LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 16, 2005

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB784** by Bohac (Relating to providing tax relief and protection for ad valorem tax payers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB784, As Introduced: a positive impact of $5,714,000 through the biennium ending August 31, 2007.

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
2006	$0
2007	$5,714,000
2008	($337,659,000)
2009	($404,388,000)
2010	($440,768,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *GENERAL REVENUE FUND* 1	Probable (Cost) from *FOUNDATION SCHOOL FUND* 193	Probable Revenue (Loss) from *School Districts*	Probable Revenue (Loss) from *Cities*
2006	$0	$0	$0	$0
2007	$5,714,000	$0	($351,157,000)	($91,555,000)
2008	$13,498,000	($351,157,000)	($71,748,000)	($112,485,000)
2009	$18,517,000	($422,905,000)	($43,093,000)	($126,616,000)
2010	$25,230,000	($465,998,000)	($21,610,000)	($135,325,000)

Fiscal Year	Probable Revenue (Loss) from *Counties*
2006	$0
2007	($84,734,000)
2008	($103,553,000)
2009	($115,966,000)
2010	($123,336,000)

Fiscal Analysis

The bill would reduce the current 10 percent maximum annual percentage cap in the appraised value of a residence homestead to a maximum of 5 percent. In addition, the bill would expand the application of the cap to include all real property except mineral interests and real property appraised under special appraisal provisions in Chapter 23 of the Tax Code. The bill would also require property tax bills to include comparative appraisal, tax rate, and levy information for the previous five years concerning the subject property and the taxing unit.

The provisions in the bill concerning appraisal cap would take effect January 1, 2006, contingent upon passage of a constitutional amendment authorizing such a limitation. The provisions in the bill concerning the content of property tax bills would take effect January 1, 2006.

Methodology

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

The bill would expand the value limitation from homesteads to all real property except minerals, qualified agricultural property (including timber), and scenic, park, and recreational property. In addition, it would change the limit on the growth in the appraised value from 10 percent to 5 percent per year since the last reappraisal. The value used for the last reappraisal would be set at the tax year 2005 value.

The analysis prepared by the Comptroller's office was based on 2003 and 2004 appraisal roll information reported electronically by appraisal districts. The percent change in value from tax year 2003 to 2004 for each of 5.6 million real properties that were listed on the appraisal roll in both years was calculated, and the results were sorted by percentage change. The value loss resulting from the proposed limitation was calculated for properties that increased in value more than 5 percent. Value lost to the existing 10 percent value limitation on homestead property was excluded. The value loss was adjusted in the second and succeeding years of the analysis to reflect multi-year appraisal cycles and the holdover of capped property from one year to the next, based on historical data from the existing 10 percent cap.

The projected city, county, and school district tax rates were applied to the value losses in each year to estimate their respective levy losses.

Because of the operation of the school funding formula, this analysis presumes that school district losses would be incurred by the state after a one-year lag. After the first year, school districts would incur only each year's incremental loss.

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

Local Government Impact

The estimated revenue loss for school districts, cities and counties is reflected in the above tables. Special districts would also realize a revenue loss. In addition, collection offices for local governments may incur costs to provide additional information in property tax bills as required by the bill. Currently the tax code requires tax bills to contain ten items of information. This bill would add seven more items.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe