

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 4, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB469 by Callegari (Relating to the calculation of ad valorem taxes on the residence homestead of a 100 percent or totally disabled veteran for the tax year in which the veteran qualifies or ceases to qualify for an exemption from taxation of the homestead.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB469, As Introduced: a negative impact of (\$1,282,000) through the biennium ending August 31, 2013.

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
2012	\$0
2013	(\$1,282,000)
2014	(\$1,596,000)
2015	(\$1,744,000)
2016	(\$1,903,000)

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
2012	\$0	\$0	\$0	\$0
2013	(\$1,282,000)	(\$449,000)	(\$500,000)	(\$557,000)
2014	(\$1,596,000)	(\$274,000)	(\$537,000)	(\$598,000)
2015	(\$1,744,000)	(\$318,000)	(\$590,000)	(\$656,000)
2016	(\$1,903,000)	(\$360,000)	(\$644,000)	(\$715,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding property taxation, to add total exemptions on the homesteads of 100 percent disabled veterans to the exemptions that take effect on January 1 of the year the owner qualifies for the exemption and remain in effect for the entire year.

The bill would harmonize the tax calculation required under Section 26.112 of the Tax Code with this bill's proposed new language. The bill also would amend Section 26.10(b) of the Tax Code to provide that if an exemption authorized by Section 11.131 of the Tax Code terminated during a tax year and if

the owner of the property qualifies a different property for the exemption during the same tax year, the tax exemption on the former homestead would be based only on the portion of the year the owner qualified for the exemption on that homestead (prorated).

The bill would take effect September 1, 2011.

Methodology

The bill's provision that would grant the total exemption for 100 percent disabled veterans on January 1 of the year in which the veteran qualifies for the exemption instead of the following January 1 would have the effect of granting the exemption one year earlier than under current law which would create a cost to school districts, other local governments, and to the state through the operation of the school funding formula.

The bill's provision that would require the proration of the exemption for a new owner of a homestead that had qualified for the exemption under the previous owner would create a gain for school districts, other local governments, and the state.

The annual number of new 100 percent disabled veteran homestead exemptions was estimated and multiplied by the average taxable value of veterans' homesteads each year to estimate the taxable value loss to earlier qualification in each year. The gain from the proration was estimated based on information from MLS and from appraisal districts and used to partially offset the losses to the earlier qualification.

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, Third Called Session (2006) the school district cost related to the compressed rate is transferred to the state. The enrichment cost and a portion of the school district debt (facilities) cost are 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.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD, SJS