

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 27, 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 that is the primary residence of an adult who has an intellectual or developmental disability and is related to the owner of the property within a certain degree by consanguinity.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3640, As Introduced : a negative impact of (\$47,318,000) through the biennium ending August 31, 2025.

According to the Comptroller of Public Accounts, the bill language does not limit the proposed Sec. 11.36 exemption to persons who do not also qualify for a homestead exemption under Sec. 11.13(b). If it is not the intention to provide for exemption under both sections for a home, costs to implement the provisions of the bill would be significantly reduced.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	\$0
2025	(\$47,318,000)
2026	(\$51,563,000)
2027	(\$55,007,000)
2028	(\$55,350,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from Recapture Payments Atten Crdts 8905	Probable Savings/(Cost) from School Districts
2024	\$0	\$0	\$0
2025	(\$47,318,000)	\$20,307,000	(\$70,278,000)
2026	(\$51,563,000)	\$21,292,000	(\$75,307,000)
2027	(\$55,007,000)	\$22,715,000	(\$79,275,000)
2028	(\$55,350,000)	\$22,938,000	(\$80,395,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code (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 uses the definitions of “developmental disability” in Section 112.042, Human Resources Code and

“intellectual disability” in Section 591.003, Health and Safety Code.

The bill would grant exemptions from taxation of a portion equal to the amount of the exemption prescribed by Section 11.13(b) of the appraised value of the real property. The property must be the primary residence of an adult who has an intellectual or developmental disability and is related to the owner of the property within the third degree by consanguinity and may not be used for the production of income.

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

Methodology

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 home for the proposed exemption if the home is not also the primary residence of the relative owning the home and therefore would not qualify for the homestead exemption under Sec. 11.13(b).

Of the IDD population, it is estimated about 193,000 would be adults in living arrangements that would qualify a home for the proposed exemption, if a home with an exemption under Sec. 11.13(b) would also be eligible for additional exemption under proposed Sec. 11.36.

Reductions of taxable value were estimated at the \$40,000 amount as currently provided by Sec. 11.13(b). Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is \$47.3 million in fiscal year 2025, increasing to \$55.4 million in fiscal year 2028. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of \$20.3 million in fiscal year 2025, increasing to \$22.9 million in fiscal year 2028. The decrease in recapture is reflected as a savings in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

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.

The fiscal impact to school districts is shown in the table above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI