

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 9, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1613 by Shine (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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1613, As Introduced : a negative impact of (\$46,926,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$22,991,000)
2025	(\$23,935,000)
2026	(\$25,184,000)
2027	(\$26,515,000)
2028	(\$27,837,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund 1</i>	<i>Probable Revenue Gain from Disabled Vet Local Gov't Assistance 5160</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$22,762,000)	\$22,762,000	(\$229,000)	3.0
2025	(\$23,706,000)	\$23,706,000	(\$229,000)	3.0
2026	(\$24,955,000)	\$24,955,000	(\$229,000)	3.0
2027	(\$26,286,000)	\$26,286,000	(\$229,000)	3.0
2028	(\$27,608,000)	\$27,608,000	(\$229,000)	3.0

Fiscal Analysis

The bill would amend Section 140.011 of the Local Government Code, regarding local governments disproportionately affected by property tax relief for disabled veterans, to change the general fund revenue definition to only property tax revenue. The bill would lower the threshold of lost property tax revenue from 2% to 1% and expand eligibility for local governments to include any county or municipality.

The bill would dedicate state sales tax collected from businesses located on a U.S. military base to GR-Dedicated Account – Disabled Veterans Local Government Assistance. The bill provides that if the Comptroller determines that the balance of the account is not sufficient to pay the full amount to qualified local governments, each payment must be reduced proportionately.

The bill would apply to the eligibility of a qualified 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.

The bill would take effect September 1, 2023.

Methodology

The fiscal impact of the provisions of the bill dedicating the sales tax collected from businesses located on U.S. military bases are shown in the above tables and were estimated based on Comptroller records of businesses remitting sales tax from U.S. bases in the state.

Exempt value and associated levy losses for the 100 percent disabled veteran property tax exemption have grown very rapidly in recent years, as the population eligible for the exemption has grown. In the four years from 2017 through 2021, the number of such exemptions increased by around 63 percent. That growth combined with market value appreciation of the exempted homesteads, after adjustment for the 10 percent annual limit on growth in appraised value, resulted in average annual growth in city and county levy losses of about 21.1 percent. This rapid rate of growth in the cost of the exemption, markedly faster than the rate of growth in total property tax levies, will result in rapidly escalating entitlements for veteran assistance payments, before proration. The amount estimated as available for support of assistance payments are estimated to total less than 20 percent of the total entitlement to assistance payments.

This analysis assumes the Comptroller will have administrative costs which includes the funds to hire three Program Specialist IIIs necessary to implement the provisions of this bill. The bill would expand and alter the eligibility requirements for the program to include all cities and counties with a property tax revenue loss of one percent attributable to granting the 100 percent disabled veteran exemption. Under the current program, the Comptroller receives applications from five qualifying taxing units. It takes one FTE approximately 80 hours to review the applications from these five qualifying taxing units, verify the data, and prepare and route the request for approval and deposit. Based on data provided by appraisal districts, the agency would anticipate an increase in over 500 taxing units that would qualify or apply for assistance under the bill and handle the anticipated increase in the number of applications and inquiries related to the program.

Local Government Impact

Lowering the threshold of lost property tax revenue from 2% to 1% to qualify for the assistance payments is estimated to result in over 500 additional taxing units qualifying for assistance payments relative to current law.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD