LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 4, 2025

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

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

**IN RE:** **HB2032** by Campos (Relating to the exemption from ad valorem taxation of part of the appraised value of the residence homestead of a partially disabled veteran or the surviving spouse of such a veteran based on the disability rating of the veteran.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2032, As Introduced: a negative impact of ($204,184,000) through the biennium ending August 31, 2027.

However, there would be a negative impact of ($499,460,000) in the biennium ending August 31, 2029.

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

| *Fiscal Year* | Probable Net Positive/(Negative) Impact to *General Revenue Related Funds* |
|---|---|
| 2026 | $0 |
| 2027 | ($204,184,000) |
| 2028 | ($212,616,000) |
| 2029 | ($286,844,000) |
| 2030 | ($382,918,000) |

## 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 | $0 | $0 | $0 |
| 2027 | ($204,184,000) | ($50,686,000) | ($243,391,000) |
| 2028 | ($212,616,000) | ($53,126,000) | ($243,738,000) |
| 2029 | ($286,844,000) | ($59,188,000) | ($265,160,000) |
| 2030 | ($382,918,000) | ($59,154,000) | ($302,883,000) |

## Fiscal Analysis

Contingent on the passage of HJR 119, the bill would entitle a disabled veteran who has a disability rating of at least 10 percent but less than 100 percent to an exemption from taxation of a percentage of the appraised value of the disabled veteran's residence homestead equal to the disabled veteran's disability rating. The surviving spouse of a qualifying veteran would be eligible to receive the residence homestead exemption if the surviving spouse has not remarried since the disabled veteran died, and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse.

The bill would allow the surviving spouse to port the exemption from taxation to a subsequently qualified residence homestead in an amount equal to the dollar amount of the exemption from taxation of the former residence homestead. The bill would require the chief appraiser of the appraisal district in which the former residence homestead was located to issue a written certificate providing the information necessary to determine the amount of the exemption.

The bill would amend Chapter 26 of the Tax Code to rename Section 26.1127 to "Calculation of Taxes on Residence Homestead of Certain Disabled Veterans or Surviving Spouse of Certain Disabled Veterans" and make the calculation of taxes on a donated residence of a disabled veteran applicable to the new exemption.

The bill would allow individuals receiving the new exemption to pay property tax in installment payments.

The bill would change the calculation for lost property tax revenue used to determine the amount of the disabled veteran assistance payment to include property receiving this new exemption.

## Methodology

The bill would establish a residence homestead exemption for certain partially disabled veterans. This is in addition to the exemption for disabled veterans in Section 11.22 of the Tax Code that allows disabled veterans to claim a tax exemption the amount of which depends on the disability rating and is up to a set amount of the assessed value of any property owned by the disabled veteran.

Census data for Texas on numbers of disabled veterans by percent disability rating interval was combined with data on number of partial exemptions granted under Sec. 11.22 to estimate the distribution of homeowning partially disabled veterans by disability rating, and that estimated distribution then applied to the mean appraised value of homes exempt for disabled veterans or surviving spouses under Sec. 11.131(b)&(c) to yield estimated value that would be exempted by the bill.

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 $204.2 million in fiscal year 2027, $212.6 million in fiscal year 2028, increasing to $382.9 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of $50.7 million in fiscal year 2027, $53.1 million in fiscal year 2028, increasing to $59.2 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

Contingent upon passage of a constitutional amendment authorizing the property tax exemption, the bill would provide a property tax exemption to a disabled veteran who has a disability rating of at least 10 percent but less than 100 percent, 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.

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

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