

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION
Revision 1

March 19, 2019

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Property Tax

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

IN RE: SB1322 by Taylor (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.),
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 must 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 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 (SJR 49), the bill would create a cost to local taxing units and to the state through the school funding formula, to the extent that taxing units grant the optional disaster exemption and depending on the incidence and severity of future disasters. 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 bill would take effect January 1, 2020, contingent on voter approval of a constitutional amendment (SJR 49). Absent that approval, the bill would have no effect.

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, SD, SJS