

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: HJR111 by Wilson (Proposing a constitutional amendment providing that a residence homestead is not subject to seizure or sale for delinquent ad valorem taxes.), **As Introduced**

Passage of the resolution and adoption by the voters would provide that a residence homestead is not subject to seizure or sale for the payment of delinquent taxes or penalties. As a result, 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 cost to the state for publication of the resolution is \$177,289.

The resolution would propose an amendment to Article VIII and Article XVI of the Texas Constitution, to provide that a residence homestead is not subject to seizure or sale for the payment of delinquent taxes or penalties and to make conforming changes.

Because the resolution's provision that a residence homestead is not subject to seizure or sale for the payment of property taxes or penalties would remove the primary penalty for non-payment of property taxes by residence homestead owners, the bill would create a cost to local taxing units and to the state through the school funding formulas. The number of property owners that would choose not to pay property taxes and the value of their residential homesteads is unknown. Consequently, the cost of the bill cannot be estimated. The example table below shows the cost to local taxing units if 1 percent of residential homestead owners choose not to pay property taxes because of the bill's provisions. The state cost is not shown, but the state would reimburse a portion of the school district cost under the school funding provisions of the Education Code.

The cost to the state for publication of the resolution is \$177,289.

The proposed amendment would be submitted to voters at an election to be held November 5, 2019.

Local Government Impact

Passage of the resolution and adoption by the voters would provide that a residence homestead is not subject to seizure or sale for the payment of delinquent taxes or penalties. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

The number of property owners that would choose not to pay property taxes and the value of their residential homesteads is unknown. Consequently, the negative fiscal impact on the state and units of local government cannot be estimated. The table below is an example of the cost to special districts, cities, counties and school districts if 1 percent of taxpayers did not pay property taxes on their residence homesteads. The state would reimburse a portion of the school district cost under the school funding provisions of the Education Code.

Fiscal Year	Gain/(Loss) to Special Districts	Gain/(Loss) to Cities	Gain/(Loss) to Counties	Initial Gain/(Loss) to School Districts
2020	\$0	\$0	\$0	\$0
2021	(26,932,000)	(38,358,000)	(35,834,000)	(129,464,000)
2022	(28,419,000)	(39,930,000)	(37,414,000)	(136,590,000)
2023	(29,985,000)	(41,560,000)	(39,058,000)	(144,089,000)
2024	(31,632,000)	(43,251,000)	(40,769,000)	(151,979,000)

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS