

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017**

**July 24, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HJR17** by Schofield (Proposing a constitutional amendment providing for an exemption from ad valorem taxation for public school purposes of a dollar amount or a percentage, whichever is greater, of the market value of a residence homestead 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 an elderly or disabled person to reflect any increase in the exemption amount.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HJR17, As Introduced: a negative impact of (\$2,099,369) through the biennium ending August 31, 2019, including the cost to the State for publication of the resolution totaling (\$114,369).

Additionally, the joint resolution would result in a negative impact of (\$1,026,429,000) through the biennium ending August 31, 2021.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	(\$114,369)
2019	(\$1,985,000)
2020	(\$500,851,000)
2021	(\$525,578,000)
2022	(\$549,097,000)

## All Funds, Five-Year Impact:

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from <i>General Revenue Fund</i> 1</b>	<b>Probable Savings/(Cost) from <i>Foundation School Fund</i> 193</b>	<b>Probable Revenue Gain/(Loss) from <i>School Districts</i></b>
2018	(\$114,369)	\$0	\$0
2019	\$0	(\$1,985,000)	(\$602,965,000)
2020	\$0	(\$500,851,000)	(\$139,427,000)
2021	\$0	(\$525,578,000)	(\$148,882,000)
2022	\$0	(\$549,097,000)	(\$161,388,000)

## Fiscal Analysis

The resolution would propose amendments to Sections 1-b(c) and (d), Article VIII, of the Texas Constitution, to change the current school district residence homestead exemption of \$25,000 to the greater of \$25,000 or 13 percent of the homestead's market value. The amendment also would reduce the property tax limitation (tax ceiling) on residence homesteads of individuals who are age 65 or older, or disabled, to reflect any increase in the exemption amount.

The proposed amendments would be submitted to voters at an election to be held November 7, 2017 and, if approved, would take effect on January 1, 2018.

## Methodology

The proposed constitutional amendment is self-enabling and would not require the Legislature to pass legislation (see HB 55) to make it effective. The proposed change in the school district residence homestead exemption from \$25,000 to the greater of \$25,000 or 13 percent of the homestead's market value, along with the corresponding tax ceiling reduction, would create a fiscal impact on school districts and the state. The school district revenue loss per homestead would vary from school district to school district depending on the appraised value of homesteads in each school district. \$192,308 is the homestead value at which the 13 percent factor results in a homestead exemption of \$25,000 (the break point). School districts with more homesteads above the break point would have greater revenue losses.

Similarly, the further above the break point a residence homestead is appraised, the higher the property tax reduction, while owners of homesteads at or below the break point would experience no property tax reduction.

Information from appraisal districts was used to estimate value losses that would be caused by the bill. The loss from the proposed tax ceiling reductions was included. Projected tax rates were applied through the five-year projection period in the appropriate school finance formulas to estimate the school district loss that would be transferred to the state and the net loss to school districts. There would be no losses to local taxing units other than school districts.

Note: The associated bill (HB 55) uses the "appraised value" of a homestead in computing the exempt amount. The proposed constitutional amendments use "market value" in that computation. These values differ if a homestead's value is limited by the 10 percent appraisal cap afforded by Section 23.23 of the Tax Code. While appraised value may be more appropriate because it is the value (after exemptions) on which a homestead is taxed, the bill's use of "appraised value" would not comply with the Texas Constitution if the proposed amendments are adopted by the voters.

The cost to the State for publication of the resolution is \$114,369.

**Local Government Impact**

The estimated fiscal implication to school districts is reflected in the table above.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SJS