

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 15, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR20 by Watson (Proposing a constitutional amendment authorizing the governing body of a political subdivision other than a school district to adopt an exemption from ad valorem taxation of a portion, expressed as a dollar amount, of the market value of an individual's residence homestead.), **As Engrossed**

No fiscal implication to the State is anticipated, other than the cost of publication.

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

The resolution would propose an amendment to Section 1-b, Article VIII, of the Texas Constitution, to permit a taxing unit other than a school district to grant by official action a residence homestead exemption of at least \$5,000 (there is no maximum).

In a taxing unit (other than a school district) that has not previously adopted an optional percentage homestead exemption, the new exemption would take effect automatically unless the taxing unit takes official action electing not to adopt the exemption. In a taxing unit that rescinds an optional percentage homestead exemption and grants the proposed new exemption, a qualifying taxpayer would be entitled to continue to receive the optional percentage exemption in lieu of the new exemption if the taxpayer remains qualified, and the amount of the optional percentage exemption exceeds the amount of the proposed new exemption.

The amendment would permit the Legislature to prohibit the governing body of any taxing unit that adopts an optional percentage homestead exemption or the proposed new homestead exemption from repealing or reducing the amount of the exemption.

The optional homestead exemption proposed in the constitutional amendment would create a cost to taxing units other than school districts to the extent that the taxing units adopt the new exemption or allow the automatic exemption to go into effect. There would be no cost to school districts or to the state.

The number of taxing units that would adopt the new exemption or allow it to go into effect automatically cannot be predicted. Similarly, the amount at which a taxing unit would set the exemption is unknown. Consequently, the cost to these taxing units cannot be estimated.

The provision that would permit the Legislature to prohibit the governing body of any taxing unit that adopts an optional percentage homestead exemption or the proposed new homestead exemption from repealing or reducing the amount of the exemption would not, in and of itself,

create a cost to taxing units or to the state through the operation of the school funding formulas. Any cost associated with this provision is discussed in the fiscal note for the corresponding enabling legislation.

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

Local Government Impact

The optional homestead exemption proposed in the constitutional amendment would create a cost to local taxing units other than school districts to the extent that the local taxing units adopt the new exemption or allow the automatic exemption to go into effect. The number of local taxing units that would adopt the new exemption or allow it to go into effect automatically cannot be predicted. Similarly, the amount at which a local taxing unit would set the exemption is unknown. Consequently, the cost to these local taxing units cannot be estimated.

The provision that would permit the Legislature to prohibit the governing body of any taxing unit that adopts an optional percentage homestead exemption or the proposed new homestead exemption from repealing or reducing the amount of the exemption would not, in and of itself, create a cost to taxing units or to the state through the operation of the school funding formulas. Any cost associated with this provision is discussed in the fiscal note for the corresponding enabling legislation.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS