

SUBJECT: Property tax exemption for surviving spouses of certain service members

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Hilderbran, Otto, Bohac, Button, Eiland, N. Gonzalez,
Martinez Fischer

0 nays

2 absent — Ritter, Strama

SENATE VOTE: On final passage, May 1 — 31-0

WITNESSES: (*On companion bill, HB 548*)

For — Malia Fry; (*Registered, but did not testify*: Donald Dorsey, Texas Association of Vietnam veterans; Robert Flores, American GI Forum of Texas; Cheryl Johnson, Galveston County Tax Office; Lee Johnson, Texas Council of Community Centers; Elizabeth Lewis; Morgan Little, Texas Coalition of Veterans Organizations; John A Miterko, Texas Coalition of Veteran Organizations; Stefanie Pelkey; Sheryl Swift, Galveston County Tax Office)

Against — None

BACKGROUND: Under Texas Constitution, Art. 8, sec. 1(a) the taxation of property must be equal and uniform. Under Art. 8, sec. 20, property generally is taxed at its market value. Art. 8, sec. 1(b) requires that property tax exemptions be authorized by the Constitution.

DIGEST: SB 163 would provide an exemption to the surviving spouse of a member of the U.S. armed services who was killed in action for the total appraised value of the surviving spouse's residence homestead, if:

- the surviving spouse had not remarried since the death of the member of the armed services; and
- the property was the residence homestead of the member of the armed services at the time of death.

The bill would allow the exemption to follow the surviving spouse to a new homestead. It would be limited to the dollar amount of the exemption in the prior qualifying homestead. The exemption would end if the surviving spouse remarried.

SB 163 would take effect January 1, 2014, contingent on voter approval of the constitutional amendment proposed by SJR 16, authorizing the Legislature to provide for a property tax exemption from of all or part of the market value of the residence homestead of the surviving spouse of a member of the armed services who was killed in action. It would apply only to taxes imposed for tax years beginning on or after that date. If voters did not approve SJR 16 or similar legislation, SB 163 would have no effect.

**SUPPORTERS
SAY:**

SB 163, in conjunction with voter approval of SJR 16, would allow a total property tax exemption for spouses of active duty service members who were killed in action. During the past several years, Texas has been a national leader in honoring the service and sacrifice of veterans and their families — not just with words, but with meaningful assistance.

Four years ago, Texans voted to amend the Constitution to grant veterans who were rated 100 percent disabled a complete property tax exemption. Last session, the voters extended that exemption to a veteran's surviving spouse to protect against sudden spikes in property taxes due. The Legislature should extend this same principle to the surviving spouses of military members killed in action.

SB 163 would provide real assistance to a surviving spouse who, after the awful shock of losing a husband or wife, must suddenly try to prepare for the future. According to the comptroller, the average Texas homeowner pays about \$3,170 a year in property taxes. For many taxpayers, these taxes are due in a lump sum. SB 163 would provide real relief to surviving spouses in a time of need.

Under the bill, a surviving spouse would lose the total property tax exemption upon remarriage because the exemption would be designed to help offset the loss of income the service member brought to the marriage. If and when a surviving spouse remarried, the assistance should no longer be needed. SB 163 would not provide an incentive against remarriage that skews marriage rates because the bill only would apply to a small number of surviving spouses.

SB 163 would not be an economic drain on local governments or the state. According to the fiscal note, it would cost the state only \$94,000 during fiscal 2014-15.

**OPPONENTS
SAY:**

No one disagrees with granting benefits to the spouses of those who were killed in action, but SB 163 would reduce revenue available to local governments. If the Legislature continues to expand the groups of people who are awarded total property tax exemptions, local governments will need to raise property taxes on the groups that remain to keep taxes from going up.

The loss of the exemption upon remarriage could, for some people, provide an economic incentive against remarriage. A surviving spouse receiving the exemption should not have to choose between personal happiness and economic security in decisions about marrying again.

NOTES:

SB 163 is the enabling legislation for SJR 16 by Van de Putte, which was referred to the Ways and Means Committee on May 8.

According to the fiscal note, the bill would have a negative impact of \$94,000 to general revenue related funds in fiscal 2014-15. This would rise to \$425,000 in fiscal 2016-17, the first biennium in which the exemption would be in effect for both fiscal years.