



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 5

Agenda Date: June 22, 2023

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Proposed Increase in the General Residence Homestead Exemption [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance Department]

SUMMARY:

This Ordinance approves (A) an increase, beginning January 1, 2023, in: (1) the general residence homestead exemption in the City for an individual in an amount equal to 20 percent of the appraised value of the residence homestead or the statutorily mandated minimum of \$5,000.00 and (B) amendments to Chapter 31 of the City Code of San Antonio, Texas to increase such exemptions.

BACKGROUND INFORMATION:

The City has long recognized the need to provide tax relief to resident homesteads, senior citizens and disabled persons. The City initially adopted an Over Age 65 homestead exemption in the amount of \$3,000 in FY 1974, which was incrementally increased to \$65,000 in FY 2004 and most recently to \$85,000 for FY 2023. In 2005, the City adopted a homestead exemption in the amount of \$12,500 for disabled persons which was increased to \$85,000 for FY 2023. In 2005, the City initiated a tax freeze for both Over-65 and disabled persons homesteads. Additionally, In FY 2020,

the City adopted a Local Option Residence Homestead Exemption in the amount of .01% of the appraised value of a residence homestead (which equated to a minimum \$5,000 exemption by State Statute). This exemption was increased to 10% for FY 2023. In FY 2023, the City will forego approximately \$95 Million in revenue due to the above exemptions and the tax freeze.

City Staff provided City Council Members with an update on taxable values and staff recommendation to increase the General Residence Homestead Exemption during the B Session Briefing on June 14, 2023. Based on input received from City Council Members during the B Session and updated information received from the Bexar County Appraisal District, staff is recommending increasing the existing General Residential Homestead an additional 10% to the maximum allowed under state law of 20% of the appraised value of the Residence Homestead.

The approval of City Council is required on the June 22, 2023 Council meeting in order to provide to the Bexar County Appraisal District prior to a July 1, 2023 deadline and be included in the October Tax Bills. The property tax rate will continue to be refined until the certified tax roll is received from the Bexar County Appraisal District on July 25, 2023. Once the Certified Tax Roll is received, City staff will run the truth in taxation calculations to develop the final tax rate. The final tax rate will be proposed and formally adopted as part of the Fiscal Year 2024 Adopted Budget.

ISSUE:

Based on City Council direction, the City is recommending an increase to the Local Option Residence Homestead Exemption to 20% of the appraised value of the residence homestead in the City of San Antonio for the Tax Year beginning January 1, 2023 (FY 2024) pursuant to Texas Tax Code Section 11.13. Any changes to exemptions are required to be approved by July 1st in order to be effective for the coming year.

ALTERNATIVES:

City Council could choose not to move forward with increases to the Local Option Residence Homestead which would leave the exemption at the current amount.

FISCAL IMPACT:

In FY 2023, the City will forego \$94.9 million in revenue due to the above exemptions and the tax freeze in order to provide tax relief. This amount is projected to increase in FY 2024 to an estimated \$134.1 million with the proposed increase to the General Homestead Exemption to 20%.

The City will continue to receive updates from BCAD through certification of the tax roll on July

25, 2023, which will impact these estimates.

RECOMMENDATION:

Staff recommends approval of this Ordinance approving an increase to the general residence homestead exemption in the City to 20% of the appraised value of the residence for the Tax Year beginning January 1, 2023 (FY 2024) pursuant to Texas Tax Code Section 11.13.