

SUBJECT: Adjusting school tax freeze for elderly and disabled homeowners

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 5 ayes — J. Keffer, Edwards, Grusendorf, Smithee, Woolley
0 nays
4 absent — Villarreal, Luna, Paxton, Ritter

WITNESSES: For — None
Against — None
On — Dan Wilson, Comptroller's Office; Daniel Casey

BACKGROUND: Texas Constitution, Art. 8, sec. 1-b(d), as implemented by Tax Code, ch. 11.26, limits the amount of property taxes imposed by a school district on the residence homestead of a person who is disabled or at least 65 years of age. The dollar amount of the tax may not be increased as long as the property remains the residence homestead of the person or the person's surviving spouse. If the person who qualifies for the limitation dies, the limitation remains in place for a surviving spouse who was age 55 or older at the time of the person's death. The school tax freeze does not apply to most improvements that increase the value of the property.

DIGEST: CSHJR 26 would adjust proportionately the school taxes owed by individuals whose property tax bills were frozen because they are disabled or at least 65 years old. The dollar amount of the school property tax would be increased or decreased proportionately to match changes in the school property tax rate but would not rise beyond the 2006 amount or the original freeze amount. The bill also would direct that any decrease in the tax rate between 2005 and 2006 be taken into account in the statutory implementation of CSHJR 26.

The amendment would take effect January 1, 2007, and would apply beginning in the 2007 tax year, if adopted by voters.

The proposal would be presented to the voters at an election on Tuesday, November 7, 2006. The ballot proposal would read: "The constitutional amendment providing for an adjustment of the limitation on the total amount of ad valorem taxes that may be imposed for public school purposes on the residence homesteads of the elderly or disabled to reflect any change in the rate of those taxes."

**SUPPORTERS
SAY:**

CSHJR 26 would ensure that senior citizens and the disabled benefited from any tax relief authorized by the 79th Legislature by proportionately adjusting their school tax freeze amounts. For example, if a school district reduced its tax rate 20 percent, a tax bill that previously was frozen at \$1,000 would drop to \$800 in the following tax year. Without this, homeowners who have had their school district taxes frozen would not receive any property tax relief that would result from other measures under consideration during this special session.

There is no need to permanently lower the school tax freeze amounts below those received today by senior citizens and the elderly. Those who receive the freeze today already have been shielded from the rising taxes that have made property tax relief an important issue, and they would be assured to pay no more than their 2005 levies, assuming they made no improvements to their homes. Future increases or decreases in the tax rate would apply proportionately to those homeowners, but never in excess of the tax amounts they pay today. This budget certainty would ensure that people living on fixed incomes could continue to afford their property taxes.

**OPPONENTS
SAY:**

Senior citizens and the disabled do not need further property tax relief because their taxes already are capped. A freeze reduction unfairly delivers an undue benefit to individuals who have not participated in carrying the burden of higher taxes. These individuals have received an effective tax rate cut every year as their appraised values have grown and the dollar amount of taxes they have paid has remained the same.

The property tax freeze already benefits individuals in wealthier households more than those with more modest homes, so any future reduction should be targeted toward the elderly and disabled under a certain income level.

**OTHER
OPPONENTS**

A freeze is not a freeze if it floats. The primary purpose of offering a school property tax freeze to senior citizens and the disabled is to give

SAY: budget certainty to people who often are living on fixed incomes. With a fixed tax bill every year, these individuals can afford to stay in their homes more easily. Under tax relief measures currently being considered by the Legislature, the state would reduce tax rates, but school districts subsequently would be able to raise them. In this case, homeowners eligible for the tax freeze might have their tax bill reduced one year only to see it rise in the next year. The freeze amount should only be lowered.

NOTES: According to the Legislative Budget Board, the cost to the state from CSHJR 26 cannot be estimated because it would depend on future actions of the Legislature to calculate the rates upon which freeze adjustments would be based.

Voter approval of CSHJR 26 would authorize implementation of HB 72 by Berman, which would adjust school tax freeze for elderly and disabled homeowners. HB 72 was reported favorably, as substituted, by the Ways and Means Committee on May 4 and appears on today's Major State Calendar. Also, during floor consideration of HB 1 by Chisum, et al., school property tax rate reduction, the House adopted an amendment by Rep. Naishtat that would reduce tax freeze amounts in proportion to any general tax reduction, subject to constitutional authorization. HB 1 as amended passed the Senate on May 10 and includes the Naishtat amendment.

HJR 26 as introduced only would have reduced tax freezes and not allowed them to float up or down with changing tax rates, capped at the original freeze amount, as in the substitute.

During the first called session of the 79th Legislature, the House approved HJR 24 by Berman, which was substantially similar to CSHJR 26, but it died in the Senate.