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: **HB905** by Bernal (Relating to an exemption from ad valorem taxation of the total appraised value of the residence homestead of an unpaid caregiver of an individual who is eligible to receive long-term services and supports under the Medicaid program while the individual is on a waiting list for the services and supports.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB905, As Introduced: a positive impact of $2,766,000 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 ($232,170,000) 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	$2,766,000
2022	($111,982,000)
2023	($120,188,000)
2024	($129,002,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Foundation School Fund* 193	Probable Revenue Gain/(Loss) from *School Districts*	Probable Revenue Gain/(Loss) from *Counties*	Probable Revenue Gain/(Loss) from *Cities*
2020	$0	$0	$0	$0
2021	$2,766,000	($140,358,000)	($36,841,000)	($39,436,000)
2022	($111,982,000)	($36,474,000)	($39,337,000)	($41,982,000)
2023	($120,188,000)	($39,991,000)	($42,003,000)	($44,693,000)
2024	($129,002,000)	($43,826,000)	($44,849,000)	($47,579,000)

Fiscal Year	Probable Revenue Gain/(Loss) from *Other Special Districts*
2020	$0
2021	($27,688,000)
2022	($29,880,000)
2023	($32,245,000)
2024	($34,798,000)

Fiscal Analysis

The bill would add a new section to Chapter 11 of the Tax Code, regarding taxable property and exemptions, to create a 100 percent homestead exemption for a qualifying caregiver for the time period during which the qualifying individual for whom the qualifying caregiver provides care is on an interest list for long-term services and support under the Medicaid program, including services and supports provided under a Section 1915(c) waiver program, the STAR Kids managed care program, or the STAR PLUS home and community-based services and supports program.

This bill would take effect on January 1, 2020, contingent on voter approval of a constitutional amendment (HJR 48).

Methodology

The bill's proposed total exemption for the residential homesteads of qualifying caregivers would create a cost for local taxing units, school districts and the state through the school finance formulas. The estimate was based on information from Texas Health and Human Services, the U.S. Census Bureau, and appraisal districts. The projected number of qualifying caregivers 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, 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 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 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