

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 21, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SJR3 by Bettencourt (proposing a constitutional amendment to authorize the legislature to exempt from ad valorem taxation a portion of the market value of tangible personal property that is held or used for the production of income, to increase the amount of certain exemptions 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 the exemption amounts, and to except certain appropriations to pay for school district ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations.), **Committee Report 1st 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 Section 1(g), Article VIII (Taxation and Revenue), of the Texas Constitution to allow the legislature to exempt \$25,000 of the market value from ad valorem taxation of tangible personal property that is held or used for the production of income.

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 \$70,000. It would allow the legislature to increase the mandatory homestead exemption for school district property taxation from \$10,000 to \$30,000 of the market value of a person 65 years of age or older or disabled.

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 school district property tax relief would not be considered when determining whether the rate of growth of appropriations has exceeded the constitutional tax spending limit.

The amendment to Sections 1(g), Article VIII, would take effect with the tax year beginning January 1, 2024.

The amendments to Sections 1-b(c) and (d), 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