

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 14, 2003**

**TO:** Honorable Teel Bivins, Chair, Senate Committee on Finance

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB2416** by Hochberg (Relating to the extension of the period for which an incomplete improvement on property owned by certain nonprofit organizations may be exempted from ad valorem taxation and exempting from additional taxes open-space land converted by certain nonprofit organizations for certain charitable purposes.), **As Engrossed**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would temporarily extend the effective time for property tax exemptions for incomplete improvements owned by certain non-profit entities from three years to five years. The bill would also exempt the same organizations from additional taxes on conversion of open-space land for five years. The exemption would apply only to an incomplete structure that was under "active" construction or other "physical preparation" on January 1 of the tax year. The improvement would have to be designed and intended for use exclusively by the qualified organization.

Passage of the bill could reduce taxable property values and revenue to taxing units that tax real property owned by non-profit organizations. 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 could reduce school district taxable values reported to the Commissioner of Education by the Comptroller and increase costs to the Foundation School Fund. However, due to the limited application of the exemption extension, no significant impact to the State or units of local government is anticipated.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

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