

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 18, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB835** by Eiland (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**

Passage of the bill would require that certain replacement structures with increased square footage or higher construction quality not be considered new improvements. This would create a cost to the state through the operation of the school funding formula because such structures would be subject to the 10 percent limitation on homestead appraised value increases while under current law they are not.

The bill would amend Section 23.23, Tax Code, to provide that a replacement structure is not a new improvement if, to satisfy building code, fire code, other local ordinances, or a government assistance program that provided funding for the construction of the replacement structure, it was necessary that the square footage of the original structure be increased or the exterior of the replacement structure be of higher quality construction than that of the replaced structure. Current law considers that all structures with increased square footage or higher quality construction that replace structures that were rendered uninhabitable or unusable by casualty, wind, or water damages are new improvements and consequently not subject to the 10 percent limitation on homestead appraised value increases normally afforded by law.

The bill's provision that certain replacement structures with increased square footage or higher construction quality not be considered new improvements would create a cost to units of local government and to the state through the operation of the school funding formula because such structures would be subject to the 10 percent limitation on homestead appraised value increases while under current law they are not.

No information is available regarding future natural disasters that would render homesteads uninhabitable or regarding situations in which building codes or government programs would require that a replacement structure exceed the original square footage or construction quality. Consequently the fiscal impact cannot be estimated.

The bill would be effective on January 1, 2014.

Local Government Impact

The bill's provision that certain replacement structures with increased square footage or higher construction quality not be considered new improvements would create a cost to units of local government because such structures would be subject to the 10 percent limitation on homestead appraised value increases while under current law they are not.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS