

BILL ANALYSIS

Senate Research Center
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S.B. 465
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 1995, the 74th Legislature passed, and the voters approved, a constitutional amendment allowing a property tax exemption for service-connected disabled veterans beginning in the 1996 tax year. The amount of the exemption was connected to the percentage of service-connected disability rating using the following scale: \$5,000 for a veteran with a disability rating of 10 through 29 percent; \$7,500 for a veteran with a disability rating of 30 through 49 percent; \$10,000 for a veteran with a disability rating of 50 through 69 percent; and \$12,000 for a veteran with a disability rating of 70 percent or higher.

The 82nd Legislature authorized a study by the Office of the Comptroller of Public Accounts (comptroller's office) of these property tax exemptions. The study found that the effective exemption was not keeping pace with average home values. For example, in 1996, a \$12,000 exemption resulted in a reduction of 18.98 percent of the average appraised value of a Texas residence, which was \$63,218. In 2010, the average appraised value of a residence was \$136,753 and the same \$12,000 exemption resulted in a reduction of only 8.77 percent.

S.B. 465 will realign exemption amounts with average property value. The proposed new property tax exemption amounts for service-connected disabled veterans are: \$10,000 for a veteran with a disability rating of 10 through 29 percent; \$15,000 for a veteran with a disability rating of 30 through 49 percent; \$20,000 for a veteran with a disability rating of 50 through 69 percent; and \$25,000 for a veteran with a disability rating of 70 percent or higher.

S.B. 465 increases the property tax exemption from \$12,000 to \$24,000 if the veteran is 65 years of age or older and has a service-connected disability rating of at least 10 percent, is totally blind in one or both eyes, or has lost the use of one or more limbs.

S.B. 465 also raises the property tax exemption for surviving spouses from \$5,000 to \$10,000 and provides surviving minor children a \$10,000 exemption. If there is more than one child, the \$10,000 is divided by the number of eligible children. The constitutional amendment for this bill is S.J.R. 30.

As proposed, S.B. 465 amends current law relating to the amount of the exemption from ad valorem taxation to which certain disabled veterans and the surviving spouses and children of certain veterans are entitled.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 11.22(a), (b), and (d), Tax Code, as follows:

- (a) Entitles a disabled veteran to an exemption from taxation of a portion of the assessed value of a property the veteran owns and designates as provided by Subsection (f) (relating to an individual receiving an exemption to which he is entitled for only one purpose) in accordance with the following schedule: an exemption of up to \$10,000 for a

disability rating of at least 10 percent but less than 30 percent of the assessed value; \$15,000 for a disability rating of at least 30 percent but less than 50 percent; \$20,000 for a disability rating of at least 50 percent but less than 70 percent; and \$25,000 for a disability rating of 70 percent and over, rather than \$5,000 for a disability rating of at least 10 percent but less than 30 percent, \$7,500 for a disability rating of at least 30 percent but less than 50 percent, \$10,000 for a disability rating of 50 percent but less than 70 percent, and \$12,000 for a disability rating of 70 percent and over.

(b) Entitles a disabled veteran to an exemption from taxation of \$24,000, rather than \$12,000, of the assessed value of a property the veteran owns and designates as provided by Subsection (f), if the veteran is 65 years of age or older and has a disability rating of at least 10 percent, is totally blind in one or both eyes, or has lost the use of one or more limbs.

(d) Entitles a surviving spouse, if an individual dies while on active duty as a member of the armed services of the United States, to an exemption from taxation of \$10,000, rather than \$5,000 of the assessed value of the property the spouse owns and designates as provided by Subsection (f) and entitles each of the individual's surviving children who is younger than 18 years of age and unmarried, to an exemption from taxation of a portion of the assessed value of a property the child owns and designates as provided by Subsection (f), the amount of exemption for each eligible child to be computed by dividing \$10,000, rather than \$5,000, by the number of eligible children. Makes nonsubstantive changes.

SECTION 2. Provides that this Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2014, contingent upon passage of the constitutional amendment proposed by the 83rd Legislature, Regular Session, 2013, proposing a constitutional amendment authorizing the legislature under certain limitations to specify the amount of the exemption from ad valorem taxation to which certain disabled veterans and the surviving spouses and children of certain veterans are entitled, is approved by the voters.