

SUBJECT: Extending 65-and-over homestead tax exemption for surviving spouse

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 8 ayes — Craddick, Wolens, Heflin, Horn, Marchant, Oliveira, Place, Romo

0 nays

3 absent — Finnell, Holzheuser, T. Hunter

WITNESSES: For — Leonard Spearman, for Harris County Judge Robert Eckels; Alice J. Bixby; George H. Moff

Against — None

On — Dan Wilson, Comptroller's Office, Property Tax Division; Jim Robinson

BACKGROUND: Texas Constitution Art. 8, sec. 2(a), prohibits all but specified exemptions from property (ad valorem) taxes; the Constitution must be amended to authorize any such exemptions. Current exemptions include:

- A property tax exemption of at least \$3,000 of the market value of a residence homestead is required by sec. 1-b(a).
- Taxing authorities are authorized by sec. 1-b(b) to grant another exemption of at least \$3,000 of the value of the homestead of a person age 65 and older.
- An exemption on \$5,000 in value from *school taxes* on homesteads is granted in sec. 1-b(c), which also allows the Legislature to implement further exemptions from school taxes for the disabled and those age 65 and over.

In addition, homestead school taxes are frozen when the homeowner turns age 65 (sec.1-b(d)). The freeze continues during ownership of the home by a surviving spouse age 55 or older.

Various exemptions granted by a taxing district are subtracted from the market value of a homestead before imposing a tax, so that, for instance, a \$125,000 home with \$100,000 in exemptions would be taxed on \$25,000, with a tax imposed on each \$100 in value.

DIGEST:

CSHB 1127 would allow a person age 55 or older who was the surviving spouse of a person who received a residence homestead exemption for those age 65 and over to receive an equal exemption for the same property from the same taxing unit. The death of the spouse would have to have been in a year in which the deceased spouse received the exemption. The property would have to remain the residence homestead of the surviving spouse. A person with a 65-and-over exemption could not also receive a surviving spouse exemption.

The bill would apply to taxes imposed for tax years beginning on or after January 1, 1996, and would take effect only if a constitutional amendment authorizing the exemption (HJR 64) were approved.

**SUPPORTERS
SAY:**

CSHB 1127 would provide some financial relief to Texas widows and widowers who suffer financially as well as emotionally when a spouse dies. A spouse's death may mean a significant loss of household income, and under current law it could also mean a drastic increase in property taxes on the family homestead. A surviving spouse who is over 55 often lacks the means to make more money to keep up with the rising tax bill.

Fairness alone would dictate that if a city or county is granting an over-65 tax exemption on a property, the exemption should be extended to a surviving spouse who is age 55 or older. This rationale is already being used with regard to ad valorem school taxes. If a person receives the residence school district homestead tax freeze for persons age 65 and older, school taxes are not increased while the property remains the residence homestead of that person or while it remains the residence homestead of that person's 55 or older surviving spouse. (Texas Constitution Art. 8, sec. 1-b(d)) This rationale should be extended to the residence homestead exemption for older people.

The bill's effect on a district's total revenue would be minimal because relatively few people would be in the situation addressed by this bill.

However, the relief for the people affected would be significant. In populous Harris County, for instance, an estimated 300 people would benefit from this bill, but each would continue to benefit from the \$100,000 exemption granted in this county. In addition, the taxing authority would not lose expected revenue because the exemption already would have been granted to the deceased spouse.

OPPONENTS
SAY:

The taxing districts affected by this change would lose revenue that they would otherwise have. The taxing districts might not have been expecting the value of the exempted property to come back on the tax rolls, but the money would certainly help fund all the increasing services provided by local counties and cities.

Everyone would like to be exempted from property taxes, but the counties and cities need someone to foot the bill. People between ages 55 and 65 generally are capable of paying taxes and should not be exempted.

NOTES:

HJR 64 by Hamric, also on today's calendar, proposes the constitutional amendment necessary to authorize the changes made in this bill.

The committee substitute would extend the homestead exemption for surviving spouses. The original version of the bill would have extended to other taxing districts the tax freeze now required of school districts, so that once a person turns 65, taxes would not rise for as many years as the property remains the residence homestead of that person.