

SUBJECT: Creating homestead exemption for Purple Heart recipients and spouses

COMMITTEE: Ways and Means — favorable, without amendment

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

0 nays

2 absent — Y. Davis, E. Johnson

WITNESSES: For — (*Registered, but did not testify*: Alexie Swirsky)

Against — Hilary Shine, City of Killeen; (*Registered, but did not testify*: Adam Cahn, Cahnman's Musings; Jerry Bark, City of Harker Heights; Eric Glenn, City of Killeen; Dana Blanton)

On — (*Registered, but did not testify*: Aaron Bovos, City of Fort Worth, Texas)

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.

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.

Tax Code, 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.

DIGEST: HB 72 would create the Purple Heart Homestead Act and entitle a recipient of the federal or Texas Purple Heart Medal to a total exemption from property tax on his or her residence homestead.

The bill also would entitle the surviving spouse of a Purple Heart recipient who qualified for the exemption at the time of the recipient's death to continue receiving an exemption on the same property, provided that the spouse had not remarried, the property was the residence homestead of the surviving spouse when the recipient died, and the property continued to be the residence homestead of the surviving spouse. The exemption also could follow the surviving spouse 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.

Local government disabled veteran assistance payments would be renamed military exemption assistance payments, and a local government would qualify for a payment if its amount of property tax revenue lost to total homestead exemptions for both 100 percent disabled veterans and Purple Heart recipients was at least 2 percent of its general fund revenue for the fiscal year.

HB 72 would take effect January 1, 2018, contingent on voter approval of the constitutional amendment proposed by HJR 20 by Bohac, authorizing the Legislature to provide a residence homestead tax exemption for Purple Heart recipients and their surviving spouses. It would apply to a tax year beginning on or after that date.

SUPPORTERS SAY: HB 72 would signal that Texas honors the sacrifices of its Purple Heart recipients by entitling those recipients and their surviving spouses to the same homestead exemption currently afforded to 100 percent disabled veterans and their surviving spouses. Many veterans who received the Purple Heart were seriously wounded serving the country, and those who are not 100 percent disabled deserve property tax relief for their service beyond the exemption amounts available for partially disabled veterans, which are capped at \$12,000 under current law.

The bill would not burden military communities but would 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 for a state assistance payment, 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 totally disabled veterans and Purple Heart recipients.

**OPPONENTS
SAY:**

HB 72 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:

HB 72 is the enabling legislation for HJR 20 by Bohac, which is set for second-reading consideration on today's Constitutional Amendments Calendar.

According to the Legislative Budget Board's fiscal note, HB 72 would have no impact in fiscal 2018, but would have a negative impact of \$146,000 to general revenue related funds in fiscal 2019, with costs increasing to \$36.8 million in fiscal 2020, \$39.3 million in fiscal 2021, and \$42.1 million in fiscal 2022. The bill is projected to have a negative fiscal impact of \$9.8 million on units of local government in fiscal 2019.