

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 24, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB611 by Campbell (Relating to an exemption from ad valorem taxation of the residence homestead of the surviving spouse of a member of the armed services of the United States who is killed or fatally injured in the line of duty.), **As Passed 2nd House**

Passage of the bill would provide that the surviving spouse of a member of the armed services of the United States who is killed or fatally injured in the line of duty is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the death of the member of the armed services. 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.

Passage of the bill would extend acceptance of late applications for homestead exemptions of a 100 percent or totally disabled veteran or a donated residence of a partially disabled veteran from two years to five years. As a result, taxable property values could be reduced and the 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 provide that the surviving spouse of a member of the armed services of the United States who is killed or fatally injured in the line of duty (rather than killed in action) is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the death of the member of the armed services.

The bill would require a chief appraiser to accept and approve or deny a late application for homestead exemption for a disabled veteran under Section 11.131 or 11.132, but not the surviving spouse of the disabled veteran, if the application is filed not later than five years (rather than two years) after the delinquency date for the taxes on the property.

The bill's provision extending acceptance of late applications for homestead exemptions of a 100 percent or totally disabled veteran or a donated residence of a partially disabled veteran, from two years to five years, would create a cost to local taxing units and to the state through the school funding formulas. The number and value of late exemptions that would be granted under this provision that are not granted under current law regarding late exemptions is not known; consequently, the cost of this provision cannot be estimated.

Contingent on adoption of a constitutional amendment (SJR 35), the bill's provision changing the eligibility requirement that the deceased spouse, while serving as a member of the United States armed services, have been killed in action to a requirement to have been killed or fatally injured in the line of duty would create a cost to local taxing units and the state through the school funding formulas. The number of armed service members who are killed or fatally injured in the line of duty is greater than the number who are killed in action, which means more surviving spouses would be eligible for the residence homestead exemption. 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 take effect January 1, 2022. The new exemption for a surviving spouse of a member of the armed services killed or fatally injured in the line of duty is contingent on approval by voters of a constitutional amendment (SJR 35).

Local Government Impact

Passage of the bill would extend acceptance of late applications for homestead exemptions of a 100 percent or totally disabled veteran or a donated residence of a partially disabled veteran from two years to five years. As a result, taxable property values could be reduced and the related ad valorem tax revenue for units of local government could be reduced.

Passage of the bill would provide that the surviving spouse of a member of the armed services of the United States who is killed or fatally injured in the line of duty (rather than killed in action) is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the death of the member of the armed services. Contingent on adoption of a constitutional amendment, taxable property values could be reduced and the related ad valorem tax revenue for units of local government could be reduced.

The estimate is based on information from appraisal districts, the Congressional Research Service, and the United States Department of Defense. The number of armed service members who were killed in the line of duty between 2006 and 2020 was compared to the number who were killed in action during the same period to develop a percentage. The percentage was applied to the reported value lost to the current exemption for spouses of military members who were killed in action to estimate the value loss. The loss was trended through the five-year projection period.

Projected tax rates were applied to the taxable value losses through the five-year projection period to estimate tax revenue losses to school districts, special districts, cities, and counties.

For informational purposes the loss to school districts is shown; however, under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state.

Fiscal Year	Possible Revenue Gain/ (Loss) from School Districts	Possible Revenue Gain/(Loss) Counties	Possible Revenue Gain/(Loss) from Cities	Possible Revenue Gain/(Loss) from Special District
2022	\$0	\$0	\$0	\$0
2023	(879,000)	(266,000)	(288,000)	(230,000)
2024	(915,000)	(278,000)	(301,000)	(244,000)
2025	(952,000)	(291,000)	(314,000)	(258,000)
2026	(991,000)	(304,000)	(328,000)	(273,000)

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, LBO, SD, BRI, KK, SLE