

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM**

TO: Mayor and City Council

FROM: Milo D. Nitschke, Director, Finance Department
Louis A. Lendman, Director, Office of Management & Budget

SUBJECT: Over-65 Homestead Property Tax Exemption

DATE: February 20, 2003

SUMMARY AND RECOMMENDATION

This ordinance amends Chapter 31 of the City Code by increasing the homestead property tax exemption from \$60,000 to \$65,000 in assessed valuation for persons 65 years of age and older effective for tax year 2003, which begins on January 1, 2003, or for fiscal year 2004, which begins on October 1, 2003. The policy proposal to increase the property tax exemption for fiscal year 2004 was included within the adopted fiscal year 2003 budget. However, it has been the City's practice to set the exemption amount by separate ordinance (apart from the budget ordinance) to provide notice to the public, Bexar Appraisal District, and Bexar County of the increase in the property tax exemption amount. This ordinance also revises certain sections of Chapter 31 to conform to changes made in state law pertaining to determinative dates for eligibility and the application process for the exemption. This action has no fiscal impact in fiscal year 2003.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

The Texas Property Tax Code, Section 11.13 provides that a taxing unit may offer a homestead exemption of at least \$3,000 in assessed valuation for taxpayers' age 65 or older. The City of San Antonio initially offered the over-65 homestead exemption in the amount of \$3,000 in fiscal year 1974. The over-65 homestead exemption amount has increased on four different occasions to the current exemption amount of \$60,000 set in fiscal year 1987. The policy proposal to increase the homestead exemption from \$60,000 to \$65,000 was included within the adopted fiscal year 2003 operating budget. However, it has been the City's practice to set the exemption amount by separate ordinance (apart from the budget ordinance) to provide notice to the public, Bexar Appraisal District, and Bexar County of the increase in the property tax exemption amount.

For fiscal year 2002, a total of 66,451 over-65 homestead exemptions were granted. Of these exemptions, a total of 36,911 homeowners, or 55.6% of the total homesteads exempted, paid no City property taxes because their assessed homestead valuation was \$60,000 or less. The taxable value of the senior citizen homesteads for fiscal year 2002 is \$3.276 billion. This equates to \$18.951 million in property tax revenue that is exempted under the current exemption amount.

State law previously provided for a determinative date for eligibility for the exemption of June 1, and a citizen had to reapply for the exemption each subsequent year. Current state law allows the exemption to apply as of January 1 for the entire tax year in which a person attains age 65, and no subsequent application is necessary once approved. Certain applicable sections of the City Code are proposed for amendment to conform to the current state law.

POLICY ANALYSIS

The policy of increasing the homestead property tax exemption from \$60,000 to \$65,000 in assessed valuation for persons 65 years of age and older supports the fiscal year 2003 City Council Budget Priority *Senior Citizen Property Tax Exemption* that was ranked 36 out of 85 strategic issues. The policy issue is consistent with past City policy of increasing the homestead exemption amount initially set in fiscal year 1974.

FINANCIAL IMPACT

By increasing the homestead exemption from \$60,000 to \$65,000, the estimated financial impact for fiscal year 2004 based on the fiscal year 2002 certified tax roll would be as follows:

<u>FY 04 General Fund</u>	<u>FY 04 Debt Service Fund</u>	<u>Total FY 04 Impact</u>
\$476,717	\$301,192	\$777,909

With the increase exemption amount, based on the fiscal year 2002 certified tax roll the General Fund would receive \$476,717 less in property tax revenue for fiscal year 2004. In addition, based on the fiscal 2002 certified tax roll the Debt Service Fund would received \$301,192 less in property tax revenue for fiscal year 2004. This action has no fiscal impact in the current fiscal year.

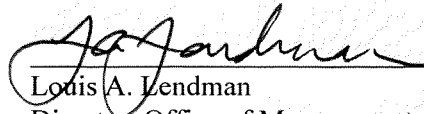
COORDINATION

This item has been coordinated with the following departments: Finance Department, Office of Management & Budget and City Attorney's Office.

SIGNATURES

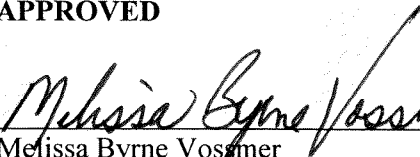


Milo D. Nitschke
Director, Finance Department

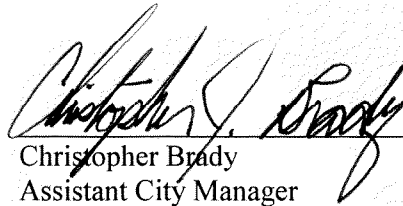


Louis A. Lendman
Director, Office of Management & Budget

APPROVED



Melissa Byrne Vosmer
Assistant City Manager



Christopher Brady
Assistant City Manager

APPROVED



Terry M. Brechtel
City Manager