

SUBJECT: Creating a homestead exemption for certain disabled veterans and spouses

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — D. Bonnen, Y. Davis, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Bohac, E. Johnson

WITNESSES: For — (*Registered, but did not testify*: Frederick Frazier, Dallas Police Association; Jack Taylor, Texas Veterans for Veterans' Tax Relief; Alexie Swirsky)

Against — Hilary Shine, City of Killeen; (*Registered, but did not testify*: Eric Glenn, City of Killeen; Deece Eckstein, Travis County Commissioners Court)

On — (*Registered, but did not testify*: Jerry Bark, City of Harker Heights)

BACKGROUND: Tax Code, sec. 11.131 entitles a 100 percent disabled veteran or the surviving spouse of a 100 percent disabled veteran who has not remarried to a total residence homestead exemption.

Sec. 11.22 provides a partial exemption to taxation on one property owned by a disabled veteran, surviving spouse, or minor children. The amount of the exemption is determined by the veteran's disability rating, age, and type of disability, up to \$12,000 of the assessed value of the property.

Local Government Code, sec. 140.011 entitles a local government to receive a disabled veteran assistance payment from the state if the comptroller determines that the local government's amount of property tax revenue lost to total homestead exemptions for 100 percent disabled veterans is at least 2 percent of its general fund revenue for the fiscal year.

DIGEST: CSHB 129 would entitle a disabled veteran who had a disability rating of at least 80 percent but less than 100 percent to a homestead exemption equal to the veteran's disability rating.

The bill also would entitle the surviving spouse of a disabled veteran who qualified for the exemption at the time of the disabled veteran's death to continue receiving an exemption of the same percentage on the same property under certain conditions. The surviving spouse would be eligible if the surviving spouse had not remarried, the property was the residence homestead of the surviving spouse when the disabled veteran died, and the property continued to be the residence homestead of the surviving spouse. The exemption also could follow a surviving spouse who had not remarried to a new homestead but would be limited to the dollar amount of the exemption for the former homestead in the last year it was received.

CSHB 129 would add property tax revenue lost to the exemption under the bill into the calculation for local government eligibility to receive disabled veteran assistance payments.

CSHB 129 would take effect January 1, 2018, contingent on voter approval of the constitutional amendment proposed by HJR 27 by Leach, authorizing the Legislature to provide a partial residence homestead exemption for certain partially disabled veterans and their surviving spouses. It would apply to a tax year beginning on or after that date.

SUPPORTERS SAY: CSHB 129 would signal that Texas honors the sacrifices of its veterans and families by providing some of the most severely disabled veterans with a homestead exemption equal to their disability rating. Current law provides partially disabled veterans an exemption on one property in a preset dollar amount based on disability rating and other factors, up to \$12,000. One hundred percent disabled veterans are entitled to a total homestead exemption. Veterans who are at least 80 percent disabled deserve property tax relief for their service beyond the exemption amounts currently available for partially disabled veterans.

The bill could help to prevent veterans from being taxed out of their

homes and would not excessively burden military communities. Rather, it would help to resolve some of the disproportionate impact these communities face from military homestead exemptions by making it easier for them to qualify for state assistance payments. Currently, to qualify, a local government must demonstrate that it lost at least 2 percent of yearly property tax revenue to homestead exemptions for 100 percent disabled veterans. The bill would entitle a locality to receive a state assistance payment if it lost at least 2 percent of yearly property tax revenue to homestead exemptions for both 100 percent disabled veterans and certain partially disabled veterans.

**OPPONENTS
SAY:**

CSHB 129 would place a requirement on local governments that could disproportionately harm military communities by allowing for further erosion of local government property tax bases. Exempting a specific category of people, regardless of how deserving they may be, results in an increased tax burden on other homeowners.

NOTES:

CSHB 129 is the enabling legislation for HJR 27 by Leach, which is set for second-reading consideration on today's Constitutional Amendments Calendar.

According to the Legislative Budget Board's fiscal note, CSHB 129 would have no impact in fiscal 2018 but would have a negative impact of \$401,000 to general revenue related funds in fiscal 2019, with costs increasing to about \$212.6 million in fiscal 2020-21. The bill is projected to have a negative fiscal impact of \$27 million on units of local government in fiscal 2019.

CSHB 129 differs from the bill as filed by including lost property tax revenue from the proposed exemption in the calculation for local government disabled veteran assistance payments.