



City of San Antonio

Agenda Memorandum

File Number:19-2703

Agenda Item Number: 5.

Agenda Date: 3/20/2019

In Control: Governance Committee

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT: Briefing on Request for Consideration of a General Homestead Exemption and increase to the Existing Over-65 and Disabled Tax Exemption

SUMMARY:

This is a briefing on the Council Consideration Request (CCR) from Councilmembers Courage and Perry for consideration of a General Homestead Tax Exemption and increasing the Over-65 and Disabled tax exemptions.

BACKGROUND INFORMATION:

On February 20, 2019, Councilmembers Courage and Perry submitted a Council Consideration Request for consideration of a general homestead tax exemption and increasing the over-65 and disabled tax exemptions.

The City currently offers a \$65,000 Over-65 and \$12,500 Disabled persons tax exemption along with a tax freeze that was adopted in FY 2005.

Tax Code Section 11.13(n) allows any taxing unit the option to offer a residence homestead exemption of up to 20 percent of a property's appraised value. If the percentage set by the taxing unit produces an exemption of less than \$5,000, the property owner is entitled to an exemption of \$5,000 of the appraised value. Application of the exemption must be adopted before July 1 to be effective for FY 2020.

In the current State legislative session, SB 2 and HB 2 have been filed which propose to lower the current property tax rollback rate from 8% to 2.5%. SB 2 was voted out of the Senate Committee on Property Tax with the rollback rate at 2.5% and is on the Intent calendar but has not been voted on by the full Senate. HB 2 has been heard in the House Committee on Ways and Means but has not been voted out of Committee. City staff has analyzed a 2.5% property tax rollback rate and the impact to the City budget would be substantial. If a 2.5% rollback rate had been in place for the past decade, the property tax revenue loss to the City would have been approximately \$304 million cumulatively and the amount of property taxes in the General Fund would be lower in FY 2019 by approximately \$82 million. Meanwhile the savings over this timeframe to the average

homestead would be an average of \$3.77 per month or \$45.24 annually.

The City's adopted legislative program includes as a priority meaningful property tax relief for residents which can be accomplished through both more State funding for public education and additional flexibility in providing targeted property tax relief through tax exemption options. The adopted program includes opposition to reducing the rollback rate which would provide minimal to no tax relief while impacting the City's ability to delivery of critical services.

ISSUE:

The CCR requests consideration of a general homestead tax exemption and increasing the over-65 and disabled tax exemptions.

RECOMMENDATION:

Staff recommends that the Staff continue to analyze the impact of a local option homestead exemption and an increase to the over-65 and disabled tax exemptions as well as the property tax legislation being considered as part of the current State legislative session. Given the uncertainty of the property tax legislation at this time and the potential significant impact such legislation could have on the City budget, staff recommends that additional updated information on these topics be presented as part of the City's Five Year Financial Forecast at B-Session on April 17th.