East Austin Tax Study

An Analysis of the Increasing Tax Burden for Older Adults Residing in 78702
From Tax Year 2006 to Tax Year 2015

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A Report by the East Austin Conservancy

March 2018

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This is an analysis of the increasing tax burden on homeowners who receive tax payment assistance from the East Austin Conservancy (a.k.a. Eastside Guardians). It compares the amount of taxes paid by these homeowner in 2006 to the taxes paid by these homeowners in 2015. All of the selected homeowners had the" 65 and older" exemption in place since 2006. We only report on the change in overall taxes paid by the homeowners during this period to the City of Austin, Travis County and Austin ISD, the three taxing entities that constitute more than 80% of the overall tax bill for these homeowners.

Homeowner Profile

All homeowners included in this study reside in the:	78702 zip code
On average, the selected homeowners have lived in their homes for:	50 years
The average annual income for the homeowners included in this study is:	$18,440

Summary of Findings

The "65 and older" exemption (a.k.a., the "older adults" or "senior" exemption) for Austin ISD provides a tax freeze for the homeowners qualifying for this exemption. The amount of taxes paid by the homeowner to this jurisdiction will not increase once this exemption is in place. **The study findings show that the tax obligation for the selected homeowners to Austin ISD either remained flat (i.e., there was no increase) or decreased.**

The "65 and over" exemptions for the City of Austin and Travis County do not provide a tax freeze for the homeowners who have this exemption in place. The senior exemption for these jurisdictions exempts a certain percentage of the appraised value of the property from being taxed. The appraised value that is above the exemption threshold continues to be taxed.

Had a tax freeze for older adults been in place for the City of Austin and Travis County for the selected homeowners in 2006, they would on average be saving $1021 per year. With an average annual income of $18,440, each homeowner would, on average, get to keep an additional 5.5% of their yearly income to cover non-tax/non-housing related expenses. More importantly, these homeowners would know for a fact that, just like their monthly income is not increasing, the amount of taxes to be paid to the City of Austin and Travis County would not be increasing.

Chart 1

Percent Tax Increase by Jurisdiction

2006 - 2015

An analysis of increasing tax obligations for older adults (65 years of age and older) residing in the 78702 zip code. All homeowners included in the analysis had their older adults tax exemptions for the 10 year period, 2006-2015.

Owner	% Increase Overall Taxes 2006-2015	% Increase AISD Taxes 2006-2015	% Increase City Taxes 2006-2015	% Increase County Taxes 2006-2015
1	19%	Decrease	97%	138%
2	424%	Decrease	243%	1260%
3	245%	0%	194%	282%
4	690%	0%	294%	>294%*
5	865%	0%	376%	>376%*
6	272%	0%	201%	349%
7	96%	Decrease	207%	393%
8	52%	Decrease	133%	145%
9	193%	Decrease	170%	242%
10	108%	Decrease	171%	253%
11	83%	Decrease	195%	349%
12	156%	Decrease	161%	261%

Note: The increase in taxes paid by the homeowners does not factor-in any penalties and interest paid since we are trying to assess the impact of tax rates and appraised values and not payment history.

*These figures are shown as greater than (">") the percentage shown because the amount paid in 2006 was zero and the actual percentage cannot be calculated since division by zero is prohibited. So, the percentage increase of county taxes is greater (">") than the percentage increase of city taxes is how we chose to describe percentage increase for the county since, technically, the increase is infinitely higher than the city's increase.

Analysis of Chart 1 of the East Austin Tax Study:
Percent Tax Increase by Jurisdiction from 2006 to 2015

Because City and County taxes are not frozen for older adults as in the case of AISD, then the following impact to these homeowners are observed:

Percent Increase in Property Tax Obligations	For how many of the 12 homeowners included in this study did property taxes for the **City of Austin** increase by the percentage noted from 2006 to 2015?
100%	11 of 12
150%	10 of 12
200%	5 of 12
300%	1 of 12

Percent Increase in Property Tax Obligations	For how many of the 12 homeowners included in this study did property taxes for **Travis County** increase by the percentage noted from 2006 to 2015?
100%	12 of 12
150%	10 of 12
200%	10 of 12
300%	5 of 12

Chart 2

Proportion of Tax Bill in 2006 Compared to Proportion of Tax Bill in 2015

By Jurisdiction

An analysis of increasing tax obligations for older adults (65 years of age and older) residing in the 78702 zip code. All homeowners included in the analysis had their older adults tax exemptions for the 10 year period, 2006-2015.

Owner	% of Tax Bill - 2006 AISD	% of Tax Bill - 2006 City of Austin	% of Tax Bill - 2006 Travis County	% of Tax Bill - 2015 AISD	% of Tax Bill - 2015 City of Austin	% of Tax Bill - 2015 Travis County
1	51%	26%	16%	8%	44%	32%
2	6%	74%	14%	0%	49%	35%
3	0%	55%	32%	0%	47%	35%
4	0%	100%	0%	0%	50%	35%
5	0%	100%	0%	0%	49%	35%
6	0%	58%	29%	0%	47%	35%
7	58%	25%	11%	18%	39%	29%
8	52%	23%	17%	22%	36%	27%
9	6%	51%	30%	0%	47%	35%
10	34%	36%	21%	0%	47%	35%
11	59%	24%	12%	18%	39%	29%
12	18%	46%	25%	0%	47%	35%

Note: The increase in taxes paid by the homeowners does not factor-in any penalties and interest paid since we are trying to asses the impact of tax rates and appraised values and not payment history.

Analysis of Chart 2 of the East Austin Tax Study: Proportion of Tax Bill in 2006 Compared to Proportion of Tax Bill in 2015 By Jurisdiction

In order to assess the impact on the overall tax bill for the homeowners included in this study, we compare the proportion of the percentage of their overall property tax bill that that is attributable to the City and County. Our research shows that:

Tax Year	Of the 12 homeowners included in this study, for how many did the **<u>City of Austin's</u>** proportion of their property tax obligation exceed 35%?
2006	8 of 12
2015	12 of 12

Tax Year	Of the 12 homeowners included in this study, for how many did the **<u>Travis County's</u>** proportion of their property tax obligation exceed 35%?
2006	0 of 12
2015	8 of 12

Tax Year	Of the 12 homeowners included in this study, for how many did **<u>AISD's</u>** proportion of their property tax obligation exceed 35%?
2006	4 of 12
2015	0 of 12

Policy Implications

The City of Austin and Travis County currently possess the same authority as Austin ISD to institute a senior tax freeze. Unlike the impact of increasing homestead or senior exemptions based on a proportion of appraised value, a senior tax freeze would not lead to less tax revenue from one year to the next to the jurisdiction. Since taxes to be paid are frozen, they do not lead to a loss of revenue. Under the current senior exemption used by the City of Austin and Travis County, if the value to which the exemption can be applied is increased then the tax revenue received would be reduced. Thus, a tax freeze for older adults is easier to absorb from a fiscal standpoint than the current strategy that is being pursued.

Exhibit 1 to this study is a copy of the state statute granting the City and County the authority to adopt a tax freeze for older adults.

Exhibit 1

TEX CONSTITUTION
Art VIII, sec. 1(b)

(h) The governing body of a county, a city or town, or a junior college district by official action may provide that if a person who is disabled or is sixty-five (65) years of age or older receives a residence homestead exemption prescribed or authorized by this section, the total amount of ad valorem taxes imposed on that homestead by the county, the city or town, or the junior college district may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or sixty-five (65) years of age or older and receives a residence homestead exemption on the homestead. As an alternative, on receipt of a petition signed by five percent (5%) of the registered voters of the county, the city or town, or the junior college district, the governing body of the county, the city or town, or the junior college district shall call an election to determine by majority vote whether to establish a tax limitation provided by this subsection. If a county, a city or town, or a junior college district establishes a tax limitation provided by this subsection and a disabled person or a person sixty-five (65) years of age or older dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the county, the city or town, or the junior college district may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a tax limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead within the same county, within the same city or town, or within the same junior college district. A county, a city or town, or a junior college district that establishes a tax limitation under this subsection must comply with a law providing for the transfer of the limitation, even if the legislature enacts the law subsequent to the county's, the city's or town's, or the junior college district's establishment of the limitation. Taxes otherwise limited by a county, a city or town, or a junior college district under this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs and other than improvements made to comply with governmental requirements and except as may be consistent with the transfer of a tax limitation under a law authorized by this subsection. The governing body of a county, a city or town, or a junior college district may not repeal or rescind a tax limitation established under this subsection.

