

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 22, 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:** **SB2362** by West (Relating to the authority of the governing body of a taxing unit to adopt an exemption from ad valorem taxation of an individual's residence homestead.), As **Introduced**

**Passage of the bill would permit the governing body of a taxing unit to adopt a residence homestead property tax exemption of a percentage of the appraised value of the individual's residence homestead or of a fixed dollar amount. Contingent on adoption of a constitutional amendment, 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 bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to permit the governing body of a taxing unit to adopt a residence homestead property tax exemption of a percentage of the appraised value of the individual's residence homestead or of a fixed dollar amount. If the percentage set by the taxing unit produces an exemption in a tax year of less than \$5,000, or of a greater dollar amount not to exceed \$25,000 adopted by the governing body before July 1 of that tax year in the manner provided by law for official action by the body, when applied to a particular residence homestead, the individual is entitled to an exemption of \$5,000 or, if applicable, of the greater dollar amount adopted by the governing body, of the appraised value. The percentage adopted by the taxing unit may not exceed 30 percent.

To the extent that the proposed optional residence homestead exemption of a dollar amount is adopted by taxing units, the bill would create a cost to those taxing units. Increasing the percentage exemption and minimum amount allowed would also 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 dollar amount of any additional exemptions 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: There is a conflict between the bill's proposed 30 percent exemption and the 20 percent exemption currently in the Constitution and unchanged in SJR 73.

The bill would take effect on January 1, 2020, contingent on voter approval of a constitutional amendment (SJR 73).

### **Local Government Impact**

Passage of the bill would permit the governing body of a taxing unit to adopt a residence homestead property tax exemption of a percentage of the appraised value of the individual's residence homestead or of a fixed dollar amount. 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