



LEGISLATIVE SESSION UPDATE

TEXAS 89TH LEGISLATIVE SESSION

PROPERTY TAX RELIEF BILLS – SENATE BILL 4 AND SENATE JOINT RESOLUTION 2

For consideration and guidance: SB 4 SJR 2 impact in current form to Rockwall ISD and other fast growth school districts

SUMMARY

Senate Bill 4 (SB 4) and the related constitutional amendment, Senate Joint Resolution (SJR 2):

- Raise the mandatory homestead exemption for school district property taxes from \$100,000 to \$140,000 and to \$150,000 for disabled individuals and those aged 65 or older.
- As with previous homestead exemption increases, the bills include language to hold school districts harmless by providing additional state aid to replace lost tax collections known as Additional State Aid for Homestead Exemption (“ASAHE”) funding.
- However, this ASAHE funding would be limited to debt eligible as of January 1, 2025, which appears to mean that only debt for which a payment was made before the end of the prior state biennium (August 31, 2023) would be eligible.

o This means that bonds sold in 2023 or 2024 would not be eligible for this hold harmless funding even though they were sold before the legislation would be enacted.

o This has several substantive ramifications, including but not limited to:

1. The districts that sold bonds in 2023 and 2024 did so based upon the homestead exemption and total taxable values at that time. Increasing the homestead exemption removes value from the total taxable values originally utilized when selling bonds and calculating the Interest & Sinking (I&S) tax rate required to support the bonds sold. This results in lost tax collections that were anticipated when the bonds were originally sold; therefore,
2. **To pay for bonds already issued, district’s will most likely be required to increase the I&S tax rate to offset the lost tax collections;** and,
3. This will reduce the amount of property tax relief as advertised by SB 4 and SJR 2.

IMPACT TO ROCKWALL ISD

In its current form, SB 4 and SJR 2 will have a significant impact on Rockwall ISD and its taxpayers. Unless the current legislation is amended to include hold harmless funding for bonds previously sold, **Rockwall ISD will be required to increase its I&S tax rate to offset lost tax collections** in order to pay for existing bonds sold in 2023 (\$194 million) and 2024 (\$82 million). The following analysis details the required I&S tax rate increase due to SB 4 and SJR 2:

- Estimated value lost from tax roll by increasing homestead exemption to \$140,000 = \$944,927,087
- Estimated lost I&S tax collections by increasing homestead exemption to \$140,000

$$\$944,927,087 \div \$100 * \$0.36 \text{ I\&S tax rate} = \$3,401,738$$
- Estimated I&S levy yield per penny (Taxable value \div \$100 per valuation * \$0.01 tax rate)

$$\$14,304,146,715 \div \$100 * \$0.01 \text{ I\&S tax rate} = \$1,430,415$$
- Estimated I&S tax rate increase needed to offset lost tax collections

$$\$3,401,738 \text{ lost tax collections} \div \$1,430,415 \text{ yield per penny} = \mathbf{2.38 \text{ cents}}$$
- Estimated I&S property tax increase for average homeowner in Rockwall ISD

$$\$585,000 \text{ home value} - \$140,000 \text{ exemption} = \$445,000 \text{ taxable value}$$

$$\$445,000 \text{ taxable value} \div \$100 \text{ per valuation} * \$0.0238 \text{ tax rate} = \mathbf{\$105.91}$$