

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 1, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR21 by Watson (Proposing a constitutional amendment increasing the amount of the residence homestead exemption from ad valorem taxation for public school purposes, providing for the increase of the exemption amount in subsequent years to reflect inflation, and 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 a disabled or elderly person to reflect the increased exemption amounts.), **As Introduced**

The fiscal impact of the resolution combined with fiscal impact of additional provisions proposed in Senate Bill 278 requiring the state to hold school districts harmless for all property tax revenue losses caused by the increased exemption is in the fiscal note for Senate Bill 278.

The amendment's proposed increase in the residence homestead exemption, inflation-adjustment, and corresponding tax ceiling reduction would create a fiscal impact on school districts and the state. The resolution, in and of itself, would result in a reduction in school district property tax revenues and an increase in state cost resulting from the partial school district hold harmless in the current school finance formulas.

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

The resolution would propose a constitutional amendment to Section 1-b of Article VIII of the Texas Constitution, relating to property tax exemptions for residence homesteads, to increase the mandatory homestead exemption for school districts from \$15,000 to \$25,000 in tax year 2016, to require that the homestead exemption be inflation-adjusted in subsequent years, and to require that tax ceilings for over-65 and disabled taxpayers be reduced to reflect the additional exemption. Each year after 2016 the Comptroller would be required to calculate the inflation-adjusted exempt amount and appraisal offices would be required to use the calculated amount as the exempt amount for that year.

The amendment's proposed increase in the residence homestead exemption, inflation-adjustment, and corresponding tax ceiling reduction would create a fiscal impact on school districts and the state.

The resolution, in and of itself, would result in a reduction in school district property tax revenues and an increase in state cost resulting from the partial school district hold harmless in the current

school finance formulas. Please see the fiscal note for SB 278 for the fiscal impact of this resolution combined with fiscal impact of additional provisions proposed in SB 278 requiring the state to hold school districts harmless for all property tax revenue losses caused by the increased exemption.

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 for the tax year beginning January 1, 2016.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS