LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 23, 2003

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways and Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB395** by Merritt (Relating to the rendition of property for ad valorem tax purposes and to the imposition of a penalty for failure to render property.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB395, As Introduced: a negative impact of ($1,231,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	($1,231,000)
2006	$28,182,000
2007	$60,313,000
2008	$95,909,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *GENERAL REVENUE FUND* 1	Probable Savings from *FOUNDATION SCHOOL FUND* 193	Probable Revenue Gain from *School Districts*	Probable Revenue Gain from *Cities*
2004	$0	$0	$0	$0
2005	($1,231,000)	$0	$32,134,000	$15,866,000
2006	($3,952,000)	$32,134,000	$35,348,000	$33,319,000
2007	($7,169,000)	$67,482,000	$38,813,000	$52,483,000
2008	($10,385,000)	$106,294,000	$5,315,000	$55,107,000

Fiscal Year	Probable Revenue Gain from *Counties*
2004	$0
2005	$6,829,000
2006	$14,340,000
2007	$22,588,000
2008	$23,717,000

Fiscal Analysis

The bill would require rendition of all residential real property and all real property used for the production of income (except real property subject to special appraisal). The bill would establish penalties for failure to deliver a rendition statement to the chief appraiser by the May 15 filing deadline. The penalty would be 10 percent of the taxes imposed by the taxing unit for the tax year on the subject property. The chief appraiser would notify the owner and assessor of each taxing unit of imposition of the proposed penalty; and the penalty amount would be added to the owner's next tax bill or included in a separate supplemental bill, depending on the time of discovery by the chief appraiser. The proposed penalty would be a personal obligation of the owner and would constitute a lien on the subject property.

Methodology

The Comptroller's office conducted a survey of representative large appraisal districts requesting an estimate of the amount of market value that could be added to local tax rolls if the appraisal districts implemented the provisions of the proposed bill. The average percent increase in personal property value was applied to the state personal property value to estimate the statewide personal property value gain. Because the survey was based on data reflecting the inclusion of a requirement for disclosing the cost or value of the property, the assumed gains from this bill, which would not require such disclosure, was reduced by half. Gains were phased in over three years, assuming that Central Appraisal Districts would require three years to fully inform taxpayers and train staff to implement the new law. Tax rates could be reduced in some taxing units because of the rollback rate provisions of the Tax Code. Tax rate reductions would reduce the gains in these units. However for this estimate, these tax rate effects were not taken into account. A trend factor of five percent per year was used to account for increases in tax rates and the amount and value of property affected by the new law.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill would cause an increase in school district taxable values reported to the Commissioner of Education by the Comptroller and a decrease in state costs to the Foundation School Fund.

The estimated fiscal implications to the General Revenue School Fund reflect estimated dynamic tax feedback effects created by the decrease in industry and/or individuals' tax burdens. The dynamic tax feedback effects are shown only with respect to the loss incurred by the General Revenue Fund.

Local Government Impact

The impact on units of local government is illustrated in the above tables.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: JK, JO, SD, WP, DLBe