

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: SB835 by Lucio (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.), **Committee Report 1st House, Substituted**

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 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 of the Tax Code, regarding a limitation on the appraised value of a residence homestead, to define "disaster recovery program" as a specific disaster recovery program administered by the General Land Office. The bill would specify that a replacement structure described by that program is not considered a new improvement if, only to the extent necessary to satisfy the requirements of the program: (1) the square footage of the replacement structure exceeds that of the replaced structure; or (2) the exterior of the replacement structure is of higher quality construction and composition than that of the replaced structure.

Current law generally excludes new improvements from the 10 percent annual limitation on the increase in appraised value of a residence homestead. The bill would require the limitation for the specified new improvements made under the disaster recovery program administered by the General Land Office.

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 the disaster recovery program administered by the General Land Office would require that a replacement structure exceed the original square footage or construction quality. Consequently the fiscal impact cannot be estimated.

The bill would take effect 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