

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 8, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB992 by Bonnen, Dennis (Relating to the exemption from ad valorem taxation of the total appraised value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB992, As Engrossed: a negative impact of (\$1,293,000) through the biennium ending August 31, 2017, increasing to a negative impact of (\$13,191,000) 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	(\$1,293,000)
2018	(\$6,508,000)
2019	(\$6,683,000)
2020	(\$6,798,000)

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	(\$1,293,000)	(\$6,581,000)	(\$2,394,000)	(\$2,363,000)
2018	(\$6,508,000)	(\$1,604,000)	(\$2,472,000)	(\$2,435,000)
2019	(\$6,683,000)	(\$1,595,000)	(\$2,529,000)	(\$2,486,000)
2020	(\$6,798,000)	(\$1,650,000)	(\$2,587,000)	(\$2,538,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2016	\$0
2017	(\$1,664,000)
2018	(\$1,717,000)
2019	(\$1,754,000)
2020	(\$1,793,000)

Fiscal Analysis

The bill would amend Section 11.131 of the Tax Code, regarding property taxes, taxable property, and exemptions, to grant a total property tax exemption on the residence homestead of a surviving spouse of a deceased 100 percent disabled veteran who would have qualified for a total homestead exemption under Section 11.131(b) had that provision been in effect on the date the veteran died if (1) the surviving spouse has not remarried since the death of the disabled veteran; and (2) the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse.

The bill would take effect January 1, 2016, but only if a constitutional amendment proposed by the 84th Legislature, Regular Session (2015), authorizing the Legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran who died before the law authorizing a residence homestead exemption for such a veteran took effect is approved by the voters. If that amendment is not approved by the voters, this bill would have no effect.

Methodology

The number of surviving spouses who would qualify under the bill was estimated based on information from appraisal districts, the U.S. Census Bureau, the Centers for Disease Control and Prevention, and the U.S. Department of Veterans Affairs. The number of spouses who would qualify in each year was multiplied by the projected average taxable value of veterans' homesteads to develop an annual taxable value loss in each year of the projection period.

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 the first year school district loss related to the compressed rate would be transferred to the state while nearly 100 percent of the loss would be transferred to the state in later years. 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 estimated fiscal implication to units of local government is reflected in the above table.

Source Agencies: 304 Comptroller of Public Accounts

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