

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 21, 2013**

**TO:** Honorable David Dewhurst, Lieutenant Governor, Senate

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB163** by Van de Putte (Relating to an exemption from ad valorem taxation of the residence homestead of the surviving spouse of a member of the armed services of the United States who is killed in action.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB163, As Passed 2nd House: a negative impact of (\$98,000) 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	(\$98,000)
2016	(\$220,000)
2017	(\$224,000)
2018	(\$232,000)

**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	(\$98,000)	(\$156,000)	(\$77,000)	(\$86,000)
2016	(\$220,000)	(\$40,000)	(\$79,000)	(\$88,000)
2017	(\$224,000)	(\$44,000)	(\$81,000)	(\$90,000)
2018	(\$232,000)	(\$45,000)	(\$84,000)	(\$93,000)

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from <i>Other Special Districts</i></b>
2014	\$0
2015	(\$57,000)
2016	(\$58,000)
2017	(\$59,000)
2018	(\$61,000)

## **Fiscal Analysis**

This bill would amend Chapter 11 of the Tax Code, regarding property taxation, taxable property and exemptions, to grant a total property tax exemption on the homestead of a surviving spouse of an individual who is killed in action as a member of the armed services of the U.S. if the surviving spouse has not remarried since the death of the member of the armed services. The exemption would be prorated on a property from which a surviving spouse moves and would be retroactive to January 1 of the year in which the surviving spouse qualifies for the exemption. The bill would require an exemption of the same dollar amount on the surviving spouse's subsequent homestead if the surviving spouse has not remarried.

The bill would make conforming changes to Chapter 403 of the Government Code, regarding the Comptroller of Public Accounts.

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 all or part of the market value of the residence homestead of the surviving spouse of a member of the armed services of the U.S. who is killed in action is approved by the voters. If that amendment is not approved by the voters, this bill would have no effect.

## **Methodology**

The total property tax exemption of the homesteads of surviving spouses of individuals are killed in action as a member of the armed services of the U.S. and the retroactive qualification provision would create a cost to units of local government and to the state through the operation of the school funding formulas. The number of surviving spouses who would qualify under the bill was estimated from a variety of sources including appraisal districts and the U.S. Census Bureau. 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. 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 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 and is contingent upon passage of a constitutional amendment authorizing the exemption.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS