

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: HB4060 by Pierson (Relating to a local option exemption from ad valorem taxation by a taxing unit of all or part of the appraised value of the residence homestead of a peace officer employed by the taxing unit.), **As Introduced**

No significant fiscal implication to the State is anticipated.

Contingent on the passage of HJR172, the bill would authorize the governing body of a taxing unit to adopt a local option homestead exemption of the appraised value of the residence homestead of a peace officer employed by that same taxing unit. The bill would establish the exemption amount as a percentage based on the number of years of service as a peace officer from 20 percent for a peace officer with at least five years and less than 10 years of service and up to 100 percent for 25 years or more. The bill would provide definitions and permit the assessor and collector for a taxing unit to disregard the exemption and collect tax pledged for payment of debt without deducting the amount of the exemption under certain circumstances.

The bill would allow local taxing units to adopt a local option residence homestead exemption for peace officers employed by that taxing unit providing certain percentage levels of exemption based on years of service. This exemption would be in addition to any other exemptions the property might qualify for. Texas has around 800 city police departments and sheriff's offices in about every county in the state. There are other taxing entities that also employ peace officers, such as school districts and hospital districts. According to the Texas Commission on Law Enforcement web site there are about 82,000 active peace officer license holders. It is unknown how many local taxing units would adopt this optional residence homestead exemption, or how many eligible peace officers own a home and their respective service time.

To the extent a school district adopts a optional homestead exemption for peace officers employed by the school district there would be a reduction of taxable property value. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The number of districts that would adopt an exemption and the amount of reduction and associated increase in state costs cannot be determined but is unlikely to be significant.

Local Government Impact

Contingent upon passage of a constitutional amendment authorizing the property tax exemption, the bill would authorize the governing body of a taxing unit to adopt a local option homestead exemption of the appraised value of the residence homestead of a peace officer employed by that same taxing unit. To the extent a unit of local government adopts a homestead exemption for peace officers employed by that taxing unit taxable value would be reduced. 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI