

- SUBJECT:** Freezing city and county property taxes for elderly homestead owners
- COMMITTEE:** Local Government Ways and Means — favorable, without amendment
- VOTE:** 7 ayes — Hill, Hegar, Laubenberg, McReynolds, Mowery, Puente, Quintanilla
- 0 nays
- WITNESSES:** For — Jim Carter; Bill Cummings, Texas Silver Haired Legislature; Donald Lee, Texas Conference of Urban Counties; Cory Shields; Charlotte Taylor; Lucille Turner; Zevertine A. Wentworth
- Against — Dick Lavine, Center for Public Policy Priorities; Mark McDaniel, City of Corpus Christi; Milo Nitschke, City of San Antonio
- On — Philip Scheps, City of Houston
- BACKGROUND:** Under Texas Constitution, Art. 8, sec. 1-b exempts certain portions of the taxable value of residential homesteads from ad valorem taxation. All residential property carries a \$15,000 homestead exemption. The Legislature may authorize an additional exemption of up to \$10,000 for property owned by people who are disabled or age 65 and over. Under Art. 8, sec. 1-b(d), the amount of residential property taxes imposed by a school district on the homestead of a person age 65 or older may not increase from the time the person reaches age 65 until the person or his or her spouse ceases to use the property for a homestead, unless the homeowner makes improvements.
- DIGEST:** HJR 16 would propose amending Act. 8, sec. 1-b to allow the governing body of a county, city, or town to freeze the amount of county or city residential property taxes imposed on the homestead of a person 65 or older from the time the person reached age 65 until the person or his or her spouse ceased to use the property for a homestead. As an alternative, the local governing body would have to call an election to grant the limitation if the governing body received a petition signed by 5 percent of the registered voters in the county or municipality, and the property tax limitation would be established if approved by a majority of voters.

The proposed amendment would allow the transfer of the tax limitation upon the death of a homeowner age 65 or older to a surviving spouse who was 55 or older at the time of the owner's death, as long as the spouse claimed the property as a residential homestead. The Legislature by law could provide for the transfer of all or a proportionate percentage of that limitation on taxes if the homeowner established a different residential homestead within the same county, city or town. The taxing entities could increase taxes on such a homestead to the extent that the homeowner made improvements, other than repairs, that increased the value of the property.

A county or city governing body could not repeal or rescind a limitation established under these provisions.

The proposal would be presented to voters at an election on Tuesday, November 4, 2003. The ballot proposal would read: "The constitutional amendment to permit counties, cities, and towns to establish an ad valorem tax freeze on residence homesteads of the elderly and their spouses. "

**SUPPORTERS
SAY:**

Increasing property taxes are a particular burden on elderly homeowners, the vast majority of whom live on fixed incomes. HJR 21 and HB 136 by F. Brown, et al., the enabling legislation, are modeled on existing tax limitations on school taxes provided by the Constitution. Elderly homeowners still would have to pay their share of property taxes to support services provided by counties and cities. They should not be victims of escalating property-value appraisals in high-growth areas. Knowing what their taxes would be in the future would allow them to budget for that expense within their limited incomes.

HJR 21 would be permissive. County commissioners and city council members would not have to impose the tax limitation if the county or city could not afford the loss of revenue. These local elected officials meet daily with constituents in their neighborhoods, grocery stores, restaurants, and other local businesses, and they can be expected to respond to the wishes of the community. The proposed amendment would respect the principle of local control and would recognize that city and county elected officials can be entrusted to make important financial decisions.

Providing for a petition process and an election to decide the issue would allow citizens to make a democratic decision on adopting a property-tax limitation. The state should encourage greater participation by Texans in the political process, and the wishes of the people should not be frustrated by recalcitrant and unresponsive local elected officials.

Limitations on property taxes, even if only for elderly homeowners, would force cities and counties to reexamine their budget priorities. Local governments should reduce their expenditures and not rely on easy tax increases generated by higher residential property values. City and county governments have other sources of revenues, such as sales taxes, utility charges, and other fees that senior citizens pay.

**OPPONENTS
SAY:**

Limiting school taxes may be justified because elderly homeowners typically have no school-aged children using public schools. However, senior citizens are heavy users of city and county programs such as recreation centers, drive on city streets and county roads, and benefit from a wide range of local services. Other homeowners, such as young couples and single parents, also struggle with high property taxes, and they receive no special exemptions. Property tax breaks should be based on the ability to pay, rather than on a criterion such as the age of the homeowner.

If HJR 16 were approved by voters, political pressure to lower property taxes would be relentless and impossible to ignore, although the tax freeze nominally would be permissive. Senior citizens typically are politically active and aware and would have the time and resources to mount successful petition drives to force property-tax freeze elections, should local elected officials refuse to limit property-tax revenues on their own.

This proposal could have a substantial negative impact on local governments' budgets, particularly as baby boomers "age into" the exemption. According to the fiscal note for HJR 16, cities could lose up to \$9.8 million in fiscal 2005 and up to \$11.7 million in fiscal 2008. Counties could collect \$5.6 million less in property tax in fiscal 2005 and \$6.7 million less in fiscal 2008. Unlike school districts, cities and counties receive no state reimbursement for such losses.

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NOTES: HB 136 by F. Brown, B. Brown, et al., the enabling legislation for HJR 16, is on today's General State Calendar.

A related proposal, HJR 21 by Hamric, et al., which would apply the school tax freeze to disabled persons, was adopted by the House on April 29. The enabling legislation, HB 216 by Hamric, et al., passed the House on April 14 and was referred to the Senate Finance Committee on April 22.