

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 11, 2011**

**TO:** Honorable David Dewhurst, Lieutenant Governor, Senate

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

**IN RE: SB201** by Uresti (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 Passed 2nd House**

**The reduced appraisal (30 percent of market value) on certain homesteads of qualified veterans with a disability rating of 50 percent or greater would create a cost to the state through the operation of the school funding formula.**

**The prorations proposed by the bill would cause a property tax levy gain to taxing units when a qualified disabled veteran moves from his old homestead and would cause an offsetting property tax levy loss when the veteran moves into a new homestead. Because the gains and losses associated with the prorations are substantially equal, there would be no fiscal impact on the state.**

The bill would amend Chapters 11 and 26 of the Tax Code, regarding property taxation, to require that the total property tax exemption of homesteads of 100 percent or totally disabled veterans be prorated when the exemption terminates during the year, and when the exemption begins during the year. The proration, in both instances, would allow the exemption only for the portion of the year that the disabled veteran owns the homestead.

The bill would also amend Chapter 23 of the Tax Code to require a reduced property tax appraisal on certain homesteads of veterans who receive a disability rating of 50 percent or greater from the United States Department of Veteran Affairs or its successor. A qualified veteran's homestead would be appraised at 30 percent of its market value if it was donated by, and legal title transferred from, a charitable organization described by Section 11.18(c) of the Tax Code.

Under current law the total property tax exemption for qualified disabled veterans takes effect on the January 1 following the date on which the veteran qualifies for the exemption and remains in place for the entire year regardless of the portion of the year the qualified veteran owns the property. The exemption does not commence on the date the qualified veteran moves into the homestead and does not terminate on the date the veteran moves from the homestead. The prorations proposed by the bill would cause a property tax levy gain to taxing units when a qualified disabled veteran moves from his old homestead and would cause an offsetting property tax levy loss when the veteran moves into a new homestead. Because the gains and losses are substantially equal, there would be no fiscal impact on units of local government or the state.

The reduced appraisal (30 percent of market value) on certain homesteads of qualified veterans with a disability rating of 50 percent or greater would create a cost to local taxing units and to the state through the operation of the school funding formula. The number and value of homesteads that would be given to qualified veterans by charitable organizations under the terms of the bill is unknown. Consequently, the fiscal impact on local taxing units and the state cannot be estimated.

The bill would take effect on January 1, 2012.

**Local Government Impact**

The reduced appraisal (30 percent of market value) on certain homesteads of qualified veterans with a disability rating of 50 percent or greater would create a revenue loss to local taxing units.

The prorations proposed by the bill would cause a property tax levy gain to local taxing units when a qualified disabled veteran moves from his old homestead and would cause an offsetting property tax levy loss when the veteran moves into a new homestead. Because the gains and losses associated with the prorations are substantially equal, there would be no fiscal impact on units of local government.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, KK, SD, SJS