

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 19, 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: HB493 by Shine (Relating to a temporary local option exemption from ad valorem taxation of a portion of the appraised value of certain property damaged by a disaster and reimbursement of a taxing unit for refunds the taxing unit pays to taxpayers as a result of the exemption.), **As Introduced**

Passage of the bill would create a local option 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 the Tax Code to create a local option percentage disaster exemption for property damaged by a disaster. The exemption would apply to both real and personal property. A taxing unit would have to adopt the exemption not later than 60 days after the Governor declares the disaster and notify the appraisal district, assessor for the taxing unit, and the Comptroller. 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 but less than 60 percent damage (exemption before proration of 30 percent);
Level III: At least 60 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 add a new section to Local Government Code Chapter 140, relating to miscellaneous financial provisions, to entitle taxing units to a disaster exemption assistance payment if the taxing unit pays a refund to a person for a granted local option disaster exemption. The assistance payment would be the total amount of each refund the taxing unit pays in the tax year for which the payment is sought. A taxing unit would submit an application to the Comptroller by April 1 of the year following the tax year for which the payment is sought. The Comptroller would remit refunds not later than 30 days after the application is made if the Comptroller determines the taxing unit is entitled to the payments. The Comptroller could adopt rules to administer the new program.

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. The bill would make a conforming change to the Government Code.

Contingent on adoption of a constitutional amendment (HJR 35), the bill would create a cost to local taxing units to the extent that taxing units grant the optional disaster exemption and depending on the incidence and severity of future disasters. The bill would create a cost to the state depending on the amount of tax refunds reimbursed to local taxing units by the state. The frequency, timing, and severity of future disasters, and the number of taxing units that would grant the optional disaster exemption cannot be predicted. Consequently, the cost of the bill cannot be estimated.

The Comptroller's office reports that administrative cost cannot be determined without knowing the severity and number of disasters that may affect the state in any given year. However, if a disaster occurred that resembled the scope and impact of Hurricane Harvey, the Property Tax Assistance Division would incur a cost to hire contract staff to process disaster exemption assistance payment applications.

Programming changes would need to be made to the Electronic Appraisal Roll, Property Tax, and Business Information systems to record and store the applications and produce administrative reports.

The bill would take effect January 1, 2020, contingent on voter approval of a constitutional amendment (HJR 35).

Local Government Impact

Passage of the bill would create a local option 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, SJS