

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 15, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB97** by Perry (Relating to the exemption from ad valorem taxation of part of the appraised value of the residence homestead of a partially disabled veteran or the surviving spouse of a partially disabled veteran if the residence homestead was donated to the disabled veteran by a charitable organization and to the eligibility of the surviving spouse of a person who is disabled to receive a limitation on school district ad valorem taxes on the person's residence homestead.), **As Engrossed**

The property tax homestead exemption proposed by Article 1 of the bill would create a cost to the state through the operation of the school funding formulas. However, those fiscal impacts are not expected to be significant.

The proposed constitutional amendment (HJR 72) associated with Article 2 of the bill is self-enabling. Consequently, the fiscal impact of the transfer of tax ceilings to surviving spouses of certain disabled persons is shown in the fiscal note for HJR 72.

Article 1 of the bill would amend Chapters 11 (taxable property and exemptions), 26 (assessment), and 31 (collections) of the Tax Code, regarding property taxation.

Article 1 would require a property tax exemption equal to a disabled veteran's disability rating (if less than 100 percent) on the disabled veteran's residence homestead if the homestead was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran. The bill would extend the exemption to the surviving spouse of a disabled veteran who died after qualifying for the exemption if the surviving spouse has not remarried, the property was the homestead of the surviving spouse when the disabled veteran died, and remains the residence homestead of the surviving spouse. The bill would grant a surviving spouse qualified for the exemption the same dollar amount of exemption on a subsequent homestead if the surviving spouse has not remarried.

Article 1 would provide that the exemption is retroactive to January 1 of the year in which the disabled veteran qualifies for the exemption and would add a disabled veteran qualified for the proposed exemption to the list of individuals who may pay property taxes in four installments.

Article 2 of the bill would amend Section 11.26 of the Tax Code to transfer a school district property tax limitation (tax ceiling) to the surviving spouses of deceased disabled persons who were qualified at time of death for the \$10,000 exemption for persons who are at least 65 years of age or disabled. A surviving spouse would be required to be 55 years of age or older and meet

certain other requirements. Current law grants the tax ceiling transfer only to surviving spouses of persons over 65 years of age who had been qualified for the exemption.

Article 1 of the bill would take effect on January 1, 2014, but only if the constitutional amendment proposed by the 83rd Legislature, Regular Session (2013) authorizing the Legislature to provide for an exemption from ad valorem taxation of part of the market value of the residence homestead of a partially disabled veteran or the surviving spouse of a partially disabled veteran if the residence homestead was donated to the disabled veteran by a charitable organization is approved by the voters. If that amendment is not approved by the voters, Article 1 would have no effect.

Data are not available on the number of homesteads that will be donated by charitable organizations to disabled veterans who have less than a 100 percent disability rating. A website search revealed that most veterans receiving homes from charitable organizations are 100 percent disabled. Homesteads of 100 percent disabled veterans or their surviving spouses are already totally exempt under current law.

The property tax homestead exemption proposed by Article 1 of the bill would create a cost to school districts, other units of local government, and to the state through the operation of the school funding formulas. However, those fiscal impacts are not expected to be significant.

The proposed constitutional amendment (HJR 72) associated with Article 2 of the bill is self-enabling. Consequently, the fiscal impact of the transfer of tax ceilings to surviving spouses of certain disabled persons is shown in the fiscal note for HJR 72.

Article 2 of the bill would take effect on January 1, 2014, but only if the constitutional amendment proposed by the 83rd Legislature, Regular Session (2013) allowing the surviving spouse of a person who is disabled to receive a limitation on school district ad valorem taxes on the person's residence homestead if the spouse is 55 years of age or older at the time of the person's death is approved by the voters. If that amendment is not approved by the voters, Article 2 would have no effect.

Local Government Impact

The property tax homestead exemption proposed by Article 1 of the bill would create a cost to school districts and other units of local government. However, those fiscal impacts are not expected to be significant.

The proposed constitutional amendment (HJR 72) associated with Article 2 of the bill is self-enabling. Consequently, the fiscal impact of the transfer of tax ceilings to surviving spouses of certain disabled persons is shown in the fiscal note for HJR 72.

Source Agencies: 304 Comptroller of Public Accounts

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