

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 24, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB465 by Van de Putte (Relating to the amount of the exemption from ad valorem taxation to which certain disabled veterans and the surviving spouses and children of certain veterans are entitled.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB465, As Introduced: a negative impact of (\$8,538,000) 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	(\$8,538,000)
2016	(\$19,109,000)
2017	(\$19,538,000)
2018	(\$19,975,000)

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	(\$8,538,000)	(\$13,564,000)	(\$6,739,000)	(\$7,466,000)
2016	(\$19,109,000)	(\$3,572,000)	(\$6,890,000)	(\$7,648,000)
2017	(\$19,538,000)	(\$3,737,000)	(\$7,046,000)	(\$7,833,000)
2018	(\$19,975,000)	(\$3,908,000)	(\$7,204,000)	(\$8,024,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2014	\$0
2015	(\$4,925,000)
2016	(\$5,032,000)
2017	(\$5,142,000)
2018	(\$5,253,000)

Fiscal Analysis

The bill would amend Section 11.22 of the Tax Code, to increase the disabled veteran exemption amounts for each of the four ranges of disability percentage in current law. Each exemption amount would be doubled except for the highest disability range, which would increase from \$12,000 to \$25,000. The exemption can be applied to any property owned by the disabled veteran. The bill also would double the exempt amount for a surviving child or spouse of a person who dies while on active duty as a member of the armed services from \$5,000 to \$10,000.

This bill would take effect January 1, 2014 contingent on a constitutional amendment.

Methodology

The bill's increased exemption amounts for disabled veterans, and for a surviving child or spouse of a deceased active duty member of the armed services, would create a cost to units of local government and to the state through the operation of the school funding formula. Information from appraisal districts was used to estimate the cost of the increased exemptions.

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 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 tables above and is contingent upon passage of a constitutional amendment authorizing the exemption.

Source Agencies: 304 Comptroller of Public Accounts

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