



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

May 19, 2022

AGENDA TOPIC: Consideration and possible action approving the first reading of an Ordinance adopting a tax freeze for qualifying disabled homesteads and/or individuals over the age of sixty-five (65)

DATE: May 19, 2022

DEPARTMENT: City Council

PRESENTED BY: Tobin E. Maples, City Manager

INTRODUCTION/BACKGROUND:

Pursuant to Texas Tax Code Section 11.13, the City Council has the option to offer a freeze (tax ceiling) commencing in Tax Year 2022 (FY 2023) for all homesteads within the City that are qualified as disabled and/or residents aged 65 and over.

This tax freeze would set a cap, or ceiling, on the amount of property taxes qualified homeowners will pay annually to the City of Fair Oaks Ranch. The taxes on these homes cannot exceed the ceiling as long as the current resident owns and lives in that home. However, if improvements are made to the home (other than normal repairs or maintenance), the tax ceiling could increase due the new additions.

Once the City enacts a tax freeze, it cannot be repealed in the future per the Texas Constitution.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Staff has presented different scenarios of tax freezes and their impacts on revenue for the next ten years. By adopting a freeze to disabled homesteads, and by adopting a freeze for over-65 homesteads, the tax burden of these residents would be reduced relative to other property owners in the City.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

The estimated change in revenues to the City and proportional tax changes to qualifying disabled and/or over-65 homesteads and non-qualifying homesteads are shown in the attached schedules.

The total revenue change over 10 years of a disabled homestead freeze with current homestead exemptions is \$19,184. The estimated change to a disabled homestead would be a \$65 reduction in the first year and rising to \$670 by year 10. The estimated change to a non-qualifying homestead would be less than one dollar per year.

The total revenue change over 10 years of an over-65 freeze with current homestead exemptions is \$4.8 million, of which \$3.9 million would be the additional change in revenue from the current exemption. The estimated change to an over-65 homestead would be a \$58 reduction in the first year and rising to \$597 by year 10. The estimated change to a non-qualifying homestead would be an increase of \$34 in the first year increasing to \$353 by year 10.

Those impacts would increase if combined with an increase in over-65 exemptions.

The analyses assume annual property tax growth of 3.5%. The analyses also assume current exemptions and property composition are held constant based on 2021 tax roll.

ANALYSIS:

Ordinance approved as to form.

RECOMMENDATION/PROPOSED MOTION:

Option 1:

I move to approve the first reading of an ordinance adopting a limitation on the ad valorem taxation of residence homestead of disabled individuals for tax years commencing in 2022.

Option 2:

I move to approve the first reading of an ordinance adopting a limitation on the ad valorem taxation of residence homestead of disabled individuals and individuals over the age of sixty-five (65) years for tax years commencing in 2022.