



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 amending ad valorem tax exemptions on residence homesteads

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 an ad valorem tax (property tax) exemption on residence homesteads, an exemption to residents aged 65 and over, and an exemption to residents qualifying as disabled under Texas Tax Code Section 11.13 (m)(l) as it currently exists or may be amended.

The City currently offers the following exemptions:

- \$5,000 exemption for residence homestead
- \$20,000 exemption for residents aged 65 and over if the owner is a full-time resident in the homestead.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Staff has presented different scenarios of tax exemptions and their impacts on revenue for the next ten years. By increasing the exemption to residents aged 65 and older, and adopting a new exemption for disabled persons, 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 over-65 and under-65 homesteads within the different scenarios are presented in the attached schedules.

The total revenue change over 10 years of an over-65 homestead exemption at the greater of 5% or \$25,000 is nearly \$1.46 million, of which \$507,000 would be new exemptions. The estimated change to an over-65 homestead would be a \$26 reduction in the first year and rising to \$52 by year 10. The estimated change to a non-qualifying homestead would be an increase of \$15 in the first year increasing to \$31 by year 10.

The total revenue change over 10 years of an over-65 homestead exemption at the greater of 10% or \$50,000 is \$2.90 million, of which \$1.96 million would be new exemptions. The estimated change to an over-65 homestead would be a \$121 reduction in the first year and rising to \$173 by year 10. The estimated change to a non-qualifying homestead would be an increase of \$72 in the first year increasing to \$102 by year 10.

The analyses assume annual property tax growth of 3.5%. The analyses also assume all other exemptions remain the same and property composition are held constant based on 2021 tax roll.

LEGAL ANALYSIS:

Ordinance approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move to approve the first reading of an ordinance amending ad valorem tax exemptions as follows:

- Five thousand dollars (\$5,000) exemption for residence homesteads
- An amount equal to the greater of ____ percent (___%) or _____dollars (\$_____) exemption for residents aged 65 and over
- An amount equal to the greater of ____ percent (___%) or _____dollars (\$_____) exemption for residents qualifying as disabled