**BILL ANALYSIS**

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| Senate Research Center | C.S.H.B. 1613 |
| 88R31011 DRS-F | By: Shine et al. (Flores) |
|  | Finance |
|  | 5/18/2023 |
|  | Committee Report (Substituted) |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The state-granted 100 percent disabled veteran resident homestead property tax exemption was established by the legislature in 2009. In 2011, surviving spouses were added to the exemption and, in 2015, surviving spouse retroactive treatment was added. Over time, this mandate has created significant losses to city and county tax revenue due to the substantial increase in disabled veteran tax exemptions occurring in local governments near any of the 15 federal military installations in Texas where veterans choose to retire from public service.

According to 2021 state property tax collection data, of the more than 1,200 cities in Texas, just 29 of the most impacted cities account for 20 percent of the statewide property tax levy loss for all Texas cities and 170 cities account for 50 percent of the statewide property tax levy loss. Similarly, that same 2021 data showed that, of the 254 counties in Texas, the 27 most impacted counties account for 50 percent of the statewide property tax levy loss.

The 100 percent disabled veterans and surviving spouses' residence homestead exemption is an important and meaningful benefit that should be honored and protected. That said, this exemption is threatening the quality of life in the areas where veterans live, the very veterans the exemption is supposed to benefit. This also directly impacts active-duty military personnel and other property owners.

In 2015, the legislature passed the disabled veteran assistance payment program, and reimbursements to qualified local governments impacted by the homestead exemption began in 2016. Currently, there are five local governments receiving reimbursement payments that comprise some of the total losses of tax revenue. Cities with large disabled veteran populations that do not physically border a military installation are not eligible for any reimbursement for the tax revenue loss under current law.

H.B. 1613, the State Economic Reimbursement for Veterans Exemption (SERVE) Act, seeks to ensure that the communities where veterans live are able to provide the essential services and quality of life that those veterans and their families deserve by expanding the local governments eligible for reimbursement payments and reimbursing, if only partially, the cities and counties most disproportionately impacted.

(Original Author's/Sponsor's Statement of Intent)

C.S.H.B. 1613 amends current law relating to the applicability of the law governing the provision of state aid to certain local governments disproportionately affected by the granting of ad valorem tax relief to disabled veterans.

**RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 140.011(a)(2), Local Government Code, as follows:

(2) Provides that "local government" means:

(A)-(B) makes nonsubstantive changes to these paragraphs;

(C) a municipality located in a county that:

(i) is described by Paragraph B (relating to providing that "local government" means certain entities, including a county in which United States military installation is wholly or partly located); and

(ii) has a population of:

(a) more than 370,000 but not more than 380,000; or

(b) more than 83,000 but not more than 84,000.

SECTION 2. Provides that Section 140.011, Local Government Code, as amended by this Act, applies to the eligibility of a local government to apply for a disabled veteran assistance payment beginning with the fiscal year of the local government that ends in the 2023 tax year.

SECTION 3. Effective date: September 1, 2023.