

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 29, 2021

TO: Honorable Donna Campbell, Chair, Senate Committee on Veteran Affairs & Border Security

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB794 by Campbell (Relating to eligibility for the exemption from ad valorem taxation of the residence homestead of a totally disabled veteran.), **As Introduced**

Passage of the bill could increase the number of veterans who would be eligible for a total homestead property tax exemption. 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 bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to change the eligibility for a total property tax exemption for the homestead of a 100 percent or totally disabled veteran to a disabled veteran who has been awarded by (rather than receives) the United States Department of Veterans Affairs 100 percent disability compensation.

Under current law, a disabled veteran with a service-connected disability receiving 100 percent disability compensation and with a disability rating of 100 percent (or determination of individual unemployability) is eligible for a total exemption on a residence homestead. Removing the requirement that a veteran must receive 100 percent disability compensation could increase the number of veterans who would be eligible for a total homestead property tax exemption.

The language in award letters issued by the US Department of Veteran affairs with a veteran's disability rating and compensation vary among different regional offices and the amount of compensation received might not always be clear to appraisal districts. It is uncertain how many appraisal districts currently make this distinction and how many residence homestead exemptions have been denied to veterans meeting the 100 percent disability rating and 100 percent compensation requirement, but not necessarily receiving 100 percent compensation due to military retirement pay, disability severance pay, separation pay, or other various reasons.

To the extent that certain veterans awarded 100 percent disability compensation, but are not receiving 100 percent compensation are unable to claim a residence homestead exemption but would under the provisions of the bill, there would be a cost to local taxing units and the state through the school finance formulas. the taxable value and frequency of these instances is unknown, as well as the number of veterans who meet the disability rating and are awarded 100 percent compensation, but for various reasons are not receiving 100 percent compensation; consequently, the cost cannot be determined.

Local Government Impact

To the extent that certain veterans awarded 100 percent disability compensation, but are not receiving 100 percent compensation are unable to claim a residence homestead exemption but would under the provisions of the bill, there would be a cost to local taxing units. the taxable value and frequency of these instances is unknown, as well as the number of veterans who meet the disability rating and are awarded 100 percent compensation, but for various reasons are not receiving 100 percent compensation; consequently, the cost cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, SLE, SD, BRI