

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 24, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB570 by Button (Relating to an exemption from ad valorem taxation of the residence homestead of the surviving spouse of a first responder who is killed or fatally injured in the line of duty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB570, As Introduced: a negative impact of (\$4,000) through the biennium ending August 31, 2019, contingent upon passage of a constitutional amendment authorizing the exemption.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	(\$4,000)
2020	(\$910,000)
2021	(\$940,000)
2022	(\$974,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2018	\$0	\$0	\$0	\$0
2019	(\$4,000)	(\$1,096,000)	(\$323,000)	(\$330,000)
2020	(\$910,000)	(\$236,000)	(\$335,000)	(\$339,000)
2021	(\$940,000)	(\$256,000)	(\$348,000)	(\$348,000)
2022	(\$974,000)	(\$284,000)	(\$364,000)	(\$361,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2018	\$0
2019	(\$243,000)
2020	(\$252,000)
2021	(\$262,000)
2022	(\$274,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to add a new total residence homestead exemption for a surviving spouse of a first responder who is killed or fatally injured in the line of duty if the surviving spouse has not remarried. The exemption would apply regardless of the date of the first responder's death. A surviving spouse would be allowed to receive an exemption on a subsequent residence homestead of the same dollar amount as received in the final year the spouse owned the homestead on which the exemption was initially granted, and would be entitled to a written certificate from the chief appraiser providing the information necessary to determine that amount.

The bill would take effect on January 1, 2018, contingent on voter approval of a constitutional amendment.

Methodology

The new total homestead exemption for surviving spouses of first responders would create a cost for units of local government and for the state through the school funding formulas.

The taxable value losses were calculated based on information from appraisal districts, the Employee Retirement System, and the Governor's Office. Projected tax rates were applied to the taxable value losses through the five-year projection period to estimate tax revenue losses to school districts, special districts, cities and counties. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. Projected school funding rates were applied to estimate the state loss and the net school district loss.

In the first year of a taxable value loss, state recapture is reduced (a state loss). Because of the use of lagged year property values, in the second and successive years of a taxable value loss, state recapture is further reduced and the previous year's school district loss related to the Tier 1 rate is generally transferred to the state through the Tier 1 funding formulas (a state loss).

In the school district enrichment formula (Tier 2), property values do not reflect the first-year value loss because of the one-year value lag. Because the formula does reflect a tax collections decline in that year, school districts lose Tier 2 funding creating a state gain. In the second and successive years a large portion of the previous year's enrichment loss is transferred to the state (a state loss).

The school district debt (facilities) funding formula does not reflect the first-year taxable value loss because of lagged property values. In the second and successive years a small portion of the previous year's school district facilities loss is transferred to the state (a state loss).

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the table above and is contingent upon passage of a constitutional amendment authorizing the exemption.

Source Agencies: 304 Comptroller of Public Accounts

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