

**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: HB3127** by Middleton (Relating to the maximum amount of the local option residence homestead exemption from ad valorem taxation by a taxing unit.), **As Introduced**

**Passage of the bill would increase the maximum percentage exemption of the appraised value of an individual's residence homestead a governing body of a taxing unit can adopt from 20 percent to 100 percent. 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, to increase the maximum percentage exemption of the appraised value of an individual's residence homestead a governing body of a taxing unit can adopt from 20 percent to 100 percent.

Increasing the percentage exemption allowed would create a cost to taxing units choosing to adopt a higher amount. The number of local taxing units that would grant the exemption and the percentage they would adopt are unknown. Consequently, the cost to local taxing units cannot be estimated.

The Texas Education Agency recognizes 50 percent of the value loss due to the local option homestead exemption for purposes of calculating recapture under Chapter 41. There would be a cost to the state to the extent that recapture payments would be reduced causing a greater draw on general revenue to the Foundation School Program. The number of districts that would be subject to recapture, the amount owed and future decisions made regarding adoption of the local option homestead exemption are unknown. Consequently, the cost to the state cannot be estimated.

Note: A Constitutional amendment would be required to increase the local option percentage homestead exemption authorized in the Texas Constitution.

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

**Local Government Impact**

Passage of the bill would increase the maximum percentage exemption of the appraised value of an individual's residence homestead a governing body of a taxing unit can adopt from 20 percent to 100 percent. 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