TAX CODE

Sec. 11.261. LIMITATION OF COUNTY, MUNICIPAL, OR JUNIOR COLLEGE DISTRICT TAX ON HOMESTEADS OF DISABLED AND ELDERLY. (a) This section applies only to a county, municipality, or junior college district that has established a limitation on the total amount of taxes that may be imposed by the county, municipality, or junior college district on the residence homestead of a disabled individual or an individual 65 years of age or older under Section 1-b(h), Article VIII, Texas Constitution.

(b) The tax officials shall appraise the property to which the limitation applies and calculate taxes as on other property, but if the tax so calculated exceeds the limitation provided by this section, the tax imposed is the amount of the tax as limited by this section, except as otherwise provided by this section. The county, municipality, or junior college district may not increase the total annual amount of ad valorem taxes the county, municipality, or junior college district imposes on the residence homestead of a disabled individual or an individual 65 years of age or older above the amount of the taxes the county, municipality, or junior college district imposed on the residence homestead in the first tax year, other than a tax year preceding the tax year in which the county, municipality, or junior college district established the limitation described by Subsection (a), in which the individual qualified that residence homestead for the exemption provided by Section 11.13(c) for a disabled individual or an individual 65 years of age or older. If the individual qualified that residence homestead for the exemption after the beginning of that first year and the residence homestead remains eligible for the exemption for the next year, and if the county, municipal, or junior college district taxes imposed on the residence homestead in the next year are less than the amount of taxes imposed in that first year, a county, municipality, or junior college district may not subsequently increase the total annual amount of ad valorem taxes it imposes on the residence homestead above the amount it imposed on the residence homestead in the year immediately following the first year, other than a tax year preceding the tax year in which the county, municipality, or junior college district established the limitation described by Subsection (a), for which the individual qualified that residence homestead for the exemption.

(c) If an individual makes improvements to the individual's residence homestead, other than repairs and other than improvements required to comply with governmental requirements, the county, municipality, or junior college district may increase the amount of taxes on the homestead in the first year the value of the homestead is increased on the appraisal roll because of the enhancement of value by the improvements. The amount of the tax increase is determined by applying the current tax rate to the difference between the appraised value of the homestead with the improvements and the appraised value it would have had without the improvements. A limitation provided by this section then applies to the increased amount of county, municipal, or junior college district taxes on the residence homestead until more improvements, if any, are made.

(d) A limitation on county, municipal, or junior college district tax increases provided by this section expires if on January 1:

(1) none of the owners of the structure who qualify for the exemption provided by Section 11.13(c) for a disabled individual or an individual 65 years of age or older and who owned the structure when the limitation provided by this section first took effect is using the structure as a residence homestead; or

(2) none of the owners of the structure qualifies for the exemption provided by Section 11.13(c) for a disabled individual or an individual 65 years of age or older.

(e) If the appraisal roll provides for taxation of appraised value for a prior year because a residence homestead exemption for disabled individuals or individuals 65 years of age or older was erroneously allowed, the tax assessor for the applicable county, municipality, or junior college district shall add, as back taxes due as provided by Section 26.09(d), the positive difference, if any, between the tax that should have been imposed for that year and the tax that was imposed because of the provisions of this section.

(f) A limitation on tax increases provided by this section does not expire because the owner of an interest in the structure conveys the interest to a qualifying trust as defined by Section 11.13(j) if the owner or the owner's spouse is a trustor of the trust and is entitled to occupy the structure.

