

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HJR57 by Rodriguez, Eddie (Proposing a constitutional amendment authorizing the governing body of a political subdivision that adopts an exemption from ad valorem taxation of a percentage of the market value of an individual's residence homestead to set a limit on the dollar amount of the exemption to which an individual is entitled in a tax year.), **As Introduced**

Passage of the bill would allow the governing body of a taxing unit that adopts a property tax exemption of a percentage of a homestead's appraised value to set a limit on the dollar amount of the exemption. To the extent that school districts adopt a dollar limit, their loss to the percentage homestead would be reduced, producing a savings to the state through the operation of the school funding formula.

The cost to the state for publication of the resolution is \$118,681.

The resolution would propose a constitutional amendment to Section 1-b(e), Article VIII, of the Texas Constitution, to allow the governing body of a taxing unit that adopts an optional property tax exemption of a percentage of a homestead's market value to set a limit on the dollar amount of the exemption. If a homestead's market value percentage exceeded the dollar amount, the exemption would be the dollar amount.

The amendment's proposed optional dollar limit on the amount of a percentage homestead exemption would, to the extent that it is implemented by taxing units, create a savings to those taxing units. Education Code Section 42.2522 requires the Texas Education Agency to reimburse school districts for 50 percent of their loss to percentage homestead exemptions to the extent that funds are available.

To the extent that school districts adopt a dollar limit, their loss to the percentage homestead would be reduced, producing a savings to the state through the operation of the school funding formula. The future funds available for this program, the number of school districts that would set a dollar limit, and the amount of any dollar limit on the percentage homestead exemption are unknown. Consequently, the state savings cannot be estimated.

Similarly, the number of other local taxing units that would set a dollar limit and the amount of any dollar limits on the percentage homestead exemption under the proposal are unknown so the savings to those taxing units cannot be estimated.

The cost to the state for publication of the resolution is \$118,681.

The proposed amendment would be submitted to voters at an election to be held November 3, 2015, and, if adopted, would take effect with the tax year beginning January 1, 2016.

Local Government Impact

Passage of the bill would allow the governing body of a taxing unit that adopts a property tax exemption of a percentage of a homestead's appraised value to set a limit on the dollar amount of the exemption. The dollar limit would, to the extent that it is implemented by taxing units, create a savings to those taxing units.

Source Agencies: 304 Comptroller of Public Accounts

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