



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

April 21, 2022

AGENDA TOPIC: Discussion on approving a reduction in property taxes for qualifying disabled or over age-65 homesteads.

START/END DATE: April 21, 2022

DEPARTMENT: City Council

PRESENTED BY: Scott Huizenga, Assistant City Manager

INTRODUCTION/BACKGROUND:

The purpose of the agenda item is to discuss options for reducing the tax burden for qualifying disabled homesteads or over age-65 homesteads within the City of Fair Oaks Ranch.

The first option is the approval of a tax exemption in the amount of \$25,000 annually for qualified homesteads. The City currently has six homes that would qualify under the disabled exemption, and 1365 homesteads that would qualify under the over-65 exemption. for this exemption.

The City currently does not provide a disabled exemption, while the City currently provides a \$20,000 exemption to for over age-65 homesteads.

The second option is the implementation of a freeze (tax ceiling) on the property of homesteads qualified as disabled or over-age 65. 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 may go higher because of the new additions.

Once a City enacts a tax freeze, it cannot be repealed in the future per the Texas Constitution.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

The benefit would be to disabled homestead property owners or over-age 65 homestead property owners within the City of Fair Oaks Ranch who would have their tax burden reduced.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

The estimated revenue loss to the City to provide a \$25,000 disabled exemption is \$5,200 over ten years. The estimated revenue loss to the City to increase the over age-65 from \$20,000 to \$25,000 is \$1.2 million (\$237,000 additional) over 10 years.

The estimated revenue loss to the City to provide a disabled tax freeze is \$36,000 over ten years. The estimated revenue loss to the City to provide an over age-65 exemption is \$8.2 million (\$7.8 million) over 10 years.

RECOMMENDATION/PROPOSED MOTION:

Staff will prepare motions or ordinances for Council consideration at a subsequent meeting based on Council direction.