



City of Galveston

Finance Department
PO Box 779 | Galveston, TX 77553-0779
| 409-797-3562

May 28, 2020

To: Brian Maxwell, City Manager
Hon. Mayor and City Council

From: Michael W. Loftin, Assistant City Manager-Finance

RE: Consider for action an ordinance of the City of Galveston, Texas, adopting the homestead, elderly, and disabled ad valorem tax exemptions for tax year 2020, pursuant to Chapter 33, Section 33-24 of the Code of the City of Galveston 1982, as amended; making various findings and provisions related to the subject.

I. Background

- A. The State Property Tax Code provides for a wide range of exemptions from having to pay property taxes that extend to non-profits and property owners statewide. Among these are exemptions for homeowner-occupants who occupy their property as their primary residence. Cities in Texas are given the local option to adopt and maintain certain of these exemptions that pertain to homeowner occupants.
- B. The Galveston County Appraisal District (GCAD) administers all exemptions as provided under State law and local ordinances. The Galveston County Tax Assessor-Collector (GTAC) administers the tax assessment process using information from GCAD. This includes tax freezes for homeowner occupants who are certified as over 65, a veteran or disabled by GCAD.
- C. Each year, cities that wish to change their exemptions for that tax year are required to adopt changes by June 30 and notify the local county appraisal district and tax assessor-collector of any change made. This agenda item affords the City Council the opportunity to consider whether they wish to make any changes.

II. Current Situation

- A. The City of Galveston currently provides a twenty percent exemption for homeowners who occupy their home. This is the maximum allowed by State law. After qualifying for the basic homestead exemption, a homeowner occupant can then qualify for the over 65, disabled or veteran's exemptions as described on the next page.
- B. Exemptions themselves apply to market value as established by the Galveston County Appraisal District reducing the amount of value that can be taxed ("taxable value"). The over 65 and disabled tax freezes apply to the actual amount of taxes paid each year subsequent to the original granting of the over 65 or disabled exemption.
- C. The year a homeowner turns 65 or qualifies for a disabled person exemption, the percentage homestead and then appropriate O65 or disabled person exemption is applied to the market value to establish the qualifying year tax amount. The same process is applied the following year and the tax ceiling is established for the year in which the lowest tax amount is due. This amount then becomes the maximum amount of taxes that may be assessed. The same process is applied to disabled homeowners' taxes to determine the amount at which taxes are frozen in future years.





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- D. The chart below summarizes the City of Galveston’s current exemptions which provide an estimated total of \$4.6 million in tax relief based on the 2020 preliminary tax roll. The freeze on taxes for homesteaders over 65 and who are disabled cannot be repealed or modified. The City Council has the option to:
1. Reduce the homestead exemption percent (it cannot be increased) and/or set a different higher minimum amount of assessed value exempted from taxation.
 2. Increase the over 65 exemption from \$15,000 to a higher amount;
 3. Increase the disabled exemption from \$10,000 to a higher amount; and/or
 4. Increase the veteran’s exemption from \$10,000 to a higher amount.
- E. The Veteran’s Survivor’s exemption is extended to survivors of veterans whose lives were lost in military action.

Description	Tax Exemption Basis	Tax Exemption Description	Number of Exemptions from Tax Year 2020 Preliminary Roll	Value Exempted from Tax Year 2020 Preliminary Roll	Estimated Tax Break at \$0.579885 Rate	Estimated Tax Break per Exemption
Homestead	20% of Assessed Value or minimum of \$5,000 of Assessed Value	COG at max for % but not minimum amount.	9,333	\$425,241,749	\$2,465,913	\$264
Over 65 Exemption	\$15,000 off Assessed Value	COG at minimum; can be increased	4,629	\$68,373,978	\$396,490	\$86
Disabled Exemption	\$10,000 off Assessed Value	COG at minimum; can be increased	469	\$4,398,400	\$25,506	\$54
Veteran's Exemption	\$5,000 (10%-30%), \$7,500 (30%-50%), \$10,000 (50%-70%), or \$12,000 (70% and over) off Assessed Value based on Disability Rating percentages noted above	COG at what's allowed by State law; no local option to increase exempted amounts	208	\$2,232,590	\$12,946	\$62
Veteran's Survivors Exemption	100% Exempt	State Mandated	102	\$22,531,048	\$130,654	\$1,281
Over 65 Freeze	N/A	Taxes paid frozen at amount paid at age 65	4,311	\$251,045,891	\$1,455,777	\$338
Disabled Freeze	N/A	Taxes paid frozen at amount paid once disabled	460	\$20,947,720	\$121,473	\$264
			19,512	\$794,771,376	\$4,608,760	\$236

- F. The City of Galveston preliminary property tax roll includes 22,954 single family residences. These properties include the 9,333 homes getting the twenty percent homestead exemption, second homes, short term rentals, abandoned or condemned homes, and as well as vacant homes.





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- G. A total of 9,333 homeowner occupants (the same as the number shown above who receive the basic twenty percent homestead exemption) receive exemptions as shown below.

Taxpayers Category	Exemption Granted	Number
Basic Homestead Exemption	Twenty Percent of Assessed Value	3,925
First Year Taxpayer Over 65	Homestead Exemption (20%) plus Over 65 Exemption (\$15,000)	318
Other Taxpayers Over 65	Homestead Exemption (20%) plus Over 65 Exemption (\$15,000) or Over 65 Tax Freeze whichever is lesser tax due amount.	4,311
First Year Taxpayer Disabled	Homestead Exemption (20%) plus Disabled Exemption (\$10,000)	9
Other Taxpayers Disabled	Homestead Exemption (20%) plus Disabled Exemption (\$10,000) or Disabled Tax Freeze whichever is lesser tax due amount	460
Veteran's Exemption	Homestead Exemption (20%) plus Veteran's Exemption based on percent disabled	208
Veteran's Survivor's Exemption	Veteran's Survivor's exemption (100%)	102
Total Homeowners with Exemptions		9,333

- H. Additional information regarding property tax exemptions can be obtained from the Texas Comptroller of Public Accounts website (<https://comptroller.texas.gov/taxes/property-tax/exemptions/>) is presented as Attachment A.

III. Issues

1. Cost – No additional administrative cost to the city is incurred if exemptions are changed, but every change in an exemption has a direct revenue impact (see chart on previous page).
2. Timing – Approval of changes is required prior to June 30 for the current tax year.
3. Impact or ramifications – Revenue losses impact the City's ability to provide services.
4. Term – Exemptions addressed by the ordinance will apply to tax year 2020 for which bills will be mailed this fall.

IV. Alternatives in order of priority

- A. City approves no change in current exemptions.
- B. City approves selected changes to exemptions as determined by Mayor and City Council.

V. Recommendation

Concur in Alternative A and approve the ordinance without amendment.

