

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 25, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB214 by Pickett (Relating to the exemption from ad valorem taxation of the total appraised value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB214, As Introduced: a negative impact of (\$3,856,000) through the biennium ending August 31, 2015.

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
2014	\$0
2015	(\$3,856,000)
2016	(\$8,550,000)
2017	(\$8,579,000)
2018	(\$8,633,000)

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</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2014	\$0	\$0	\$0	\$0
2015	(\$3,856,000)	(\$6,125,000)	(\$3,043,000)	(\$3,372,000)
2016	(\$8,550,000)	(\$1,482,000)	(\$3,048,000)	(\$3,383,000)
2017	(\$8,579,000)	(\$1,552,000)	(\$3,067,000)	(\$3,410,000)
2018	(\$8,633,000)	(\$1,598,000)	(\$3,086,000)	(\$3,437,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2014	\$0
2015	(\$2,224,000)
2016	(\$2,226,000)
2017	(\$2,238,000)
2018	(\$2,250,000)

Fiscal Analysis

This bill would amend Section 11.131 of the Tax Code, regarding property taxes, taxable property, and exemptions, to grant a total property tax exemption on the residence homestead of a surviving spouse of a deceased 100 percent disabled veteran who would have qualified for a total homestead exemption under Section 11.131(b) had that provision been in effect on the date the veteran died if (1) the surviving spouse has not remarried since the death of the disabled veteran; and (2) the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse.

This bill would take effect 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 all or part of the market value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran who died before the law authorizing a residence homestead exemption for such a veteran took effect is approved by the voters. If that amendment is not approved by the voters, the bill would have no effect.

Methodology

The number of surviving spouses who would qualify under the bill was estimated based on information from appraisal districts, the U.S. Census Bureau, the Center for Disease Control and the U.S. Department of Veterans Affairs. The number of spouses who would qualify 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 special districts, cities and counties, and to estimate the initial school district loss. Because of the operation of the hold harmless provisions of the Education Code, about 60 percent of the school district cost related to the compressed rate would be transferred to the state in the first year of a taxable property value loss and 100 percent in later years. Because lagged year property values are used in the enrichment formula, school district loss enrichment funding (state savings) in the first year of a taxable property value reduction. In the second and successive years the enrichment cost and a portion of the school district debt (facilities) cost are transferred to the state through the relevant funding formulas. All costs were estimated over the five year projection period.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS