



Legislation Text

File #: 15-0331, **Version:** 1

Consider and take action on an ordinance establishing a residence homestead exemption for calendar year 2015 and subsequent years pursuant to the Texas Tax Code and the Texas Constitution (Director of Finance)

If approved, the proposed ordinance will increase the local option homestead exemption for homeowners from the current 14 percent to 16 percent of appraised property value.

State Law allows the City to provide a local option homestead exemption of up to 20 percent of appraised value; the effect is to reduce the taxable value of a residential homestead by the determined percentage. League City presently offers a 14 percent homestead exemption, which was increased from 12% by Ordinance 2014-19. Of the Galveston County cities offering homestead exemptions (the list includes Galveston, Texas City, Friendswood, Kemah, Clear Lake Shores, Tiki Island and BayouVista), League City is the only one to offer less than 20 percent (cities including La Marque, Hitchcock, Jamaica Beach, Dickinson and Santa Fe offer no homestead exemption). In line with the Council's priority of reducing local homeowners' property tax burden, as part of the effort to get the Municipal Development District passed in November of 2015, this proposal would reduce property taxes by \$25.07 on the average League City home (value of \$210,000) for an estimated \$578,000 total savings to League City property taxpayers. These savings would be in addition to the cumulative and ongoing savings being realized by League City property owners as a result of Council's five consecutive reductions in the property tax levies in fiscal years 2011-2015. The tax rate was reduced from 63 cents in fiscal 2011 to 59.7 cents in fiscal 2013 plus the homestead exemption increase from 10 percent to 12 percent for fiscal 2014.

For fiscal year 2015 (the 2014 tax year), total property tax revenue is estimated to be \$34.4 million. For this year, the tax revenue reduction due to the homestead exemption was \$3.66 million. As indicated above, based upon the 2015 preliminary homestead exemption value of \$676.8 million, and a constant tax rate of \$0.597 per \$100, the proposed increase to the homestead exemption is expected to generate \$578,000 less property tax revenue for fiscal year 2016. This reduction, if implemented, would represent about 1.69 percent of present-year property tax revenue.

The City has received preliminary taxable values from the Galveston Central and Harris County Appraisal Districts. The preliminary values reflect a total increase of approximately \$798 million, of 12.9%. Historically, the City has seen a loss of approximately 2% of preliminary value through the protest process. If this experience holds, the City would see a net increase in assessed values of about \$658 million resulting in an increase in property tax levy of \$3.9 million, before increasing the homestead exemption. After this proposed increase in the homestead exemption, as much as \$3.3 million in additional property tax revenue may be available for the proposed FY 2015-16 budget. (This increase may be limited due to the caps on revenue increases in current property tax law).

Attachments:

1. Data Sheet
2. Proposed Ordinance