

IMPACT OF TEMPORARY DISASTER EXEMPTION ON TAX BASE

WINTER STORM URI (FEBRUARY 10 – 17, 2021)



DISASTER DECLARATIONS

Governor Abbott declared a statewide disaster for all 254 counties on February 12, 2021.

- Invokes Temporary Disaster Exemption
Tax Code 11.35 (adopted 2019)

STATE MANDATE VS LOCAL OPTION

- **State Mandated** if disaster occurs **before** tax rates are adopted.
- **Local Option** if disaster occurs **after** tax rates are adopted.

QUALIFIED PROPERTY

- Business Personal Property
 - Must file a rendition to qualify
 - Residential and Commercial Buildings
 - Mobile Homes
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- Qualified property must be at least 15% damaged

APPLICATION

- Application required.
- Deadline to file is 105th day after the date that the Governor declares the disaster.
- Owner must submit estimated cost to repair and supporting documentation (photos, etc...).

Application deadline for Winter Storm Uri Disaster
Friday, May 28, 2021

ASSIGNING A DAMAGE ASSESSMENT LEVEL

Level 1 -- 15%

Between 15 and 30% damaged. Minimal damage, may continue to be used as intended

Level 2 -- 30%

Between 30 and 60% damaged. Nonstructural damage to roof, walls, foundation and mechanical components. Waterline < 18 in.

Level 3 -- 60%

Between 60 and 99% damaged. Structural damage requiring extensive repair. Waterline > 18 in.

Level 4 -- 100%

Total loss. Repair of building is not feasible.

** Exemption % doesnot apply to land value*

PRORATION

If the disaster happens after the beginning of the tax year, a proration is required.

- Divide total number of days in the year (365) by the number of days remaining in the year to include the day that the disaster declaration is issued.
 - $2/12/2021-12/31/2021 = 322$ days
 - $322/365 = 0.882192$

TYPES OF DAMAGE

- Frozen pipes and flooding
 - Plumbing
 - Slab and access repairs
 - Drywall
 - Flooring
- Fixtures and mechanical failures
- Roof damage from snow weight and falling tree limbs
- Business equipment and inventory
 - Business vehicle damage from accidents

Improvement	\$	230,000
Land	\$	110,000
	\$	340,000
Damage Cost Estimates	\$	46,000
Percent of Imprv		20.0%
Damage Assessment Level		1
Level % Exemption		15%
Date of Disaster		2/12/2021
Days Remaining in Year		323
		365
Proration Percentage		88%
Exemption Amount	\$	34,500
Prorated Exemption Amount	\$	30,360

POTENTIAL IMPACT

“We expect insured losses for US P&C insurers to total in the billions of dollars, with claims from homeowners, commercial property, and auto lines of business,” Moody’s said in its report.

POTENTIAL IMPACT

The Insurance Council of Texas (ICT) has said the storm “may be the costliest winter weather event in the state’s history.” Hundreds of thousands of claims are expected as a result of the storm, according to ICT spokesperson Camille Garcia. The Independent Insurance Agents of Texas said in a statement on its website that it “is expected to be the largest insurance claim event in Texas history.”

POTENTIAL IMPACT

Karen Clark & Company has told its clients in a briefing document that the ultimate industry loss from this winter storm was already likely in the double-digit billions of dollars, on a modelled estimate basis. Before later updating its insured industry loss for the storm to \$18 billion, more than half of which will be from Texas.

POTENTIAL IMPACT

Local Impact still to be determined

- Damage still being discovered
- Application deadline May 28, 2021
- Minimum 15% is a significant threshold for qualification that many properties, although damaged, may have difficulty meeting.
- Tax Code 11.35(g)(1) - “a Level 1 damage assessment rating if the property is at least 15 percent, but less than 30 percent, damaged, **meaning** *that the property suffered minimal damage* and may continue to be used as intended”
 - Statutory language, if interpreted differently by property owners and tax agents, may be protested and granted by Appraisal Review Boards significantly increasing the value lost to disaster exemption.

TAX RATE CALCULATIONS

In the tax rate calculation worksheets there is not a deduction of the disaster exemption amount from the taxable value; however, the disaster does invoke other provisions of the tax rate calculation affecting M&O and voter approval tax rates.

Taxing units should consult their attorney to determine how the disaster will impact their tax rate calculations.

TAX RATE CALCULATIONS

- **Taxing Units other than School District or Water District:**
 - “Taxing unit affected by disaster declaration. If the taxing unit is located in an area declared as disaster area, the governing body may direct the person calculating the voter-approval rate to calculate in the manner provided for a special taxing unit. The taxing unit shall continue to calculate the voter-approval rate in this manner until the earlier of 1) the second year in which total taxable value on the certified appraisal roll exceeds the total taxable value of the tax year in which the disaster occurred, and 2) the third year after the tax year in which the disaster occurred. If the taxing unit qualifies under this scenario, multiply Line 38 by 1.08”

TAX RATE CALCULATIONS

- **School Districts:**

- “A district must complete an efficiency audit before seeking voter approval to adopt a M&O rate higher than the calculated M&O tax rate, hold an open meeting to discuss the results of the audit, and post the results of the audit on the district’s website 30 days prior to the election. Additionally, a school district located in an area declared a disaster by the governor may adopt a M&O tax rate higher than the calculated M&O tax rate during the two -year period following the date of the declaration without conducting an efficiency audit”.

TAX RATE CALCULATIONS

- **Water Districts:**

- “If any part of a developed water district is located in an area declared a disaster area during the current tax year by the governor or by the president, the board of the district may calculate the voter-approval tax rate in the manner provided in Water Code Section 49.23601(a) and determine whether an election is required to approve the adopted tax rate in the manner provided in Water Code Section 49.23601(c). In such cases, the developed water district may use this form to calculate its voter-approval tax rate.”