25 (d-1) For purposes of Subsection (d), a residence homestead
26 that receives an exemption under Section 11.131, Tax Code, in the
27 year that is the subject of the study is not considered to be
28 taxable property.

29 (f) Section 11.131, Tax Code, as added by this Act, applies
30 to a tax year beginning on or after January 1, 2009.

31 (g) This section takes effect immediately if this Act

1 receives a vote of two-thirds of all the members elected to each
2 house, as provided by Section 39, Article III, Texas Constitution.
3 If this Act does not receive the vote necessary for immediate
4 effect, this section takes effect September 1, 2009.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 25, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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 Passed 2nd House

Estimated Two-year Net Impact to General Revenue Related Funds for HB3613, As Passed 2nd House: a negative impact of (\$11,421,000) through the biennium ending August 31, 2011.

Passage of the bill would also 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 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	(\$11,421,000)
2012	(\$13,884,000)
2013	(\$15,502,000)
2014	(\$17,314,000)

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	(\$11,421,000)	(\$3,800,000)	(\$4,467,000)	(\$5,100,000)
2012	(\$13,884,000)	(\$3,155,000)	(\$4,963,000)	(\$5,652,000)
2013	(\$15,502,000)	(\$3,663,000)	(\$5,541,000)	(\$6,293,000)
2014	(\$17,314,000)	(\$4,243,000)	(\$6,185,000)	(\$7,006,000)

Fiscal Analysis

The bill would implement the provisions of Section 1-b(i), Article VIII, of Texas Constitution, to authorize a totally disabled veteran to receive an exemption of 100 percent of the appraised value of the veteran's residence homestead.

In addition, the bill would conform the bracket limit points for veterans with disability ratings to the limit points provided in Section 2(b), Article VIII of the Texas Constitution.

The bill would also make conforming amendments requiring the deduction of the value lost to the new exemption in the Comptroller's property value study.

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.

Methodology

The number of 100 percent disabled veterans that own homesteads was estimated based on information from appraisal districts and trended through the five year projection period. The number of disabled veterans in each year was multiplied by the projected average taxable value of veterans' homesteads 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 net school district loss.

The mechanics of the school finance system would transfer the costs related to the compressed tier funding to the state and would transfer a portion of the debt (facilities funding) and enrichment costs to the state, reducing the fiscal impact to school districts.

The bill would 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.

There would be no significant cost to conforming the disabled veteran bracket point limits to the limit points provided in Section 2(b), Article VIII of the Texas Constitution.

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.

Local Government Impact

Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), the school district revenue losses would increase state costs in the Foundation School Program compressed tier. Portions of the enrichment cost and the school district debt (facilities) cost would also be 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.

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

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

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 1, 2009

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

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 Introduced

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

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

TAX/FEE EQUITY NOTE

81ST LEGISLATIVE REGULAR SESSION

April 1, 2009

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

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 Introduced

Because the bill would not create or impact a state tax or fee, no comment from this office is required by the rules of the House as to the general effects of the proposal on the distribution of tax and fee burdens among individuals and businesses.

Source Agencies:

LBB Staff: JOB, MN

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