

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 29, 2005

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

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

IN RE: HB2675 by Swinford (Relating to eligibility for the limitation on appraised value of property for school district maintenance and operations ad valorem tax purposes under the Texas Economic Development Act.), **Committee Report 1st House, Substituted**

Passage of the bill may allow certain businesses to qualify for property tax limitations and property tax credits that would not qualify for those benefits under current law. Any resulting reduction in taxable property values would increase costs to the Foundation School Fund.

The bill would amend current Tax Code provisions related to the eligibility to enter into tax value limitation agreements.

The bill would provide that the criteria for classification of a school district within Chapter 313 of the Tax Code (Texas Economic Development Act) as a rural school district could be determined as that criteria applied on January 1, 2002, regardless of subsequent population increases or the district's location in a metropolitan statistical area. This provision would be limited to eligible districts in whose territory is located a federal nuclear facility.

The bill would also change the definition of qualifying jobs for research and development entities. Qualifying jobs for these entities would have to pay at least 110 percent of the average weekly wage for manufacturing jobs in the region as defined by the bill. Current law requires these entities to pay at least 110 percent of the county average weekly wage for manufacturing jobs.

Passage of the bill may allow certain businesses to qualify for property tax limitations and property tax credit districts that would not qualify for those benefits under current law. 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 the bill may cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Local Government Impact

Normally, school districts would incur the initial cost of value losses attributable to economic development agreements, and the state would assume the cost through the operation of the school funding formula after a one-year lag. Current practice, however, is for the qualifying taxpayer to reimburse school districts for their funding loss after state reimbursements. For this reason, school districts would not incur a cost under the bill. Chapter 313 only applies to school districts, so no other taxing unit would incur a cost.

Source Agencies: 701 Central Education Agency, 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe