

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

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**March 29, 2005**

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

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

**IN RE: HB1185** by Smithee (Relating to the extension of the period for which an incomplete improvement on real property owned by a nonprofit organization for use as a school may receive an exemption from ad valorem taxation.), **As Introduced**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would increase the time to seven years from three years during which a property tax exemption is available for incomplete improvements (i.e., property under active construction or other physical preparation) owned by private schools. Under current law the property exemption is available for up to five years until January 1, 2006, at which point it will be available for no more than three years. This bill would, effective January 1, 2006, repeal the three-year limit and make the exemption available for up to seven years.

Passage of the bill could reduce taxable property values and revenue. 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 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:** JOB, SD, WP, DLBe