

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**April 23, 2023**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB5100** by Bhojani (Relating to a one-time credit against the ad valorem taxes imposed by a taxing unit on the residence homestead of a first-time home buyer and to the effect of the credit on the determination of the taxable value of a school district.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB5100, As Introduced : a negative impact of (\$88,146,000) through the biennium ending August 31, 2025.

**General Revenue-Related Funds, Five- Year Impact:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2024	\$0
2025	(\$88,146,000)
2026	(\$110,778,000)
2027	(\$134,970,000)
2028	(\$153,512,000)

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>	<b>Probable Revenue Gain/(Loss) from School Districts</b>	<b>Probable Revenue Gain/(Loss) from Cities</b>	<b>Probable Revenue Gain/(Loss) from Counties</b>
2024	\$0	\$0	\$0	\$0
2025	(\$88,146,000)	(\$165,966,000)	(\$58,075,000)	(\$49,045,000)
2026	(\$110,778,000)	(\$180,990,000)	(\$63,360,000)	(\$53,668,000)
2027	(\$134,970,000)	(\$196,314,000)	(\$69,326,000)	(\$58,898,000)
2028	(\$153,512,000)	(\$213,579,000)	(\$75,403,000)	(\$64,252,000)

<i>Fiscal Year</i>	<b>Probable Revenue Gain/(Loss) from Other Special Districts</b>
2024	\$0
2025	(\$44,800,000)
2026	(\$49,547,000)
2027	(\$54,955,000)
2028	(\$60,591,000)

**Fiscal Analysis**

The bill would amend Chapter 31 of the Tax Code to provide a one-time credit against property taxes imposed

by a taxing unit on the residence homestead of a first-time home buyer in the first year following the purchase. The total amount of the one-time credit would equal the lesser of one-half of the taxes imposed by all taxing units on the residence homestead or \$3,000.

The bill would define application requirements, allow protests and appeals, as well as prescribe chief appraiser responsibilities for approval and dissemination of information to affected tax assessors.

The bill would direct the Comptroller to adopt rules to administer the credit, including documentation necessary to qualify for the credit.

The bill would amend Chapter 403 of the Government Code to provide that the taxable value determined for the school district property value study (PVS) would exclude the amount of taxable value required to generate the local property tax revenue equal to the total amount of credits provided by the school district.

The bill would take effect on January 1, 2024, contingent on voter approval of an associated constitutional amendment (HJR 194).

### **Methodology**

The Comptroller's office does not have exact numbers of first-time homebuyers in Texas who use the property as a residence homestead. Based on Texas Realtor website information, about 30.0 percent of homebuyers in Texas each year are first-time homebuyers, and it is assumed these properties are residence homesteads. As the bill states the credit would be claimed in the first year after the year in which the home was purchased, it is assumed that all first-time homebuyers would be certified eligible by the chief appraiser to receive the credit.

The Comptroller's office used annual sales volume data from the Texas A&M Real Estate Center and projected forward based on historical trends. The first-time homebuyer rate was reduced to 25% in 2023 due to the increase in home mortgage interest rates and down payment requirements affecting many first-time home buyers and gradually increased to its average rate by 2028. Due to a lack of specific data, it is assumed that every buyer would get the maximum amount of credit, \$3,000. The first year the impact of eligible first-time homebuyers claiming the credit would be observed is fiscal year 2025. The tax revenue loss was proportionally applied to each taxing unit type based on the taxing unit's projected share of the total estimated statewide tax rate.

The requirement to adjust taxable value in the PVS will lower the taxable values certified to the Commissioner of Education and create a cost to the Foundation School Fund through the operation of the school finance formulas.

The estimated cost to the Foundation School Fund is \$88.1 million in fiscal year 2025, increasing to \$153.5 million in fiscal year 2028.

### **Local Government Impact**

The fiscal impact to units of local government are shown in the tables above.

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

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, KK, SD, BRI