

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 19, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB732 by Raymond (Relating to the exemption from ad valorem taxation for disabled veterans and the surviving spouses and minor children of disabled veterans and members of the armed forces who die on active duty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB732, As Introduced: a negative impact of (\$597,000) 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	(\$597,000)
2016	(\$1,339,000)
2017	(\$1,367,000)
2018	(\$1,399,000)

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	(\$597,000)	(\$950,000)	(\$472,000)	(\$523,000)
2016	(\$1,339,000)	(\$249,000)	(\$482,000)	(\$535,000)
2017	(\$1,367,000)	(\$262,000)	(\$493,000)	(\$548,000)
2018	(\$1,399,000)	(\$273,000)	(\$504,000)	(\$562,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2014	\$0
2015	(\$345,000)
2016	(\$352,000)
2017	(\$360,000)
2018	(\$368,000)

Fiscal Analysis

The bill would amend Section 11.22, Tax Code, to grant the exemption for a disabled veteran's property retroactively to January 1st of a tax year, regardless of when the disabled veteran qualified for the exemption during that tax year. Under current law, the exemption would apply beginning on the January 1st after the disabled veteran qualified.

The bill would amend Section 31.031, Tax Code, to add disabled veterans to the list of persons who are eligible to pay property taxes on their homestead in four installments. The bill would also add the disabled veterans' exemption to the list of exemptions that persons are required to apply for no later than the first anniversary of the date they qualified for the exemption.

The bill would take effect on January 1, 2014.

Methodology

The bill's proposal to grant disabled veterans' exemptions retroactively to January 1st of a tax year, regardless of when a disabled veteran qualified for the exemption during that tax year would create a loss to local taxing units and to the state through the operation of the school funding formulas.

The loss was calculated based on information from appraisal districts and the U.S. Census Bureau. A property turnover rate and a disabled veterans' exemption growth rate were used to estimate the property value loss to the proposed retroactive qualification.

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% 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% in later years. Because lagged year property values are used in the enrichment formula, school districts lose 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

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