



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of August 29, 2023
Second Reading Ordinance for the City Council Meeting of September 5, 2023

DATE: August 15, 2023

TO: Peter Zaroni, City Manager

FROM: Alma Casas, Interim Director of Finance
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<p>Increasing Property Tax Homestead Exemption for 10% to 20% over 2 years and Increasing the Over-65 or Disabled Property Tax Exemption from \$50,000 to \$62,500</p>

CAPTION:

Ordinance amending Ordinance 17150 by increasing the exemption for ad valorem taxes for all qualified residence homesteads from 10% to 15% of assessed value commencing Tax Year 2024 and from 15% to 20% of assessed value commencing Tax Year 2025; and increasing the exemption for ad valorem taxes for persons' residence who are disabled or 65 years of age or older from \$50,000, as approved by the citizens of Corpus Christi on April 4, 1987, to \$62,500, commencing Tax Year 2024; providing that this ordinance is cumulative and for an effective date, severance, publication, and codification.

SUMMARY:

Councilmember Mike Pusley is recommending that the homestead exemption for the City of Corpus Christi be increased from 10% of assessed value to 20% of assessed value and the homestead exemption for those over-65 or disabled be increased from \$50,000 to \$62,500. Upon reviewing the financial impact to the City, City staff is recommending implementing the increase in homestead exemption over two years.

At the Council Meeting of August 29, 2023, the City Council approved the amendment to increase the Homestead Exemption from 10% to 20% in the first year, instead of over a period of two years, on the first reading. Additionally, the City Council approved the Over-65 or disabled exemption increase from \$50,000 to \$62,500 on the first reading.

BACKGROUND AND FINDINGS:

On July 28, 1982, the City Council approved Ordinance 17150 adopting a qualified homestead exemption of 10% of assessed value or \$5,000 minimum as per section 11.13(n) of the Property Tax Code. Increasing the exemption from 10% to 20% would result in an estimated recurring property tax revenue reduction for the City of Corpus Christi of approximately \$8.2 million annually beginning in FY 2025. The annual savings to an average homeowner would be \$159 or \$13.25 monthly.

Section 11.13(d) of the Property Tax Code states that an individual who is disabled or is 65 or older is entitled to an exemption from taxation by a taxing unit of a portion of the appraised value of the residence homestead if the exemption is adopted either by the governing body of the taxing unit or by a favorable vote a majority of the qualified voters of the taxing unit. Section 11.13(f) of the Property Tax Code states that once authorized, an exemption adopted as provided by Subsection (d) may be repealed or decreased or increased in an amount by the governing body of the taxing unit.

On April 4, 1987, the citizens of Corpus Christi voted to approve an exemption of \$50,000 for those who are disabled and those who are 65 or older (ordinances 19692 and 026124). Increasing the exemption from \$50,000 to \$62,500 would result in an estimated recurring property tax revenue loss to the City of Corpus Christi of \$2.2 million beginning in FY 2025. The annual savings to an average homeowner would be \$75 or \$6.25 monthly.

The combined annual recurring property tax reduction to the City with the recommended changes to the property tax exemptions would be \$10.4 million beginning in FY 2025. However, by increasing the homestead exemption from 10% to 20% over two years would lessen the impact to \$6.2 million in FY 2025 and \$4.1 million in FY 2026.

ALTERNATIVES:

City Council could vote to increase the homestead exemption from 10% to 20% in Fiscal Year 2025 instead of splitting the increase over two years or could take no action on either increase.

FISCAL IMPACT:

The annual fiscal impact to the City of Corpus Christi for increasing the homestead exemption from 10% to 20% would be approximately \$8.2 million annually. Of this amount \$5.2 million (or 63%) would be a reduction of General Fund property tax revenue and approximately \$3.0 million (or 37%) would be a reduction of Debt Service Fund property tax revenue. If the increase is divided over two years, then the fiscal impact of increasing the homestead exemption from 10% to 15% the first year and 15% to 20% in the second year would be approximately \$4.1 million each year. However, changes in assessed valuations over the next two years may impact this calculation.

The annual fiscal impact for increasing the over-65 or disabled property tax exemption from \$50,000 to \$62,500 would be approximately \$2.2 million. Of this amount, approximately \$1.4 million (or 63%) would be a reduction of General Fund property tax revenue, and approximately \$800 thousand (or 37%) would be a reduction of Debt Service property tax revenue.

The total recurring fiscal impact to the General Fund would a reduction of approximately \$6.6 million in property tax revenue. The total recurring fiscal impact to the Debt Service Fund would be a reduction of approximately \$3.8 million in property tax revenue. Although the property tax rate related to the General Fund (the Maintenance and Operations (M&O) rate would be reduced, the property tax rate related to the Debt Service Fund (I&S) would need to be increased to cover the City's current outstanding debt.

FUNDING DETAIL:

Fund:	1020 – General Fund
Organization/Activity:	11020 – General Governmental Revenue
Department:	59 - Finance
Account:	300010 – Ad Valorem Taxes

Fund: 2010 – Debt Service Fund
Organization/Activity: 11020 – General Governmental Revenue
Department: 14 - Governance
Account: 300010 – Ad Valorem Taxes

RECOMMENDATION:

City recommends approval of the ordinance as presented.

SUPPORTING DOCUMENTS:

Ordinance