

- SUBJECT:** Allowing homestead exemption in the year a property is acquired
- COMMITTEE:** Ways and Means — favorable, as amended
- VOTE:** 10 ayes — Oliveira, Bohac, Hartnett, Hilderbran, C. Howard, P. King, Paxton, Peña, Taylor, Villarreal
- 0 nays
- 1 absent — Otto
- WITNESSES:** For — Cheryl Johnson, Galveston County Taxpayers; Joe Stewart, Texas Association of Realtors; Morris Whitis; (*Registered, but did not testify*): Diane Donley, Collin County Association of Realtors; Daniel Gonzalez, Texas Association of Realtors; Robert Kemmey; Dick Lavine, Center for Public Policy Priorities; Michael Sullivan, Texans for Fiscal Responsibility; Sheryl Swift, Galveston County Tax Office; Peggy Venable, Americans for Prosperity - Texas
- Against — None
- On — Jim Robinson, Texas Association of Appraisal Districts
- BACKGROUND:** Under Tax Code, sec. 11.42, eligibility for and the amount of a property tax exemption for any tax year generally are determined by a claimant's qualifications as of January 1. A person who does not qualify for an exemption on January 1 of any year generally may not receive the exemption for that tax year.
- DIGEST:** HB 1037, as amended, would amend Tax Code, ch. 26 to provide a prorated homestead exemption if eligible property was acquired during the tax year and had not yet formally received a homestead exemption. Also, if the property ceased to qualify for a homestead exemption during the tax year, the property owner would pay an amount prorated between the time the homestead tax applied and the time upon which it did not. The bill would establish formulas to determine the proration amounts.
- HB 1037 also would amend sec. 11.42 and sec. 26.112(a) to allow a property owner who qualified for the homestead exemption for the elderly

or disabled to have the exemption be effective as of January 1 of that year and apply to the entire tax year.

The bill would take effect on January 1, 2010, and would apply only to a residence homestead acquired on or after that date. HB 1037 only would take effect if a specific appropriation for the implementation of the bill was provided in an appropriations act of the 81st Legislature.

**SUPPORTERS  
SAY:**

HB 1037 would fix a glitch in the law. Under current law, a person may receive a homestead exemption on eligible property on the next January 1 after the purchase of the property. This means that the year in which a person can receive a homestead exemption depends on the date of the purchase of the home. A person who purchases a house on December 31 can receive the homestead exemption the next day. A person who purchases a home two days later, January 2, has to wait until the next January 1 before receiving the homestead exemption. HB 1037 would allow an eligible property owner to receive a prorated homestead exemption for the part of the year they owned the home as a homestead. HB 1037 also would allow an eligible person who qualified for an additional homestead exemption for the elderly or disabled to apply that exemption throughout the entire year, regardless of the date they became eligible.

HB 1037 could stimulate the housing market. HB 1037 would help first-time homeowners to better afford their first home because they would no longer have to factor in large initial year property-tax bills into their determinations regarding home affordability. HB 1037 might have a trickle-up effect on the housing market because increased numbers of first time homeowners would mean current homeowners would respond to increased numbers of buyers by trading up their homes. The increased economic activity would help to make up for any projected loss of tax revenue stemming from passage of the bill.

HB 1037 would not be an unfunded reduction of local government revenue. The committee amendment makes clear that the bill would not take effect unless the Legislature made a specific appropriation for it in an appropriations bill.

**OPPONENTS  
SAY:**

HB 1037 would cost the state \$11.5 million in fiscal 2011 and would increase significantly each year thereafter to \$17.6 million in fiscal 2014 because lower property tax revenue by school districts means higher costs

to the state under the school finance hold harmless formulas. HB 1037 would result in a loss of \$3.8 million to local governments in fiscal 2011 increasing to \$4.2 million in fiscal 2014. State and local leaders would have to either shift the tax burden to other taxpayers or make painful cuts to existing programs to pay for the revenue lost by this tax cut.

**NOTES:**

The committee amendment would state that the bill would not make an appropriation and would take effect only if a specific appropriation for the implementation of the bill was provided in an appropriations act of the 81st Legislature.