

SUBJECT: Expanding eligibility for funds to offset exemptions for disabled veterans

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — D. Bonnen, Y. Davis, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Bohac, E. Johnson

WITNESSES: For — Jerry Bark, City of Harker Heights; Hilary Shine, City of Killeen; (*Registered, but did not testify*: Tom Tagliabue, City of Corpus Christi; Guadalupe Cuellar, City of El Paso; Eric Glenn, City of Killeen; Jim Allison, County Judges and Commissioners Association of Texas; Alma Moreno, San Patricio County; Grover Campbell, Texas Association of School Boards; Colby Nichols, Texas Rural Education Association and Texas Association of Community Schools; Diana McDonnell; Alexie Swirsky)

Against — (*Registered, but did not testify*: Adam Cahn, Cahnman's Musings; Dana Blanton)

BACKGROUND: Tax Code, sec. 11.131 entitles 100 percent disabled veterans and qualifying surviving spouses to a total residence homestead exemption.

Local Government Code, sec. 140.011 provides assistance to local governments disproportionately affected by the provision of homestead exemptions to 100 percent disabled veterans. Municipalities adjacent to a U.S. military installation or counties in which a U.S. military installation is wholly or partly located qualify for assistance. A qualified local government may receive assistance if it loses at least 2 percent of its general fund revenue due to the exemption.

DIGEST: HB 74 would amend the eligibility for assistance provided under Local Government Code, sec. 140.011 to include a municipality located wholly

or partly in a county in which a U.S. military installation was located, instead of a municipality adjacent to a U.S. military installation.

The bill would take effect December 1, 2017, and would allow any newly eligible locality to apply for assistance beginning with the fiscal year that ends in the 2017 tax year.

**SUPPORTERS
SAY:**

HB 74 would benefit cities near military bases that are disproportionately impacted by the requirement to extend homestead exemptions to totally disabled veterans but that do not qualify for state assistance under current law. Because veterans frequently choose to live in localities near military bases after leaving the armed services, smaller cities such as Harker Heights can be particularly affected by the reduction in property tax revenue. Harker Heights loses more than 5 percent of its total general fund revenues due to this exemption, which is more than several other localities that currently qualify for state assistance. However, the city does not receive assistance because it is not adjacent to Fort Hood, even though it is only 1.5 miles away. HB 74 would allow Harker Heights to qualify and receive needed assistance, ensuring fairness in helping cities that are disproportionately impacted by property tax relief for disabled veterans.

This bill would not increase the cost to the state, as it merely would allow Harker Heights and similarly situated cities to qualify for a program funded by existing appropriations. The program is not designed to cover the full cost of the exemption but only to compensate localities that are disproportionately affected. The changes proposed in HB 74 would not compromise the program's ability to fulfill this purpose.

**OPPONENTS
SAY:**

HB 74 would expand eligibility for assistance without increasing the appropriation for reimbursements, making fewer funds available for other qualifying localities. While Harker Heights and other cities in need should be afforded some form of assistance, the Legislature should increase funding for the program before expanding eligibility. Funding is stretched thin and is not sufficient to cover the cost of the exemption, a situation that is likely to grow worse as veterans age and populations of disabled

veterans increase.

NOTES: A companion bill, SB 63 by Buckingham, was filed in the Senate on July 18.