CITY COUNCIL CONSENT AGENDA ITEM
CITY OF FAIR OAKS RANCH, TEXAS
June 2, 2022

AGENDA TOPIC:	Approval of the second reading of an Ordinance adopting a tax freeze for qualifying disabled homesteads
DATE:	June 2, 2022
DEPARTMENT:	City Council
PRESENTED BY:	Consent Agenda - Scott Huizenga, Assistant City Manager, Administrative Services

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.

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Once the City enacts a tax freeze, it cannot be repealed in the future per the Texas Constitution.

On May 19, 2022, City Council passed and approved 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.

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, 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 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.

Those impacts would increase if combined with a Disabled Homestead Exemption.

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:

Consent Agenda: I move to approve the second reading of an Ordinance adopting a limitation on the ad valorem taxation of residence homestead of disabled individuals for tax years commencing in 2022.