

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 15, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SJR3 by Bettencourt (proposing a constitutional amendment to authorize the legislature to limit the maximum appraised value of real property for ad valorem tax purposes, to increase the amount of an exemption from ad valorem taxation by a school district applicable to residence homesteads, to adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in certain exemption amounts, and to except certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$204,406.

The resolution would propose an amendment to Article VIII, Section 1, of the Texas Constitution, relating to taxation and revenue, to permit the Legislature by general law to limit the maximum appraised value of real property (currently, residence homesteads only) for property taxation purposes in a tax year to the lesser of the most recent market value or 105 percent, or a greater percentage, of the appraised value of the property for the preceding tax year.

The appraisal limitation would take effect in the tax year following the first tax year in which the owner owns the property on January 1. The limitation expires on January 1 of the tax year following the tax year in which the owner of the property ceases to own the property except that the Legislature may provide for the limitation applicable to a residence homestead to continue during ownership of the property by the owner's spouse or surviving spouse.

This resolution would propose an amendment to Article VIII, Section 1, of the Texas Constitution to add Subsection (i-1) to allow the Legislature by general law to define real property, which could include a manufactured or mobile home used as a dwelling.

The resolution would propose an amendment to Section 1-b, Subsections (c) and (d), Article VIII, of the Texas Constitution, to increase the mandatory homestead exemption for school district property taxation from \$40,000 to \$100,000.

The resolution would provide for a ceiling adjustment for residence homesteads of the 65 and older or disabled subject to the limitation in the 2023 tax year or earlier.

The resolution would propose an amendment to Section 22, Article VIII (Restriction on Rate of Growth of Appropriations), of the Texas Constitution to add that certain appropriations used for property tax relief would not be considered when determining whether the rate of growth of appropriations has exceeded the constitutional tax spending limit.

The amendments to Sections 1 and 1-b, Article VIII, would take effect with the tax year beginning January 1, 2023.

The amendment Section 22, Article VIII, would take effect with the state fiscal biennium beginning September 1, 2023, and continue in subsequent state fiscal biennia.

The approval of the proposed amendment to Section 1-b of Article VIII by the voters would, in and of itself, result in a reduction of school district property tax revenue and a partial reimbursement of that lost revenue by the state. The fiscal impact of these provisions is shown in the fiscal note for CSSB 3.

The proposed amendment would be submitted to voters at an election to be held November 7, 2023.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI