LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 17, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB1243** by Guillen (Relating to the authority of spouses who occupy separate properties as their principal residences to each qualify the property in which they reside as their residence homestead for ad valorem tax purposes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1243, As Introduced: a negative impact of ($113,045,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	**Probable Net Positive/(Negative) Impact to** ***General Revenue Related Funds***
2026	($44,508,000)
2027	($68,537,000)
2028	($69,113,000)
2029	($87,077,000)
2030	($112,276,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from** ***Foundation School Fund*** **193**	**Probable Revenue Gain/(Loss) from** ***Recapture Payments Atten Crdts*** **8905**	**Probable Revenue Gain/(Loss) from** ***School Districts Levy Loss***
2026	($44,508,000)	($12,631,000)	($52,808,000)
2027	($68,537,000)	($15,337,000)	($61,894,000)
2028	($69,113,000)	($13,208,000)	($60,026,000)
2029	($87,077,000)	($14,484,000)	($64,993,000)
2030	($112,276,000)	($15,032,000)	($75,209,000)

Fiscal Analysis

The bill would allow married individuals who reside in different homes to each claim a residence homestead exemption on their principal residence for purposes of school district property tax.

Methodology

The bill would allow married individuals living in separate homes to each claim a residence homestead exemption. According to a 2022 Census survey, 2.95 percent of the U.S. population reported being married but not living together. It is assumed that a similar ratio exists in Texas. Furthermore, about 63.6 percent of the households in Texas own a home. The survey data were combined with data reported to the Comptroller's office by the appraisal districts to derive an estimate of the bill's fiscal impact.

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 $44.5 million in fiscal year 2026, $68.5 million in fiscal year 2027, increasing to $112.3 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of $12.6 million in fiscal year 2026, $15.3 million in fiscal year 2027, decreasing to $15.0 million in fiscal year 2030 as a result of school district tax revenue loss. The decrease in recapture is reflected as a revenue loss in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

Local Government Impact

The bill would allow married individuals living in separate homes to each claim a residence homestead exemption, which would reduce taxable value. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code would be higher as a consequence of the reduced taxable property value proposed by the bill. If cities, counties, and special districts did not adopt higher rates, local levies would be reduced. If those jurisdictions adopted higher tax rates, the initial revenue loss from the exemption would be offset by increased tax levies from owners of non-exempt property and slightly reduced tax savings from owners of exempt property.

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