

- SUBJECT:** Freezing taxes on homestead property owned by the disabled
- COMMITTEE:** Local Government Ways and Means — favorable, without amendment
- VOTE:** 6 ayes — Hill, Hegar, Laubenberg, McReynolds, Mowery, Quintanilla
0 nays
1 absent — Puente
- WITNESSES:** For — Paul Bettencourt; George Hammerlein, Harris County Tax Office; Johnnie Morales; Jim Robinson; Jonas Schwartz, Advocacy, Inc.
Against — None
On — Lee Flowers
- BACKGROUND:** Tax Code, ch. 11 establishes various exemptions from the market value of taxable property. Sec. 11.13(b) entitles a residence homestead owner to an exemption of \$15,000 of the homestead's appraised value for school district purposes. Sec. 11.13(c) entitles an owner who is disabled or age 65 or older to an additional \$10,000 exemption from the appraised value for school taxes. Any local taxing entity may elect to provide an additional exemption of at least \$3,000 for a disabled or elderly homeowner.
- Tax Code, sec. 11.26 prohibits a school district from increasing the annual amount of property taxes it imposes on the residence homestead of a person age 65 or older above the amount it imposed in the first tax year for which the person qualified for the partial exemption for the elderly, unless the owner makes improvements to the property. An elderly person who receives this limitation on tax increases later may qualify a different residence homestead for the tax freeze.
- DIGEST:** HB 217, the enabling legislation for HJR 21 by Hamric, et al., would prohibit a school district from increasing taxes on the residence homestead of a disabled person above the level imposed in the first year that the homeowner qualified for the partial exemption for disability.

The tax freeze would begin as of January 1, 2003, for anyone who qualified for the disability exemption before January 1, 2003. A person could qualify a subsequent homestead for the tax freeze only if the person qualified the former homestead for the partial exemption under Tax Code, sec. 11.13©) for a tax year beginning on or after January 1, 2003.

HB 217 also would amend Government Code, sec. 403.302(d) to exclude the value of the tax freeze from the calculation of taxable value for purposes of the comptroller's annual study of school district property values.

This bill would take effect January 1, 2004, and would apply only to taxes imposed for tax years beginning on or after that date, but only if voters approve the constitutional amendment proposed by HJR 21.

**SUPPORTERS
SAY:**

HB 217 would make disabled homeowners eligible for the same freeze on school property taxes as is extended to elderly homeowners, assuming that voters approve HJR 21. Disability reduces income and increases expenses. To be eligible for the existing partial exemption for disability, a homeowner must be totally disabled as defined by federal law and unable to perform any work. Such people generally are the least able to pay taxes. Knowing what their taxes would be in the future would allow them to budget for that expense within their limited incomes. Approval of HB 217 and HJR 21 would help stabilize the economic condition of disabled Texans. Doing so would increase their chances of staying in their homes, helping both them and the taxing entities they support.

This change would affect relatively few property owners. Nationally, less than 5 percent of homeowners are disabled, and the market value of their homes typically is less than that of homes owned by elderly or other taxpayers. According to the fiscal note for HJR 21, the probable loss in revenue to local school districts would be about \$2.7 million upon full implementation in 2006. The state would reimburse districts for that loss through the Foundation School Fund. In relation to the billions that the state and local districts spend on public education, even the projected loss of \$3 million in general revenue in 2008 would be minuscule.

**OPPONENTS
SAY:**

In the current fiscal situation, Texas school districts cannot afford even a small loss of funding. Exemptions that begin with minor price tags can cost

more and more over time. Financially strapped local school districts would bear the brunt of the constitutional amendment's costs, especially fast-growing districts that have based their bonded indebtedness on the current property-tax base.

NOTES:

HJR 21 by Hamric, et al., which would propose a constitutional amendment authorizing the tax freeze for the disabled, is on today's House Constitutional Amendments Calendar.

SB 1858 by Van de Putte and SJR 62 by Van de Putte, the companion enabling bill and joint resolution, respectively, have been referred to the Senate Finance Committee.

On April 14, the House passed HB 216 by Hamric, et. al, which would allow a partial exemption for disability to take effect in the same tax year in which the homeowner qualified for the exemption. HB 216 has been referred to the Senate Finance Committee.