

SUBJECT: Exempting residence homestead taxes for fully disabled veterans

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 6 ayes — Keffer, Ritter, Otto, Y. Davis, Flores, Peña
0 nays
3 absent — Bonnen, Paxton, Pitts

SENATE VOTE: On final passage, May 3 — 31-0

WITNESSES: For — James F. Cook, Jr., Native American Veterans, DAV, Purple Heart Lone Star Hethuska Society; John A. Miterko, Vietnam Veterans of America, Texas State Council; Joe Ramos; Patrick M. Reilly (*Registered, but did not testify*: Daniel Gonzalez, Texas Association of Realtors; William King Brown)
Against — None

BACKGROUND: Tax Code, ch. 11 specifies that all real and tangible property under the state’s jurisdiction is taxable unless exempt by law. Sec. 11.13 specifies certain exemptions for residence homesteads. Sec. 11.22 exempts 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. It specifies exemptions proportionate to the disability rating of the veteran.

Government Code, sec. 403.302 requires the comptroller to conduct a property value study to determine the total taxable value – part of the school funding formula – for each school district.

DIGEST: SB 666 would amend Tax Code sec. 11.13 to entitle a veteran classified as having a 100 percent, or totally disabled, disability rating as a result of military service to a tax exemption of the total appraised value of the veteran’s residence homestead. Tax Code, sec. 11.22 would be used for the definition of a disabled veteran.

The bill would amend Government Code, sec. 403.302 to remove as taxable property under the Comptroller's property value study any property subject to the homestead exemption granted under this program.

The bill would take effect January 1, 2008, but only if the Legislature adopted and voters approved SJR 29 by Corona in the election on November 6, 2007. If that proposition was not approved by voters, the bill would have no effect. The bill would apply only to ad valorem taxation imposed on or after January 1, 2008.

**SUPPORTERS
SAY:**

SB 666 would allow those veterans classified as fully disabled an exemption from property taxes. This classification means these veterans are completely unemployable, and this bill would remove a significant burden for those whose ability to earn an income is severely hindered. This exemption would apply to those whose disabilities are service-connected, meaning these veterans have given their health and safety in defense of our freedom. This measure would be a gesture of gratitude on behalf of the State of Texas.

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. SB 666 would not distinguish between a person rated totally disabled and one whose rating was 100 percent disabled, accounting for any changing federal definitions while also allowing for more latitude and discretion on the state level.

Under current law, a totally disabled veteran only can receive an exemption of up to \$12,000 from the property's value. Although this helps defray costs, it does not significantly reduce the ever-increasing property tax burden veterans and all Texans are facing. For a disabled veteran who is completely unemployable and with limited means to earn an income, a full exemption from property taxes would allow more veterans facing rising appraisal values to keep their homes. The state should take whatever steps are necessary to ensure that those who sacrificed for their country are not forced to sell their property because they could not afford to stay in their homes.

OPPONENTS
SAY:

No one disagrees with granting benefits to veterans for their service to the nation, but this measure would have a significant effect on reducing revenue available to tax districts. This effect would 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. Additionally, totally disabled veterans do not face an increased tax burden because they are eligible for a tax freeze.

NOTES:

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.

SJR 29 by Carona, which would amend the Constitution to exempt from ad valorem taxation all or part of the market value of the residence homestead of certain disabled veterans, is on today's Constitutional Amendments Calendar.