

SUBJECT: Homestead exemption amounts based on the disability rating of a veteran

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 6 ayes — Oliveira, Otto, C. Howard, Paxton, Peña, Villarreal

0 nays

5 absent — Bohac, Hartnett, Hilderbran, P. King, Taylor

SENATE VOTE: On final passage, April 22 — 30-0

WITNESSES: (*On House companion bill, HB 742:*)

For — Joann Galich; Nancy Tice, Silent Majority; (*Registered, but did not testify:* Roxanna Avants; Tom Avants; James Cunningham, Texas Council of Chapters - Military Officers Association of America; Don Dorsey, Texas Association of Vietnam Veterans; Daniel Gonzalez, Texas Association of Realtors; Paul C. Herrera, American GI Forum of Texas; Cheryl Johnson, Galveston County Tax Office; Morgan Little, Texas Department - Reserve Officers Association of the United States; John Miterko, Texas Coalition of Veterans Organizations; Michael Simon, American Legion Department of Texas; Sheryl Swift, Galveston County Tax Office)

Against — None

On — (*Registered, but did not testify:* Tina Carnes, Texas Veterans Commission)

BACKGROUND: In 2007, the 80th Legislature adopted, and the voters approved, SJR 29 by Corona (Proposition 9), authorizing the Legislature to exempt totally disabled veterans from paying property taxes on their homesteads. It also amended the formula used to calculate veterans' disability ratings that determines their respective property tax exemption for their residence homestead, which ranges from \$5,000 to \$12,000 depending on their percentage of disability. The 80th Legislature did not enact the enabling legislation to implement the constitutional amendment.

Tax Code, ch. 11 specifies that all real and tangible property under the state's jurisdiction is taxable unless exempt by law. Sec. 11.13 specifies certain exemptions for residence homesteads. Sec. 11.22 exempts from taxation a certain portion of the property owned by a disabled veteran who is classified as at least 10 percent disabled by the Veterans Administration (VA) or a successor agency. It specifies exemptions proportionate to the disability rating of a veteran.

Under Art. 8, sec. 1-b(c) of the Texas Constitution, the school property taxes, and other local property taxes by local option, of a person who is age 65 or older or is disabled are frozen on their residence homestead at the amount levied when they received the exemption.

Government Code, sec. 403.302 requires the comptroller to conduct a property value study to determine the total taxable value — part of the school finance formula — for each school district.

DIGEST:

SB 469 would amend Tax Code, ch. 11, subch. B, to entitle a veteran classified as having a 100 percent disability rating as a result of military service to a tax exemption for the total appraised value of the veteran's residence homestead.

It also would revise the disability ratings to determine disabled veterans' property tax exemption as less than 30, 50, and 70 percent rather than not more than those percentages.

The bill would amend Government Code, sec. 403.302 to remove as taxable property under the comptroller's property value study any property subject to the totally-disabled veterans-homestead exemption.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009. The totally disabled veteran's homestead exemption would apply to the tax year beginning January 1, 2009.

**SUPPORTERS
SAY:**

SB 469 would allow those veterans classified as fully disabled an exemption from property taxes, implementing the constitutional amendment that the voters of Texas approved overwhelmingly in 2007. A classification of total disability means these veterans are completely unemployable, and SB 469 would remove a significant burden for those whose ability to earn an income is severely hindered. This exemption

would apply to those whose disabilities are service-connected, meaning these veterans have given their health and safety in defense of our freedoms and values. This measure would be a gesture of gratitude on behalf of the state of Texas.

The VA calculates disability ratings based primarily on how an impairment affects the earning potential of the veteran. A disability rating of 100 percent means the veteran is completely unemployable due to physical or mental impairments, such as the loss of one or more hands or feet or loss of sight. Once a disability rating is calculated, it is rounded to the nearest multiple of 10. SB 469 would not distinguish between a person rated totally disabled and one whose rating was 100 percent disabled, accounting for any changing federal definitions while also allowing for more latitude and discretion on the state level.

Under current law, a totally disabled veteran only can receive an exemption of up to \$12,000 from the homestead's value. Although this helps defray costs, it does not reduce significantly the ever-increasing property tax burden caused by appraisal creep that veterans and all Texans are facing. For disabled veterans who are completely unemployable and with limited means to earn an income, a full exemption from property taxes would allow them to keep their homes. The state should take whatever steps are necessary to ensure that those who sacrificed for their country are not forced to sell their property because they could not afford to stay in their homes.

The bill also would implement the 2007 constitutional change that would allow more disabled veterans to claim a higher exemption from their homestead value and thus lower their taxes. Under the current disability rating system, a disability rating is rounded to the nearest multiple of 10. If a veteran's disability rating was rounded down to a rating of 10, 30, 50, or 70 percent, that person fell into lower tier of exemption. For example, the \$7,500 exemption currently is for disability ratings of more than 30 percent but not more than 50 percent. Under the change implemented by SB 469, the \$7,500 exemption tier would be *at least* 30 percent but *less than* 50 percent, which would allow a 30 percent disabled veteran to get the \$7,500 exemption and a 50 percent disabled veteran to get the next highest exemption, which is \$10,000.

OPPONENTS
SAY:

No one disagrees with granting benefits to veterans for their service to the nation, but this measure would have the significant effect of reducing

revenue available to local governments. This effect would be exacerbated by the influx of new disabled veterans returning from Iraq and Afghanistan. Technological advancements and new medical techniques, coupled with more dangerous enemy weaponry, have led to different and sometimes more debilitating injuries than in previous conflicts, even while fatality rates in conflicts in Iraq and Afghanistan are much lower than in previous wars. Additionally, totally disabled veterans do not face an increased tax burden because they are eligible for a tax freeze.

NOTES:

According to the LBB, SB 469 would cost the state \$11.4 million in fiscal 2011, increasing to \$17.3 million in fiscal 2014 due to increased state aid to school districts with lower property values.

The companion bill, HB 742 by Flores, was reported favorably, as substituted, by the Ways and Means Committee on April 2 and was placed on the May 13 General State Calendar, where no further action was taken.