



City of San Antonio

Agenda Memorandum

File Number:19-5170

Agenda Item Number: 1.

Agenda Date: 6/24/2019

In Control: City Council Special Meeting

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT: General Homestead Exemption

SUMMARY:

Consideration of an Ordinance approving a general homestead exemption in the amount of .01% of the appraised value of the residence homestead in the City of San Antonio for the Tax Year beginning January 1, 2019 (FY 2020).

BACKGROUND INFORMATION:

At the June 21, 2019 Goal Setting Session, the City Council requested consideration of the establishment of a general homestead exemption in the amount of .01% of the appraised value of a residence homestead (Which Equates to a Minimum \$5,000 Exemption by State Statute).

The City has long recognized the need to provide senior citizens and disabled persons with property tax relief. The City initially adopted an Over Age 65 homestead exemption in the amount of \$3,000 in FY 1974, which was incrementally increased to \$65,000 in FY 2004. In 2005, the City adopted a homestead exemption in the amount of \$12,500 for disabled persons and also initiated a tax freeze for both Over-65 and disabled persons homesteads. In FY 2019, the City will forego \$52 million in revenue due to the above exemptions and the tax freeze.

During the last State legislative session, The Texas Property Tax Reform and Transparency Act of 2019 ("SB 2") passed. SB 2 lowers the current property tax rollback rate from 8% to 3.5% effective FY 2021.

In years of increasing growth, the effect of SB 2 would be to decrease the adopted tax rate which will also provide tax relief. The table below illustrates the impact of SB 2 had it been in place over the last five years.

Fiscal Year	Base Growth	Adopted Tax Rate	Rollback Tax Rate	Impact on Homeowner
2015	4.500%	\$0.354100	\$0.354100	\$0
2016	8.000%	\$0.346750	\$0.346750	\$0
2017	7.000%	\$0.346750	\$0.330000	\$0
2018	6.000%	\$0.346750	\$0.330000	\$0
2019	4.400%	\$0.346750	\$0.314000	\$0

ISSUE:

During the City Council Goal Setting Session on June 21, 2019, the City Council requested consideration of a general homestead exemption to provide additional property tax relief. The adoption of a general homestead exemption must be approved by City Council by July 1 in order to be effective for FY 2020. In the event the City Council elects to pursue a tax rate change, such action will be considered during the preparation and adoption of the FY 2020 budget.

ALTERNATIVES:

City Council could choose not to move forward with a local general homestead exemption.

FISCAL IMPACT:

The fiscal impact of establishing a .01% (Which Equates to a Minimum \$5,000 Exemption by State Statute) homestead exemption is a projected revenue loss to the General Fund of \$3.6 million and \$2.2 million in the Debt Service Fund, respectively. The estimated savings to the homeowner is \$28 annually.