

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 22, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2416 by Hochberg (Relating to an exemption from ad valorem taxation for property of certain nonprofit organizations while improvements are under construction.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would extend the effective time for property tax exemptions for incomplete improvements owned by certain non-profit entities from three years to six 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