

SUBJECT: Property tax limits on homes constructed with disaster relief funding

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, April 25 — 28-0

WITNESSES: (*On House companion, HB 835*)
For — Shelly Batten; Mary C. Colunga; Emily Rickers, Alliance for Texas Families; (*Registered, but did not testify:* Daniel Gonzalez and Chelsey Thomas, Texas Association of Realtors; Donald Lee, Texas Conference of Urban Counties; Scott Norman, Texas Association of Builders)

Against — None

On — (*Registered, but did not testify:* Katy Sellers, General Land Office)

BACKGROUND: The General Land Office reports that the federal community development block grants disaster recovery (CDBG-DR) program has assisted about 3,000 families and will assist about 5,000 more with rebuilding their homes in the 63 counties affected by hurricanes Ike and Dolly, and the Bastrop County wildfires. To qualify for assistance, a family of four must have an income of about \$50,000 or less.

Homes rebuilt under the federal programs must be rebuilt to federal, state, and local housing standards, and may also be required to meet additional construction standards related to windstorms and elevations.

DIGEST: SB 835 would amend Tax Code, sec. 23.23 to provide that only to the extent necessary to satisfy a disaster recovery program defined by certain federal laws, a replacement structure would not be considered to be a new

improvement if to satisfy the requirement of the disaster recovery program it was necessary that:

- square footage was added to the replacement structure; or
- the exterior of the replacement structure is of higher quality construction and composition than that of the replaced structure.

The bill would apply only to property tax appraisals of a residence homestead beginning on or after January 1, 2014.

The bill would take effect on January 1, 2014.

**SUPPORTERS
SAY:**

SB 835 would provide property tax relief to individuals and families of low to modest income who had their house destroyed by hurricanes Ike or Dolly, or the Bastrop County wildfires. Due to modern building standards, and federal, state and local construction codes, many of the homes have had to be built or repaired to a higher construction standard or to a larger size.

Under existing law, the appraised value of a homestead may not increase by more than 10 percent of the previous year's appraised value, plus the market value of any new improvements. However, homeowners do not benefit from this cap if the new structure increases in size or the new exterior of the house is of higher quality than the old exterior.

This has the unintended consequences for some homeowners who cannot rebuild their homes as to identical pre-disaster conditions once because of disaster recovery program requirements or local building codes. Taxpayers whose homes are improved only to meet minimum disaster recovery or building code requirements should benefit from the 10 percent cap.

**OPPONENTS
SAY:**

SB 835 could open the doors for a substantial loss of tax revenue that would otherwise benefit public schools and local governments.

NOTES:

The Legislative Budget Board's fiscal note states that the bill "would create a cost to local governments and the state through the operation of the school funding formula because such structures would be subject to the 10 percent limitation on homestead appraised valued increases while under current law they are not."