

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 20, 2025

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB467 by Paxton (relating to a temporary exemption from ad valorem taxation of the appraised value of an improvement to a residence homestead that is completely destroyed by a fire.), **Committee Report 1st House, Substituted**

Passage of the bill would allow a temporary tax exemption on an improvement to a residence homestead property that is completely destroyed by a fire. Contingent on adoption of a constitutional amendment, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

Contingent on the passage of SJR 84, the bill would provide for a temporary property tax exemption of the appraised value of an improvement to a person's residence homestead that is completely destroyed by fire in the year the property is destroyed. The amount of the exemption is equal to the percentage of the appraised value of the property based on the number of days remaining in the tax year after the date the fire occurred.

The bill would require the property owner to submit an application to the chief appraiser no later than the 180th day after the date of the fire. The chief appraiser would decide whether an improvement is completely destroyed and may use other information sources such as a fire marshal or insurance adjuster.

The bill would direct the assessor to recalculate the property tax amount due, provides for tax bill revision or tax refund as applicable, and tax roll correction.

The bill would require the Comptroller, in consultation with appraisal districts, to develop guidelines for determining whether an improvement is completely destroyed by a fire and distribute them to the appraisal districts not later than September 1, 2026.

Passage of the bill would allow a tax exemption on an improvement to a residence homestead property that is completely destroyed by a fire for the tax year in which the fire occurs. The bill tasks the Comptroller, in consultation with appraisal districts, with defining the term "completely destroyed."

Any property that was "completely destroyed" would receive a temporary exemption, as a result, taxable property values and the related property tax revenue for units of local government would be reduced and thus impact the state through the operation of the school funding formulas. However, the frequency, timing, and severity of future damages, and the number of taxing units that would be impacted cannot be predicted. Consequently, the cost of the bill cannot be estimated.

Local Government Impact

Passage of the bill would allow a tax exemption on an improvement to a residence homestead property that is completely destroyed by a fire for the tax year in which the fire occurs. As a result, taxable property values could be reduced. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code could be higher as a consequence of the reduced appraised value proposed by the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, SZ, SD, BRI