

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 26, 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: **SJR71** by Bettencourt (Proposing a constitutional amendment to use revenue attributable to oil and gas production taxes to increase the amount of the exemption of residence homesteads from ad valorem taxation by a school district and reduce the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect the increased exemption amount.), **As Introduced**

Passage of the resolution would increase the residence homestead exemption and would create a cost to school districts and the state. The resolution is not self-enabling regarding the provisions requiring the state to fully compensate school districts for the property tax revenue loss. Please see the fiscal note for Senate Bill 5 for the fiscal impact of this amendment combined with the fiscal impact of additional provisions proposed in Senate Bill 5 requiring the state to hold school districts harmless for property tax losses caused by the increased exemption.

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

Section 1 of this joint resolution would amend Section 49-g, Article III of the Texas Constitution to require the Comptroller to determine each fiscal year the amount of estimated lost school district revenue attributable to the increase in the amount of the school district residence homestead exemption and the reduction in the tax limitation for the elderly or disabled (over-65/disabled tax ceiling) proposed in the joint resolution if approved by the voters. The Comptroller would be required to reduce the amount of the required transfer from the General Revenue Fund to the Economic Stabilization Fund by the amount of the estimated lost revenue and to transfer to the Foundation School Fund an equal amount from general revenue.

Section 2 would amend Sections 1-b(c) and (d) Article VIII of the Texas Constitution to increase the amount of the school district residence homestead property tax exemption from \$25,000 to \$35,000 and, for a residence homestead subject to an over-65/disabled tax ceiling in the 2019 or earlier tax year, the legislature would be required to provide for a reduction in the amount of the tax ceiling for the 2020 tax year in an amount equal to \$10,000 multiplied by the 2020 school district tax rate.

Section 3 would provide that the provisions related to the transfer of funds from general revenue to the Economic Stabilization Fund based on a Comptroller estimate apply beginning with fiscal 2021. The provisions related to the increased residence homestead exemption and the reduction in over-65/disabled tax ceilings would apply beginning with the 2020 tax year (January 1, 2020).

The approval of the amendment to Section 1-b of Article VIII by the voters would result in a reduction of school district property tax revenue and a partial reimbursement of that lost revenue by the state.

Note: Although this resolution is self-enabling regarding the increased residence homestead exemption and would by itself create a cost to school districts and the state, it is not self-enabling regarding the provisions requiring the state to fully compensate school districts for the property tax revenue lost to the proposed increase in the homestead exemption. Please see the fiscal note for SB 5 for the fiscal impact of this amendment combined with the fiscal impact of additional provisions proposed in SB 5 requiring the state to hold school districts harmless for property tax losses caused by the increased exemption.

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

Local Government Impact

Passage of the resolution would increase the residence homestead exemption and would create a cost to school districts and the state. The resolution is not self-enabling regarding the provisions requiring the state to fully compensate school districts for the property tax revenue loss. Please see the fiscal note for Senate Bill 5 for the fiscal impact of this amendment combined with the fiscal impact of additional provisions proposed in Senate Bill 5 requiring the state to hold school districts harmless for property tax losses caused by the increased exemption.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS