

SUBJECT: Partial property tax exemption for certain disabled veterans

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Hilderbran, Otto, Bohac, Button, N. Gonzalez, Ritter, Strama
0 nays
2 absent — Eiland, Martinez Fischer

WITNESSES: For — Jorge De Leon, Operation Finally Home; Louis Flores; Scott Norman, Texas Association of Builders; (*Registered but did not testify:* Carrie Casey; Cheryl Johnson, Galveston County Tax Office; Lee Johnson, Texas Council of Community Centers; Stefanie Pelkey; Tony Privett; Sheryl Swift, Galveston County Tax Office; Daniel Vargas, Operation Finally Home)
Against — None

BACKGROUND: Tax Code, sec. 11.13 defines a residence homestead as a structure or a separately secured and occupied portion of a structure (together with the land, not to exceed 20 acres, and improvements used in the residential occupancy of the structure, if the structure and the land and improvements have identical ownership) that is owned by one or more individuals, either directly or through a beneficial interest in a qualifying trust, is designed or adapted for human residence, is used as a residence, and is occupied as his principal residence by an owner or, for property owned through a beneficial interest in a qualifying trust, by a trustor of the trust who qualifies for the exemption.

Tax Code, sec. 11.131 provides a tax exemption from the total appraised value of a disabled veteran's residence homestead if the veteran has a 100 percent disability or individual unemployability rating related to military service.

Tax Code, sec. 11.22 defines a disabled veteran as "a veteran of the armed services of the United States who is classified as disabled by the Veterans' Administration or its successor or the branch of the armed services in which the veteran served and whose disability is service-connected."

DIGEST:

HB 97 would provide a partially disabled veteran a partial residence homestead tax exemption if the home was donated to the veteran by a 501(c)(3) charitable organization.

The percentage of tax exemption on the home's appraised value would equal the percentage of the veteran's disability rating.

The surviving spouse of a qualified veteran would receive the same exemption if the spouse did not remarry, the property was the spouse's residence homestead when the disabled veteran died, and the property remained the spouse's residence homestead.

With some exceptions, the surviving spouse of a disabled veteran who qualified for an exemption would be entitled to the same exemption from taxation the disabled vet received.

A qualified exemption once allowed would not have to be claimed in subsequent years and would apply until the property changed ownership.

A person who qualified for the exemption would have to apply for it no later than one year after the date the person qualified.

The amount of the tax due on the property would be calculated as if the individual qualified for the exemption on January 1 and continued to be eligible for the exemption for the remainder of the year on a property purchased at any time during the year by a qualified person.

The assessor would be required to recalculate and adjust the amount of tax due on a property if an individual qualified for the exemption after the tax was already calculated by either mailing a corrected tax bill or a refund if the tax paid exceeded the tax due.

SUPPORTERS
SAY:

HB 97 would help disabled veterans injured during their military service and suffer from less than 100 percent disability rating to stay in homes that were donated to them by charitable organizations.

Many home builders in the state and charitable organizations have generously given homes to disabled veterans, and this bill would ensure that the homes were a blessing and not a burden as a result of property taxes the veteran could not pay. Current law allows a property tax

exemption for a veteran with a 100 percent disability rating, and this bill would create an exemption equal to the veteran's disability rating for a donated home. This is important because a veteran with an 80 percent or 90 percent disability still may not be able to return to full employment or may be limited in job opportunities.

The disabled veterans who have received these homes have received with them the freedom to pursue education, find a suitable job, and start a business. These homes can help to provide a hand up so that returning disabled veterans can transition to a civilian life after being injured or to aid a family member who must take care of a disabled service member.

The bill is narrowly tailored to apply only to veterans who were disabled during their military service and were recipients of a home from a charitable organization. The fiscal impact would be minimal, and the exemption would be appropriate considering what these veterans have sacrificed.

**OPPONENTS
SAY:**

HB 97 would extend the unhealthy precedent of carving out a property tax exemption for certain groups. Singling out one group for a tax exemption, regardless of how deserving that group may be, raises issues of uniformity in taxation and could open the door for continued erosion of the tax base.

**OTHER
OPPONENTS
SAY:**

If the purpose of the bill is to help veterans reintegrate into civilian life, the exemption should not be permanent, but instead have a sunset provision or similar mechanism so those veterans who assimilate back into civilian life and can afford to pay property taxes do so.

NOTES:

The Legislative Budget Board estimates that the bill would have a cost to the school districts and other units of local government in which the exemption was given, but the impacts were not expected to be significant.