

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 21, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB486 by Taylor (Relating to the calculation of ad valorem taxes on the residence homestead of a 100 percent or totally disabled veteran or the surviving spouse of the veteran for the tax year in which the veteran or spouse qualifies or ceases to qualify for an exemption from taxation of the homestead.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB486, As Introduced: a negative impact of (\$1,436,000) 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	(\$1,436,000)
2016	(\$3,153,000)
2017	(\$3,062,000)
2018	(\$3,092,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Cities
2014	\$0	\$0	\$0	\$0
2015	(\$1,436,000)	(\$2,282,000)	(\$1,134,000)	(\$1,256,000)
2016	(\$3,153,000)	(\$498,000)	(\$1,109,000)	(\$1,231,000)
2017	(\$3,062,000)	(\$469,000)	(\$1,069,000)	(\$1,188,000)
2018	(\$3,092,000)	(\$694,000)	(\$1,142,000)	(\$1,272,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2014	\$0
2015	(\$829,000)
2016	(\$810,000)
2017	(\$780,000)
2018	(\$833,000)

Fiscal Analysis

The bill would amend Section 11.42(c), Tax Code, to include the total homestead exemption for a 100 percent disabled veteran as one of the kinds of exemption that are granted retroactively to January 1 of a tax year, regardless of when the property owner qualified for the exemption during that tax year. Under current law, the 100 percent disabled veteran's exemption is prorated in the first year to give the veteran the exemption only for the portion of the year for which they qualify.

The bill would repeal Sections 11.42(e) and 26.1125, Tax Code, that provide the authorization and calculation methods for prorating the 100 percent disabled veteran's exemption in the first year to give the veteran the exemption only for the portion of the year for which they qualify. The bill would also repeal Section 26.10(c), Tax Code, which would be redundant under the bill.

The bill would take effect on January 1, 2014.

Methodology

The bill's proposal to grant 100 percent 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 proposed retroactive exemption would create a loss because, under current law, a 100 percent disabled veteran receives the exemption only for the portion of the year for which he or she qualifies and under the proposed law the veteran would receive the exemption for the full year.

The number of 100 percent disabled veterans that would be affected was estimated based on information from appraisal districts and current information on the draw-down of troop levels in Afghanistan. The number of affected veterans was multiplied by the estimated taxable value of a 100 percent disabled veteran's homestead 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 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.

Source Agencies: 304 Comptroller of Public Accounts, 537 State Health Services,
Department of, 554 Animal Health Commission

LBB Staff: UP, KK, SD, SJS, SZ, JP