

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 22, 2005

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

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

IN RE: HB2095 by Bonnen (Relating to exempting from ad valorem taxation property used by certain nonprofit community business organizations to provide services to aid in the economic development of local communities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2095, As Introduced: an impact of \$0 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	\$0
2008	(\$1,112,635)
2009	(\$1,160,701)
2010	(\$1,207,013)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Counties</i>
2006	\$0	\$0	\$0	\$0
2007	\$0	(\$1,112,635)	(\$391,433)	(\$258,051)
2008	(\$1,112,635)	(\$48,066)	(\$408,343)	(\$269,199)
2009	(\$1,160,701)	(\$46,312)	(\$424,636)	(\$279,940)
2010	(\$1,207,013)	(\$43,211)	(\$439,838)	(\$289,962)

Fiscal Analysis

The bill would create a property tax exemption for real and personal property and incomplete improvements to real property owned by nonprofit community business organizations.

To qualify for the exemption, an organization would have to be a nonprofit organization under the Texas Non-Profit Corporation Act and a nonprofit organization under Section 501(c) of the IRS Code. In addition, it would have to be primarily supported by membership dues and other income from activities substantially related to the organization's primary functions. Finally, it would have to engage primarily in: 1) promoting the common economic interests of commercial enterprises; 2) improving business conditions of one or more types of business; or 3) otherwise providing services to aid in

economic development.

Methodology

According to the Texas Association of Business website, 200 local chambers of commerce belong to the association. It is assumed that these local chambers of commerce would be eligible for the property tax exemption authorized by this bill. Commercial property data from the 2004 self-reported property tax reports was used to estimate: the percentages of chambers that would own their office space or lease space; the average real property market value, and the average personal property market value. Using this data, the total estimated market value for property exempt by this bill was calculated to be \$67 million. The projected city, county, and school district tax rates were applied to the market value in each year to estimate their respective levy losses. These amounts were trended upward to reflect losses for fiscal years 2008 to 2010.

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. The cost to the state was estimated by assuming that the state would reimburse school districts for their total levy losses, including losses for this exemption, after a one-year lag. After the first year, school districts would incur only each year's incremental loss.

Local Government Impact

In addition to the amounts included in the above tables, special districts would realize a reduction in revenue.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe