

**SUBJECT:** Allowing increased homestead exemption for the elderly and disabled

**COMMITTEE:** Local Government Ways and Means — favorable, without amendment

**VOTE:** 5 ayes — Hill, Hegar, Laubenberg, Mowery, Quintanilla  
0 nays  
2 absent — McReynolds, Puente

**WITNESSES:** None

**BACKGROUND:** Under Texas Constitution, Art. 8, sec. 1-b, certain portions of the taxable value of residential homesteads are exempt from ad valorem taxation. For school tax purposes, \$15,000 of the market value of an adult's residence homestead is exempt. The Legislature may exempt an additional \$10,000 of the market value of the residence homestead of a person who is elderly (age 65 or older) or disabled. Tax Code, sec. 11.13©) provides this additional exemption for the elderly and disabled.

**DIGEST:** HJR 37 would propose amending Art. 8, sec. 1-b to allow the Legislature to provide for an additional exemption of up to \$20,000 from the market value of an elderly or disabled person's residence homestead for school tax purposes. If approved by the voters, the amendment would take effect for the tax year that begins January 1, 2004.

The proposal would be presented to voters at an election on Tuesday, November 4, 2003. The ballot proposal would read: "The constitutional amendment to increase the amount of the market value of the residence homestead of a disabled or elderly person that may be exempt from ad valorem taxation by a school district."

**SUPPORTERS SAY:** Additional exemptions worth \$10,000 first were extended to elderly and disabled homeowners in 1979. Since then, inflation and growth in property values have eroded the value of that exemption. Property values have increased at least 10 different times during that period, because appraisals generally must be performed at least every other year.

If approved by voters, HJR 37, coupled with the enabling bill, HB 700 by Gutierrez, et al., would help restore the value of the exemption for disabled and elderly homeowners, many of whom have paid off their long-term mortgages and own their homes outright. The Constitution and the Tax Code provide for a limitation on the amount of taxes paid on homesteads owned by the elderly, but that amount still reflects the effect of increased appraisals since the homeowner bought the house. Significant numbers of elderly and disabled homeowners live on limited, fixed incomes, and property taxes based on higher current values — even at the frozen level — typically have risen disproportionately compared with those incomes.

Future development of both commercial and residential property will more than offset any losses to local school districts due to homestead exemptions. The addition of new businesses and new neighborhoods will increase overall tax values of school districts and ensure that the districts can meet current and future financial obligations.

**OPPONENTS  
SAY:**

Texas school districts cannot afford even a small loss of funding in the current fiscal situation. Also, the price tag for the proposed exemption would increase over time as more Texans “aged into” the exemption. Financially strapped school districts would bear the brunt of the costs, especially fast-growing districts that have based their bonded indebtedness on the current property tax base.

**NOTES:**

The enabling legislation, HB 700 by Gutierrez, Pena, and Bohac, is on today’s House General State Calendar.