

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 24, 2017**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB150** by Bell (Relating to the exemption from ad valorem taxation of part of the appraised value of the residence homestead of a partially disabled veteran or the surviving spouse of a partially disabled veteran if the residence homestead was donated to the disabled veteran by a charitable organization for less than the market value of the residence homestead.), **As Passed 2nd House**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to provide, in regard to the existing partial exemption for a homestead donated to a partially disabled veteran, that the exemption would apply if a residence homestead was donated to a partially disabled veteran by a charitable organization at a cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the charitable organization's good faith estimate of the homestead's market value. The exemption is currently restricted to residence homesteads donated at no cost to the disabled veteran and these no-cost donations would still be eligible for the exemption.

The bill would amend Chapter 33 of the Tax Code, regarding property tax delinquency, to lower from 8 percent to not greater than 5 percent the annual interest rate during a property tax deferral or abatement period of homestead taxes for certain individuals who are 65 years or older or disabled.

Appraisal districts report that there are currently 16 partial exemptions for residence homesteads that have been donated to partially disabled veterans at no cost to the veteran under Section 11.132 of the Tax Code. This bill would expand the exemption to include homesteads for which a charitable organization donated at least half of the cost of the homestead to the partially disabled veteran. Information about the number of homesteads that would be eligible for the exemption under the proposed expansion of the exemption is not available. Consequently the cost of the bill to the state and taxing units cannot be estimated. The cost, however, is not expected to be significant.

The bill would reduce the amount of interest revenue received by local taxing units by lowering the annual interest rate from 8 percent to not greater than 5 percent. The amount of interest on deferred or abated taxes that would be affected by the reduced interest rate proposed by the bill is unknown; consequently, the cost to local taxing units cannot be estimated. There would be no cost to the state because interest revenue is not included in the school funding formulas.

The bill would take effect on January 1, 2018, contingent on voter approval of a constitutional

amendment.

### **Local Government Impact**

Passage of the bill would reduce the amount of interest revenue received by local taxing units by lowering the annual interest rate from 8 percent to not greater than 5 percent. The amount of interest on deferred or abated taxes that would be affected by the reduced interest rate proposed by the bill is unknown; consequently, the cost to local taxing units cannot be estimated.

**Source Agencies:** 304 Comptroller of Public Accounts

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