(g) Except as provided by Subsection (c), if an individual who receives a limitation on county, municipal, or junior college district tax increases provided by this section subsequently qualifies a different residence homestead in the same county, municipality, or junior college district for an exemption under Section 11.13, the county, municipality, or junior college district may not impose ad valorem taxes on the subsequently qualified homestead in a year in an amount that exceeds the amount of taxes the county, municipality, or junior college district would have imposed on the subsequently qualified homestead in the first year in which the individual receives that exemption for the subsequently qualified homestead had the limitation on tax increases provided by this section not been in effect, multiplied by a fraction the numerator of which is the total amount of taxes the county, municipality, or junior college district imposed on the former homestead in the last year in which the individual received that exemption for the former homestead and the denominator of which is the total amount of taxes the county, municipality, or junior college district would have imposed on the former homestead in the last year in which the individual received that exemption for the former homestead had the limitation on tax increases provided by this section not been in effect.

(h) An individual who receives a limitation on county, municipal, or junior college district tax increases under this section and who subsequently qualifies a different residence homestead in the same county, municipality, or junior college district for an exemption under Section 11.13, or an agent of the individual, is entitled to receive from the chief appraiser of the appraisal district in which the former homestead was located a written certificate providing the information necessary to determine whether the individual may qualify for a limitation on the subsequently qualified homestead under Subsection (g) and to calculate the amount of taxes the county, municipality, or junior college district may impose on the subsequently qualified homestead.

(i) If an individual who qualifies for a limitation on county, municipal, or junior college district tax increases under this section dies, the surviving spouse of the individual is entitled to the limitation on taxes imposed by the county, municipality, or junior college district on the residence homestead of the individual if:

(1) the surviving spouse is disabled or is 55 years of age or older when the individual dies; and

(2) the residence homestead of the individual:

(A) is the residence homestead of the surviving spouse on the date that the individual dies; and

(B) remains the residence homestead of the surviving spouse.

(j) If an individual who is 65 years of age or older and qualifies for a limitation on county, municipal, or junior college district tax increases for the elderly under this section dies in the first year in which the individual qualified for the limitation and the individual first qualified for the limitation after the beginning of that year, except as provided by Subsection (k), the amount to which the surviving spouse's county, municipal, or junior college district taxes are limited under Subsection (i) is the amount of taxes imposed by the county, municipality, or junior college district, as applicable, on the residence homestead in that year determined as if the individual qualifying for the exemption had lived for the entire year.

(k) If in the first tax year after the year in which an individual who is 65 years of age or older dies under the circumstances described by Subsection (j) the amount of taxes imposed by a county, municipality, or junior college district on the residence homestead of the surviving spouse is less than the amount of taxes imposed by the county, municipality, or junior college district in the preceding year as limited by Subsection (j), in a subsequent tax year the surviving spouse's taxes imposed by the county, municipality, or junior college district on that residence homestead are limited to the amount of taxes imposed by the county, municipality, or junior college district in that first tax year after the year in which the individual dies.

(l) Notwithstanding Subsection (d), a limitation on county, municipal, or junior college district tax increases provided by this section does not expire if the owner of the structure qualifies for an exemption under Section 11.13 under the circumstances described by Section 11.135(a).

(m) Notwithstanding Subsections (b) and (c), an improvement to property that would otherwise constitute an improvement under Subsection (c) is not treated as an improvement under that subsection if the improvement is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage. For purposes of appraising the property in the tax year in which the structure would have constituted an improvement under Subsection (c), the replacement structure is considered to be an improvement under that subsection only if:

(1) the square footage of the replacement structure exceeds that of the replaced structure as that structure existed before the casualty or damage occurred; or

(2) the exterior of the replacement structure is of higher quality construction and composition than that of the replaced structure.

Added by Acts 2003, 78th Leg., ch. 396, Sec. 1, eff. Jan. 1, 2004.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 359 (H.B. 1257), Sec. 1(c), eff. June 19, 2009.

Acts 2009, 81st Leg., R.S., Ch. 1417 (H.B. 770), Sec. 5, eff. January 1, 2010.