

SUBJECT: Freezing taxes on homestead property owned by the disabled

COMMITTEE: Local Government Ways and Means — favorable, without amendment

VOTE: 6 ayes — Hill, Hegar, Laubenberg, McReynolds, Mowery, Quintanilla
0 nays
1 absent — Puente

WITNESSES: For — Paul Bettencourt; George Hammerlein, Harris County Tax Office
Against — None

BACKGROUND: Under Texas Constitution, Art. 8, sec. 1-b, certain portions of the taxable value of residential homesteads are exempt from ad valorem taxation. All residential property carries a \$5,000 homestead exemption. The Legislature may authorize an additional exemption of up to \$10,000 for property owned by people who are disabled or age 65 and over. Under Art. 8, sec. 1-b(d), the amount of residential property taxes imposed by a school district on the homestead of a person age 65 or older may not increase from the time the person reaches age 65 until the person or his or her spouse ceases to use the property for a homestead.

DIGEST: HJR 21 would propose amending Art. 8, sec. 1-b(d) to allow a disabled homeowner to qualify for the freeze on school property taxes that now applies to elderly homeowners. A temporary provision would make the exemption effective beginning with the tax year that begins on January 1, 2004.

The proposal would be presented to voters at an election on Tuesday, November 4, 2003. The ballot proposal would read: “The constitutional amendment to prohibit an increase in the total amount of school district ad valorem taxes that may be imposed on the residence homestead of a disabled person.”

SUPPORTERS SAY: HJR 21, if approved by the Legislature and Texas voters, would make disabled homeowners eligible for the same freeze on school property taxes as

is extended to elderly homeowners. Disability reduces income and increases expenses. To be eligible for the existing partial exemption for disability, a homeowner must be totally disabled as defined by federal law and unable to perform any work. Such people generally are the least able to pay taxes. Knowing what their taxes would be in the future would allow them to budget for that expense within their limited incomes. Approval of HJR 21 and HB 217, the enabling legislation, would help stabilize the economic condition of disabled Texans. Doing so would increase their chances of staying in their homes, helping both them and the taxing entities they support.

This change would affect relatively few property owners. Nationally, less than 5 percent of homeowners are disabled, and the market value of their homes typically is less than that of homes owned by elderly or other taxpayers. According to the fiscal note for HJR 21, the probable loss in revenue to local school districts would be about \$2.7 million upon full implementation in 2006. The state would reimburse districts for that loss through the Foundation School Fund. In relation to the billions that the state and local districts spend on public education, even the projected loss of \$3 million in general revenue in 2008 would be minuscule.

**OPPONENTS
SAY:**

In the current fiscal situation, Texas school districts cannot afford even a small loss of funding. Exemptions that begin with minor price tags can cost more and more over time. Financially strapped local school districts would bear the brunt of the constitutional amendment's costs, especially fast-growing districts that have based their bonded indebtedness on the current property-tax base.

NOTES:

The enabling legislation, HB 217 by Hamric, et al., also is on today's House General State Calendar. SJR 62 by Van de Putte and SB 1858 by Van de Putte, the companion joint resolution and enabling bill, respectively, have been referred to the Senate Finance Committee.

On April 14, the House passed HB 216 by Hamric, et. al, which would allow a partial exemption for disability to take effect in the same tax year in which the homeowner qualified for the exemption. HB 216 has been referred to the Senate Finance Committee.