

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

Revision 1

April 9, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3640 by Noble (relating to an exemption from ad valorem taxation of a portion of the appraised value of a property other than a residence homestead that is the primary residence of an adult who has an intellectual or developmental disability and who must be related to the owner or trustee of the property within a certain degree by consanguinity.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 11 of the Tax Code, relating to Taxable Property and Exemptions, by adding Section 11.36 to provide an exemption of value for certain residences of adults with intellectual or developmental disabilities. The bill defines “developmental disability” by Section 112.042, Human Resources Code and “intellectual disability” by Section 591.003, Health and Safety Code.

The bill would grant an exemption from taxation equal to the amount of the exemption prescribed by Section 11.13(b) of the appraised value of the real property, provided it does not qualify for an exemption as a person's residence homestead. The property must be the primary residence of an adult who has an intellectual or developmental disability and must be related to the owner or trustee of the property within the third degree by consanguinity.

Of a Texas population of about 485,000 people with intellectual or development disabilities (IDD), it is estimated about 6,200 would be adults in living arrangements that would qualify a property for the proposed exemption. The bill provides that a property which is the residence of an adult with IDD, would not qualify for the proposed exemption if the property receives a homestead exemption under Sec. 11.13(b) as the primary residence of the relative owning the home. The bill does not prohibit the property from being used for the production of income.

The bill would provide an additional \$40,000 homestead exemption which would reduce taxable value. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. However, the cost is not anticipated to be significant.

The bill would take effect January 1, 2024, contingent on approval by voters of a constitutional amendment (HJR 150).

Local Government Impact

Contingent upon passage of a constitutional amendment, the bill would provide an additional homestead exemption which could reduce taxable value. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code could be higher as a consequence of the reduction in taxable property value proposed by the bill.

Under provisions of the Education Code, the school district tax revenue loss would be partially transferred to the state.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI