

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 13, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB683 by Sheets (Relating to an exemption from ad valorem taxation of the total appraised value of the residence homestead of certain disabled veterans.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB683, As Introduced: a negative impact of (\$3,606,000) through the biennium ending August 31, 2017 increasing to a negative impact of (\$38,903,000) through the biennium ending August 31, 2019.

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
2016	\$0
2017	(\$3,606,000)
2018	(\$18,150,000)
2019	(\$20,753,000)
2020	(\$23,515,000)

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>
2016	\$0	\$0	\$0	\$0
2017	(\$3,606,000)	(\$18,353,000)	(\$6,677,000)	(\$6,589,000)
2018	(\$18,150,000)	(\$7,054,000)	(\$7,682,000)	(\$7,566,000)
2019	(\$20,753,000)	(\$7,904,000)	(\$8,755,000)	(\$8,605,000)
2020	(\$23,515,000)	(\$9,067,000)	(\$9,977,000)	(\$9,788,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2016	\$0
2017	(\$4,641,000)
2018	(\$5,334,000)
2019	(\$6,073,000)
2020	(\$6,915,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to provide a total property tax exemption of the residential homestead of a disabled veteran who receives from the U.S. Department of Veterans Affairs or its successor disability compensation of at least 80 percent, rather than 100 percent, and a rating of at least 80 percent disabled, rather than 100 percent disabled.

The bill would take effect January 1, 2016, contingent on voter approval of a constitutional amendment.

Methodology

The bill's provision that reduces the required percentage of disability from 100 percent to at least 80 percent for a veteran to be eligible for a 100 percent residence homestead property tax exemption would create a cost to units of local government and to the state through the operation of the school funding formulas.

The estimate was based on information from the U.S. Census Bureau and from appraisal districts. The estimated number of additional disabled veterans was multiplied by the average taxable value of a disabled veteran's homestead to estimate the value loss. Projected tax rates were applied through the five-year projection period to estimate the tax revenue loss to special districts, cities and counties, and to estimate the school district loss that would be partially transferred to the state. Under the hold harmless provisions of the Education Code, only a small portion of each year's additional school district loss related to the compressed rate would be transferred to the state while in subsequent years 100 percent of the loss would be transferred to the state. Because lagged year property values are used in the enrichment formula, school districts lose enrichment funding (a state gain) in the first year of a taxable property value reduction. In the second and successive years the enrichment loss and a portion of the school district debt (facilities) loss are transferred to the state through the relevant funding formulas.

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.

Harris County reported that there would have been a significant revenue loss in 2014 of \$3,354,353 to the City of Houston, Houston Independent School District, and Harris County.

Source Agencies: 304 Comptroller of Public Accounts

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