

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 28, 2011

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

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

IN RE: SB1205 by Jackson (Relating to the application of the limit on appraised value of a residence homestead for ad valorem tax purposes to an improvement that is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Section 23.23 of the Tax Code, regarding property taxation, which requires a 10 percent per year limitation on increases in the appraised value of a residence homestead. In instances that a structure is replaced because of wind, water, or casualty damage that rendered the property unusable, the bill would provide that a replacement structure is not considered a new improvement if the square footage of the replacement exceeds the square footage of the original structure or the exterior quality of the replacement exceeds the quality of the original structure because of a building code, fire code, or local ordinance requirement or because of a requirement of a government assistance program that provided funding for the construction of the replacement structure. Under current law, the replacement structure would be considered a new improvement if the square footage or exterior quality increased and would consequently be excluded from the appraised value limitation and appraised at market value.

The bill would require that the limitation on the appraised value of a residence homestead be applied to certain replacement properties that would otherwise be appraised at market value and, as a result, the bill would create a fiscal cost to local taxing units and to the state through the operation of the school funding formula. Because the bill would only apply to replacements for damaged properties that are unusable, and only in instances in which an increased square footage or exterior quality is required by a local ordinance or code, the fiscal impact on the state and units of local government would not be significant.

The bill would take effect January 1, 2012.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD, SJS