

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 22, 2019**

**TO:** Honorable Dennis Bonnen, Speaker of the House, House of Representatives

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

**IN RE: HB492** by Shine (Relating to a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property damaged by a disaster.), **As Passed 2nd House**

**Passage of the bill would create a mandatory percentage disaster exemption for property damaged by a disaster. Contingent on adoption of a constitutional amendment, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.**

The bill would amend Chapter 11 of the Tax Code regarding taxable property and exemptions, by adding Section 11.35 to create a mandatory percentage disaster exemption for property damaged by a disaster. The exemption would apply to both real and personal property. The property owner would be required to apply for the exemption but would not be required to re-apply in subsequent years. The exemption would be prorated from the date of the disaster and refunds would be provided if taxes have already been paid. The exemption would be effective immediately upon qualification, and would remain effective until the property is reappraised.

The chief appraiser would assign a disaster exemption rating of level one through four as follows:  
Level I: At least 15 percent but less than 30 percent damaged (exemption before proration of 15 percent);  
Level II: At least 30 percent but less than 60 percent damaged (exemption before proration of 30 percent);  
Level III: At least 60 percent damaged but less than a total loss (exemption before proration of 60 percent); or  
Level IV: The property is a total loss (exemption before proration of 100 percent).

The bill would provide for protests of the modification or denial of an application and of the disaster exemption rating.

The bill would repeal the local option reappraisal under Tax Code 23.02.

Contingent on adoption of a constitutional amendment authorizing the legislature to provide for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property damaged by a disaster, the bill would create a cost to local taxing units and to the state through the school funding formula depending on the incidence and severity of future disasters. The frequency, timing, and severity of future disasters cannot be predicted. Consequently, the cost of the bill cannot be estimated.

The bill would take effect January 1, 2020, contingent on voter approval of a constitutional amendment authorizing the legislature to provide for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property damaged by a disaster.

### **Local Government Impact**

Passage of the bill would create a mandatory percentage disaster exemption for property damaged by a disaster. Contingent on adoption of a constitutional amendment, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

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

**LBB Staff:** WP, KK, SD, SJS