

BILL ANALYSIS

Senate Research Center

S.B. 1368
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Finance
4/7/2015
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The State of Texas enacted property tax exemptions for fully disabled veterans (H.B. 3613, 81st Legislature, Regular Session, 2009) and subsequently their surviving spouse (S.B. 516, 82nd Legislature, Regular Session, 2011) on property claimed as their homestead. The legislation had unintended consequences for cities and counties located near or around major military installations in the form of major revenue losses. These communities and counties are unique in that they have traditionally had concentrated numbers of disabled veterans make these areas their home after separating from the military. The final result of the revenue shortfalls experienced by the affected local governments has been a reduction in overall services and elimination of personnel.

While these local governments recognize the merit in providing assistance to those who have served our nation in the armed services, the loss of revenue is uniquely challenging to military cities and counties as they work to provide basic services. These tax exemptions are indirectly impacting the populations that they were intended to benefit, forcing affected local governments to make reductions in services that would otherwise serve the community as a whole.

S.B. 1368 works to lessen the impact of property tax exemptions enacted by the legislature by spreading the burden of these costs more equitably among the residents of the state.

As proposed, S.B. 1368 amends current law relating to the provision of state aid to certain local governments disproportionately affected by the granting of ad valorem tax relief to disabled veterans.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 140, Local Government Code, by adding Section 140.011, as follows:

Sec. 140.011. LOCAL GOVERNMENTS DISPROPORTIONATELY AFFECTED BY PROPERTY TAX RELIEF FOR DISABLED VETERANS. (a) Defines, in this section: "affected local government," "disabled veteran assistance payment," "disabled veteran tax exemption," "disproportionate share of lost ad valorem tax revenue," and "general fund revenues."

(b) Provides that to serve the state purpose of ensuring that the cost of providing ad valorem tax relief to disabled veterans is shared equitably among the residents of this state, an affected local government is entitled to receive from the state for each tax year that the local government is an affected local government a disabled veteran assistance payment.

(c) Provides that a disabled veteran assistance payment to an affected local government is calculated by subtracting from the lost ad valorem tax revenue of

the affected local government resulting from the disabled veteran tax exemption in the tax year in which the application is made under Subsection (d) an amount equal to one percent of the general fund revenues of the affected local government's adopted budget in that tax year.

(d) Provides that not later than December 31 of a tax year, a local government that is an affected local government in that tax year may submit an application to the comptroller of public accounts of the State of Texas (comptroller) to receive a disabled veteran assistance payment for that tax year. Requires the application to be made on a form prescribed by the comptroller.

(e) Provides that an affected local government that does not submit an application to the comptroller by December 31 of a tax year is not entitled to a disabled veteran assistance payment for that tax year.

(f) Requires the comptroller to review each application by a local government for a disabled veteran assistance payment to determine whether the local government is an affected local government entitled to the payment. Requires the comptroller to remit the payment from available funds to the affected local government not later than April 30 of the year following the tax year in which the application is made, if the comptroller determines that the local government is entitled to the payment.

SECTION 2. Requires the comptroller, as soon as practicable, but not later than December 1, 2015, to develop the disabled veteran assistance payment form required by Section 140.011(d), Local Government Code, as added by this Act.

SECTION 3. Provides that a local government that is an affected local government, as that term is defined by Section 140.011(a), Local Government Code, as added by this Act, for the 2015 tax year is eligible to apply for a disabled veteran assistance payment, as that term is defined by Section 140.011(a), Local Government Code, for that tax year.

SECTION 4. Effective date: upon passage or September 1, 2015.