

SUBJECT: Changing formula for calculating disabled veteran homestead exemption

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — Keffer, Ritter, Otto, Bonnen, Y. Davis, Paxton, Pena, Pitts  
0 nays  
1 absent — Flores

WITNESSES: For — (*Registered, but did not testify*: Jim Robinson, Buddy Winn)  
Against — None

BACKGROUND: Texas Constitution, Art. 8, sec. 2(b) allows the Legislature to exempt from taxation a certain portion of the property owned by a disabled veteran who is classified as at least 10 percent disabled by the Veterans Administration (VA) or a successor agency. A veteran with a disability rating of:

- at least 10 percent and not more than 30 percent can be granted a taxation exemption for property valued up to \$5,000;
- more than 30 percent but not more than 50 percent can be granted a taxation exemption for property valued up to \$7,500;
- more than 50 percent but not more than 70 percent can be granted a taxation exemption for property valued up to \$10,000;
- more than 70 percent can be granted a taxation exemption for property valued up to \$12,000; or
- at least 10 percent and who is 65 or older, a disabled veteran who has lost use of at least one limb, is fully or partially blind, or paraplegic, can be granted a taxation exemption for property valued up to \$12,000.

The spouse and children of any member of the U.S. military can be granted a taxation exemption for property valued up to \$5,000. A deceased disabled veteran's surviving spouse and children can be granted a taxation exemption equaling the total amount of the exemption to which the veteran was entitled when he or she died.

DIGEST:

HJR 37 by McReynolds would amend the formula used to categorize veterans' disability ratings to determine their respective property tax exemption. It also would allow a disability rating issued by the veteran's military service to be considered in determining the veteran's eligibility.

A veteran with a disability rating of:

- at least 10 percent but less than 30 percent could be granted a taxation exemption for property valued up to \$5,000;
- at least 30 percent but less than 50 percent could be granted a taxation exemption for property valued up to \$7,500;
- at least 50 percent but less than 70 percent could be granted a taxation exemption for property valued up to \$10,000;
- 70 percent or more could be granted a taxation exemption for property valued up to \$12,000.

Other exemptions granted in the section would remain unchanged. A temporary provision, which would expire on January 1, 2009, provides that the changes in formula would take effect for the tax year beginning January 1, 2008.

The proposal would be presented to the voters at an election on Tuesday, November 6, 2007. The ballot proposal would read: "The constitutional amendment to authorize a change in the manner of determining the amount of the exemption from ad valorem taxation to which a disabled veteran is entitled."

SUPPORTERS  
SAY:

HJR 37 would correlate the state's disabled veteran property tax exemption with the procedures used by the federal Veterans Administration (VA) in calculating the veteran's disability rating to ensure the veteran received the exemption for which he or she was entitled. It would be a minor change, but one that would provide a small benefit to those who have defended our freedom.

The VA calculates disability ratings based primarily on how an impairment affects the earning potential of the veteran. A disability rating of 100 percent means the veteran is completely unemployable due to physical and/or mental impairments, such as the loss of one or more hands or feet or loss of sight. Once a disability rating is calculated, it is rounded to the nearest multiple of 10.

The rounding of disability ratings has led to some veterans being denied the tax exemptions they deserve under the Texas system. Due to the current system, if someone is rounded down to a rating of 10, 30, 50, or 70, that person falls to a lower tier of exemptions or does not receive one at all. Rounding has moved some veterans whose initial disability rating would have placed them in one category into a lower one. This proposed amendment would ensure that veterans did not lose tax exemptions to which they were entitled. Additionally, the change in categories would result in an increased exemption reducing revenue by only a few thousand dollars per exemption, and according to county tax assessor-collectors, a significant amount of veterans do not take advantage of this exemption.

OPPONENTS  
SAY:

No one disagrees with granting benefits to veterans for their service to the nation, but restructuring a property tax exemption to give more people a tax break would cost taxing districts, and this reduction in revenue could be exacerbated by the influx of new disabled veterans returning from Iraq and Afghanistan. Technological advancements and new medical techniques, coupled with more dangerous enemy weaponry, has led to different and sometimes more debilitating injuries than in previous conflicts, even while fatality rates in the conflicts in Iraq and Afghanistan are much lower than in previous wars. As a result, more veterans likely would qualify for larger exemptions, which would cost the state to the extent that it reduced the amount of property tax revenue collected by school districts.

NOTES:

HB 358 by McReynolds, the enabling legislation for HJR 37, was reported favorably by the Ways and Means Committee on March 28 and has been placed on the May 8 General State Calendar. It would amend Tax Code, sec. 11.22 to make the necessary statutory changes in the calculation of disabled veteran homestead exemptions if voters approved HJR 37. The Legislative Budget Board estimates the change in the disabled veterans exemption would result in an undetermined amount of lost revenue to local taxing units, causing an increase in costs to the Foundation School Fund.