

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 19, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1782 by Hegar (Relating to the limitation on the maximum average annual percentage increase in the appraised value of a residence homestead for ad valorem tax purposes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1782, As Introduced: a positive impact of \$20,445,000 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	\$20,445,000
2006	(\$826,416,000)
2007	(\$1,162,524,000)
2008	(\$1,200,601,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Cities</i>
2004	\$0	\$0	\$0	\$0
2005	\$20,445,000	\$0	(\$864,645,000)	(\$297,802,000)
2006	\$38,229,000	(\$864,645,000)	(\$345,858,000)	(\$416,923,000)
2007	\$47,980,000	(\$1,210,504,000)	(\$60,525,000)	(\$437,769,000)
2008	\$70,428,000	(\$1,271,029,000)	(\$63,551,000)	(\$459,657,000)

Fiscal Year	Probable Revenue (Loss) from <i>Counties</i>
2004	\$0
2005	(\$179,256,000)
2006	(\$250,958,000)
2007	(\$263,506,000)
2008	(\$276,681,000)

Fiscal Analysis

The bill would amend Section 23.23 of the Tax Code to reduce the current 10 percent maximum annual percentage cap in the appraised value of a residence homestead to zero percent.

The estimate assumes the appraised value of properties currently subject to the cap would not be increased to market value by passage of the proposed bill. As a result, the existing base stock of capped properties becomes the starting point for the estimate, and the proposed zero percentage cap would increase the loss attributable to these properties, as well as increase the number of properties added to the "capped" stock each year.

Methodology

A projected growth rate was compared to the recent historical growth rate to predict a fiscal 2003 loss under current law. The total predicted loss under the proposed cap was estimated by increasing the predicted fiscal 2003 loss by the ratio of the proposed cap to the old cap. The predicted fiscal 2003 loss was subtracted from the total predicted loss under the proposed cap to estimate the incremental loss. The predicted fiscal 2003 loss was used as a base to project future losses.

Losses were phased in over the first two years and trended at five percent through the projection period to account for value and rate increases. School district losses would shift to the state after a one-year lag through the operation of the school funding formulas.

The Comptroller's office estimated the dynamic tax feedback effects which are shown only with respect to the gain incurred by the General Revenue Fund 0001.

Local Government Impact

The fiscal impact on units of local government are reflected in the above tables.

Source Agencies: 304 Comptroller Of Public Accounts

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