

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 13, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2879 by Bonnen (Relating to the exemption from ad valorem taxation of property owned by a political subdivision of this state that is rented or leased for certain purposes.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would exempt from property taxation property owned by a political subdivision of the state and leased to a private business for a term of at least one year, if the property were to be used by that business for a purpose related to or in support of the performance of the duties and functions of the political subdivision or that aided, assisted, or complemented the performance of the duties and functions of the political subdivision.

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 cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Texas courts have held that for publicly owned property to be exempt from property taxation it must be used exclusively for a public purpose. For example, a medical office complex owned by a public hospital but leased to doctors for their private business practice does not qualify because it is not used exclusively for a public purpose. The doctor's private benefits disqualify part of the building leased to the doctors.

Passage of this bill could result in the exemption of property otherwise taxable under current law.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. By way of example, the Harris County Appraisal District reports that the provisions of this bill would not significantly impact taxable values in Harris County.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, SD, WP, DLBe