

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 22, 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 and authorizing the legislature to prohibit the governing body of any political subdivision that adopts an exemption from ad valorem taxation of a portion, expressed as a percentage or a dollar amount, of the market value of an individual's residence homestead from reducing the amount of or repealing the exemption.), **Committee Report 2nd House, Substituted**

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. The exemption amount would be capped if the average market value of residence homesteads in the taxing unit exceeds \$25,000 in the tax year in which the exemption is adopted. The exemption cap would be the dollar amount of 20 percent of that taxing unit's average market value of residence homesteads in the tax year the exemption is adopted.

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. This applies only to property for which the individual received an exemption in the last tax year in which the governing body granted the rescinded exemption. In these cases, the exemption would expire if there is a change of ownership or there is a change in the trustor or beneficiary of the trust if the property is owned by a qualifying trust.

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 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 taxing units other than school districts to the extent that the taxing units adopt the new exemption. There would be no cost to school districts or to the state. The number of taxing units that would adopt the new exemption 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.

Source Agencies: 304 Comptroller of Public Accounts

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