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By:  Shine, Martinez Fischer, Kuempel, Ordaz, H.B. No. 1613

     Slawson, et al.

A BILL TO BE ENTITLED

AN ACT

relating to the provision of state aid to certain local governments to offset the cost of the exemption from ad valorem taxation of the residence homestead of a 100 percent or totally disabled veteran.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  This Act may be cited as the State Economic Reimbursement for Veterans Exemption (SERVE) Act.

SECTION 2.  Sections 140.011(a)(1) and (2), Local Government Code, are amended to read as follows:

(1)  "Ad valorem tax [~~General fund~~] revenue" means the dollar amount of ad valorem taxes imposed [~~revenue generated~~] by a local government for the tax year in which the local government's [~~from the following sources during a~~] fiscal year begins [~~and deposited in the dedicated general operating fund of the local government during that fiscal year:~~

[~~(A)  ad valorem taxes;~~

[~~(B)  sales and use taxes;~~

[~~(C)  franchise taxes, fees, or assessments charged for use of the local government's right-of-way;~~

[~~(D)  building and development fees, including permit and inspection fees;~~

[~~(E)  court fines and fees;~~

[~~(F)  other fees, assessments, and charges; and~~

[~~(G)  interest earned by the local government~~].

(2)  "Local government" means a municipality or county [~~:~~

[~~(A)  a municipality adjacent to a United States military installation; and~~

[~~(B)  a county in which a United States military installation is wholly or partly located~~].

SECTION 3.  Section 140.011, Local Government Code, is amended by amending Subsections (b), (d), (h), and (i) and adding Subsections (j) and (k) to read as follows:

(b)  To serve the state purpose of ensuring that the cost of providing ad valorem tax relief to disabled veterans is shared equitably among the residents of this state, a local government is entitled to a disabled veteran assistance payment from the state for each fiscal year that the local government is a qualified local government.  A local government is a qualified local government for a fiscal year if the amount of lost ad valorem tax revenue calculated under Subsection (c) for that fiscal year is [~~equal to or~~] greater than one [~~two~~] percent of the local government's ad valorem tax [~~general fund~~] revenue for that fiscal year.

(d)  Subject to Subsection (i), a [~~A~~] disabled veteran assistance payment made to a qualified local government for a fiscal year is calculated by subtracting from the local government's lost ad valorem tax revenue calculated under Subsection (c) for that fiscal year an amount equal to one percent of the local government's ad valorem tax [~~general fund~~] revenue for that fiscal year.

(h)  The disabled veteran local government assistance trust fund is established as a trust fund outside the state treasury. The fund consists of money deposited to the credit of the fund under Section 151.801, Tax Code, and other money deposited to the credit of the fund at the direction of the legislature. The comptroller shall administer the fund as trustee on behalf of qualified local governments. The comptroller shall allocate the money deposited to the credit of the fund [~~transfer funds to a newly created account in the state treasury~~] for the purpose of making payments to which qualified [~~reimbursement of~~] local governments are entitled under this section. The comptroller may make a payment from the fund to a qualified local government without the necessity of an appropriation.

(i)  If the comptroller determines that the balance of the disabled veteran local government assistance trust fund in a state fiscal year is not sufficient to pay the full amount of each disabled veteran assistance payment to qualified local governments in that year, the comptroller shall proportionately reduce the amount of each payment made to the qualified local governments that year as necessary to prevent the fund from becoming insolvent.

(j)  If in a state fiscal year the amount of money in the disabled veteran local government assistance trust fund exceeds the amount necessary to pay the full amount of each disabled veteran assistance payment to qualified local governments in that year, the comptroller shall transfer the excess amount to the general revenue fund not later than the last day of that year.

(k)  The comptroller shall adopt rules necessary to implement this section.

SECTION 4.  Section 151.801, Tax Code, is amended by amending Subsection (a) and adding Subsection (g) to read as follows:

(a)  Except for [~~the~~] amounts otherwise allocated under this section [~~Subsections (b), (c), (c-2), (c-3), and (f)~~], all proceeds from the collection of the taxes imposed by this chapter shall be deposited to the credit of the general revenue fund.

(g)  Each state fiscal year the comptroller shall determine in the manner prescribed by this subsection an amount of the proceeds from the collection of the taxes imposed by this chapter and deposit that amount to the credit of the disabled veteran local government assistance trust fund established under Section 140.011, Local Government Code. For the state fiscal years beginning September 1, 2023, and September 1, 2024, the amount to be deposited to the credit of the disabled veteran local government assistance trust fund is $200 million. In the state fiscal year beginning September 1, 2025, and each subsequent state fiscal year, the amount to be deposited to the credit of the disabled veteran local government assistance trust fund is an amount equal to the amount deposited to the credit of the fund in the preceding state fiscal year, adjusted by the annual rate of change in disabled veteran assistance payments made under Section 140.011, Local Government Code. For purposes of this subsection, the annual rate of change in disabled veteran assistance payments is equal to the percentage increase, if any, in the amount of disabled veteran assistance payments made under Section 140.011, Local Government Code, in the preceding state fiscal year as compared to the amount of those payments made in the state fiscal year preceding that state fiscal year. When computing the annual rate of change in disabled veteran assistance payments for purposes of this subsection, the comptroller may not consider the amount by which a disabled veteran assistance payment was reduced under Section 140.011(i), Local Government Code.

SECTION 5.  Section 140.011, Local Government Code, as amended by this Act, applies to the eligibility of a local government to apply for, and the calculation of, a disabled veteran assistance payment beginning with the fiscal year of the local government that ends in the 2023 tax year.

SECTION 6.  This Act takes effect September 1, 2023.