

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 23, 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: HB384 by Bohac (Relating to an exemption from ad valorem taxation of the total appraised value of the residence homesteads of certain elderly persons and their surviving spouses.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB384, As Introduced: a negative impact of (\$547,408,101) through the biennium ending August 31, 2021, contingent upon passage of a constitutional amendment authorizing the exemption. Additionally, there would be a negative impact of (\$1,218,428,876) 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	(\$547,408,101)
2022	(\$585,777,904)
2023	(\$632,650,972)
2024	(\$685,055,435)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2020	\$0	\$0	\$0	\$0
2021	(\$547,408,101)	(\$151,517,000)	(\$162,188,000)	(\$113,874,000)
2022	(\$585,777,904)	(\$160,453,000)	(\$171,241,000)	(\$121,878,000)
2023	(\$632,650,972)	(\$171,492,000)	(\$182,477,000)	(\$131,655,000)
2024	(\$685,055,435)	(\$183,769,000)	(\$194,956,000)	(\$142,586,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions to add a total homestead exemption for those who are 80 years of age or older and the person has received an exemption for the residence homestead for at least the preceding 10 years.

The surviving spouse of a person who received the exemption is entitled to the exemption if:

- 1) the deceased spouse died in a year in which the deceased spouse received the exemption;
- 2) the surviving spouse was 55 years of age or older when the deceased spouse died; and
- 3) the property was the residence homestead of the surviving spouse when the deceased spouse dies and remains the residence homestead of the surviving spouse.

The bill would provide that a residence homestead that receives this exemption is not considered to be taxable property under Subchapter M, Chapter 403, Government Code, related to the Comptroller's property value study. The bill would amend Education Code to hold school districts harmless for any negative fiscal effect of the new exemption on school district funding.

This bill would take effect on January 1, 2020, contingent on voter approval of a constitutional amendment (HJR 29).

Methodology

The bill's provisions providing a total residence homestead exemption to certain individuals who are 80 years of age or older and to certain surviving spouses of those individuals would create a cost to local taxing units and to the state through the school finance formulas. The bill's school funding hold harmless provisions would ensure that 100 percent of the school district cost related to the new homestead exemption is transferred to the state.

The taxable value loss estimate was based on information from appraisal districts, the Texas Demographic Center and the U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey. 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 the bill's provisions in conjunction with existing provisions of the Education Code, the school district tax revenue loss is transferred to the state.

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

LBB Staff: WP, KK, SD, SJS