

SUBJECT: Voter-authorized homestead exemption from school district taxes

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Craddick, Wolens, Heflin, Horn, Marchant, Place, Romo

0 nays

4 absent — Finnell, Holzheuser, T. Hunter, Oliveira

WITNESSES: For — Margaret Baird, Taxpayers Coalition of Clear Creek; Roger E. Nylin, mayor of El Lago; Jennifer Schlicke, Tax Assessors-Collectors Association.

Against — None

BACKGROUND: Art. 7, sec. 1-b(e) of the Texas Constitution allows the governing bodies of local taxing authorities to exempt a percentage, up to 20 percent, of the market value of qualified homesteads within the unit. The minimum optional exemption is \$5,000. Tax Code sec. 11.13 provides for these residence homestead exemptions.

DIGEST: HB 1622 would allow voters within a school district to adopt, at an election, a percentage homestead exemption for school district taxable values. A school board would be required to call such an election on petition of at least 20 percent of the voters in the preceding school district election.

Voters could adopt an exemption if the school board had not already done so and could increase or decrease the amount of a board-adopted exemption. The school board would be prohibited from increasing or decreasing the amount of an exemption adopted by the voters.

HB 1622 would be effective January 1, 1996, contingent on the passage of a constitutional amendment (HJR 75).

**SUPPORTERS
SAY:**

County education districts (CEDs) existed during the 1991-92 and 1992-93 school years, and Texas homeowners were provided by constitutional amendment and local-option election with a 20 percent mandatory homestead exemption from the value of homesteads on CED tax rolls. However, when CEDs were invalidated by the Texas Supreme Court and were terminated upon the implementation of the state's new school finance plan, this mandatory exemption was lost.

The loss of the mandatory homestead exemption has resulted not only in big increases in homeowners' taxes but also a shifting of much of the school tax burden from business and commercial property to residential property. HB 1622 would help remedy this situation and give local voters, rather than only school boards, power to decide whether they want to approve an exemption equal to the CED exemption they lost or to set an exemption of another size.

**OPPONENTS
SAY:**

While lower taxes may be popular, HB 1622 would mistakenly take the authority over school district tax rates from a school board that represents the whole school district and place the authority in the hands of a small group of voters who participate in school district elections. This is bad fiscal policy that could result in higher school district tax rates to help generate revenue lost through the homestead exemption, and new pressures on state funding mechanisms.

NOTES:

HB 1622 would be contingent on voter approval of a constitutional amendment. HJR 75 by Jackson, proposing a constitutional amendment authorizing voter-set tax exemptions, which is also on today's calendar.