

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 30, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: HB160 by Raymond (Relating to an exemption from ad valorem taxation by certain taxing units of a portion of the appraised value of the residence homestead of the parent or guardian of a minor who is disabled and who resides with the parent or guardian.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB160, As Introduced: a positive impact of \$439,000 through the biennium ending August 31, 2021, contingent upon passage of a constitutional amendment authorizing the exemption. However, there would be a negative impact of (\$35,763,000) through the biennium ending August 31, 2023.

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
2020	\$0
2021	\$439,000
2022	(\$17,773,000)
2023	(\$17,990,000)
2024	(\$18,211,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Probable Revenue Gain/(Loss) from <i>School Districts</i>
2020	\$0	\$0
2021	\$439,000	(\$22,239,000)
2022	(\$17,773,000)	(\$4,407,000)
2023	(\$17,990,000)	(\$4,575,000)
2024	(\$18,211,000)	(\$4,747,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to add an individual who is the parent or guardian of a minor who is disabled and who resides with the parent or guardian to the list of those who may receive the mandatory school district \$10,000 residence homestead exemption. The bill would also allow these individuals to receive the local option homestead exemption for those who are 65 years or older or disabled. The bill would make conforming changes to the Tax Code, Education Code, Special District Local Laws Code, and Water Code.

The bill would repeal duplicated sections of the Water Code.

The bill would be effective January 1, 2020, contingent on approval by voters of a constitutional amendment (HJR 19).

Methodology

The bill's proposed addition of the parent or guardian of a minor who is disabled and who resides with the parent or guardian to the list of individuals who may receive the local option homestead exemption for those who are 65 years or older or disabled would create a cost for local taxing units that have adopted such an exemption under Section 11.13(d) of the Tax Code. The number of local option homestead exemptions under the bill is unknown and consequently cannot be estimated.

The bill's proposed addition of the parent or guardian of a minor who is disabled and who resides with the parent or guardian to the list of individuals who may receive the mandatory school district \$10,000 residence homestead exemption would create a cost to school districts and the state through the school finance formulas. The estimate was based on information from the U.S. Census Bureau, Texas Demographic Center, Texas Health and Human Services, and appraisal districts. The projected number of qualifying individuals and the projected median taxable value of residence homesteads were used to calculate the taxable value losses.

Projected tax rates were applied to the taxable value losses through the five-year projection period to estimate tax revenue losses to school districts, and to the state. 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 the previous year's enrichment loss is generally 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-year 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 bill's proposed addition of the parent or guardian of a minor who is disabled and who resides with the parent or guardian to the list of individuals who may receive the local option homestead exemption for those who are 65 years or older or disabled would create a cost for local taxing units that have adopted such an exemption under Section 11.13(d) of the Tax Code, contingent upon passage of a constitutional amendment authorizing the exemption. The number of local option homestead exemptions under the bill is unknown and consequently cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS