

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 11, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR1 by Nelson (Proposing a constitutional amendment providing for an exemption from ad valorem taxation for public school purposes of a portion of the market value of a residence homestead based on the median market value of all residence homesteads in the state, providing for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed for those purposes on the homestead of an elderly or disabled person to reflect the increased exemption amount, providing that an appropriation of state tax revenues to protect school districts against the resulting revenue loss is not an appropriation of state tax revenues dedicated by the constitution for purposes of the restriction on the rate of growth of appropriations from undedicated state tax revenues, authorizing the legislature to prohibit a political subdivision that has adopted an optional residence homestead exemption from reducing the amount of or repealing the exemption, and prohibiting the imposition or collection of a tax on the conveyance of an interest in real property.), **As Engrossed**

The fiscal impact of this resolution combined with the fiscal impact of additional provisions proposed in Senate Bill 1, as Engrossed, requiring the state to hold school districts harmless for property tax losses caused by the increased exemption is in the fiscal note for Senate Bill 1, as Engrossed.

The approval of the amendment to Section 1-b of Article VIII by the voters would, in and of itself, result in a reduction of school district property tax revenue and a partial reimbursement of that lost revenue by the state.

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

The resolution would propose an amendment to Sections 1-b(c), (d), and (e), Article VIII, of the Texas Constitution, to increase the mandatory homestead exemption for school districts from \$15,000 to an amount equal to 25 percent of the median market value in the current tax year of all residence homesteads in the state, and to require tax ceilings for over-64 and disabled taxpayers be reduced to reflect the additional exemption. The Legislature would be required to specify the method for computing the median market value by general law.

The resolution would provide that an appropriation to fund formulas protecting school districts against all or part of revenue losses associated with an increase in the homestead exemption is not an appropriation subject to the limitation on the rate of growth of appropriations established under Article 8, Section 22 of the Texas Constitution and shall be excluded from computations used to determine whether appropriations exceed the amount authorized by Section 22.

The Legislature would be permitted to prohibit a political subdivision from reducing the amount of or repealing an optional residence homestead exemption.

The resolution would propose an amendment to Article VIII of the Texas Constitution to add new Section 29 to prohibit a tax on the conveyance of real property interests.

The amendment proposing an increase in the residence homestead exemption and a corresponding tax ceiling reduction beginning in tax year 2015 would create a fiscal impact on school districts and the state beginning in fiscal year 2016.

NOTE: This fiscal note, provisionally, assumes the proposed Article VIII, Sec. 29, prohibition of a tax on the conveyance of an interest in real property would prohibit only a tax levied specifically on real property conveyance, such as a real estate transfer tax. Were the provision interpreted to prohibit taxation of the receipts from the conveyance of an interest in real property under a tax of more general scope, such as the franchise tax, a significant reduction in revenues in excess of what is estimated in the fiscal note for SB 1 would be anticipated.

The proposed amendment would be submitted to voters at an election to be held September 12, 2015 and, if approved by the voters, the amendments to Sections 1-b(c), (d), and (e), Article VIII, of the Texas Constitution would take effect for the tax year beginning January 1, 2015.

Local Government Impact

The approval of the amendment to Section 1-b of Article VIII by the voters would, in and of itself, result in a reduction of school district property tax revenue and a partial reimbursement of that lost revenue by the state.

Please see the fiscal note for SB 1, as Engrossed, for the fiscal impact of this amendment combined with the fiscal impact of additional provisions proposed in SB 1, as Engrossed, requiring the state to hold school districts harmless for property tax losses caused by the increased exemption.

Source Agencies: 701 Central Education Agency, 304 Comptroller of Public Accounts

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