

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

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

**May 20, 2005**

**TO:** Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

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

**IN RE: HB2491** by Puente (Relating to the administration and collection of ad valorem taxes, including the transfer of an ad valorem tax lien and a contract for foreclosure of an ad valorem tax lien; amending, correcting, and clarifying the Tax Code, Property Code, and Civil Practice and Remedies Code.), **Committee Report 2nd House, As Amended**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2491, Committee Report 2nd House, As Amended: a positive impact of \$6,560,000 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	\$6,560,000
2008	\$17,220,000
2009	\$24,108,000
2010	\$25,313,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain from <i>School Districts</i>
2006	\$234,400	(\$234,400)	\$0	\$6,560,000
2007	\$224,050	(\$224,050)	\$6,560,000	\$10,660,000
2008	\$224,050	(\$224,050)	\$17,220,000	\$6,888,000
2009	\$224,050	(\$224,050)	\$24,108,000	\$1,205,000
2010	\$224,050	(\$224,050)	\$25,313,000	\$1,266,000

Fiscal Year	Probable Revenue Gain from <i>Cities</i>	Probable Revenue Gain from <i>Counties</i>	Change in Number of State Employees from FY 2005
2006	\$1,673,000	\$1,394,000	2.0
2007	\$4,391,000	\$3,659,000	2.0
2008	\$6,147,000	\$5,123,000	2.0
2009	\$6,455,000	\$5,379,000	2.0
2010	\$6,778,000	\$5,648,000	2.0

## **Fiscal Analysis**

The bill would allow a taxing unit or appraisal district to impose an additional penalty for collection costs on taxes imposed on tangible personal property under certain conditions.

The bill would authorize the chief appraiser to request copies of the Internal Revenue Service schedules and forms from a property owner that is required to file a rendition statement.

The bill would require chief appraisers to classify agricultural land according to soil type, soil capability, irrigation, general topography, geographical factors, and other factors that influence the productive capacity of the category.

The bill would require a person to be licensed or registered to serve civil process in this state and be registered by the Texas Department of Licensing and Regulations (TDLR).

## **Methodology**

The Comptroller's office estimated the statewide property value gain based on the provisions in the bill that authorize chief appraisers to request Internal Revenue Service forms. The bill requires any additional value identified as a result of rendition verification for tax year 2006 to be treated as omitted property under Section 25.21(a), Tax Code. Since this section would require the appraiser to change the appraised value in prior years if the chief appraiser discovers personal property was omitted from an appraisal roll, property values would increase beginning in fiscal year 2006. The appropriate county, city, and school district tax rates were applied to the value gain to project the respective revenue gains. Through the operation of the school funding formula, school district gains shift to the state after a one-year lag.

According to TDLR, the estimated cost to meet the additional licensing requirements included in the bill is \$234,400 for fiscal year 2006 and \$224,050 for the following fiscal years. These amounts include costs for two additional full-time equivalent employees. It is assumed that the state would collect an equivalent amount of revenue from the application fee included in the bill.

The other provisions of the bill amending property tax statutes would not change the school district taxable property values. As a result, no fiscal implication to the state is anticipated for these provisions.

## **Local Government Impact**

In addition to the amounts for school districts, cities, and counties listed above, special districts would receive additional revenue as a result of the provisions authorizing chief appraisers to request Internal Revenue Service documents.

The bill would allow taxing units to assess additional penalties under certain conditions to cover the costs of collection. As a result, taxing units could realize additional penalty revenue.

The bill would allow local taxing units that do not currently have the option to adopt percentage discounts to do so. Those local taxing units that do adopt a discount would realize a change in the related ad valorem tax revenue.

The bill would require chief appraisers to classify agricultural land for appraisal based on the land's productivity value into multiple categories. Current law allows chief appraisers discretion in classifying agricultural land into specific categories. As a result units of local government that fund appraisal districts could realize additional costs.

## **Source Agencies:**

**LBB Staff:** JOB, WP, DLBa, DLBe