

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

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

**April 6, 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.), **As Introduced**

Passage of the bill would allow certain businesses to qualify for property tax limitations and property tax credits in rural school districts that would not qualify for those benefits under current law. The 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.

The bill would also reduce from 80 percent to 10 percent the number of "qualified jobs" relative to the required number of new jobs that must be created for a business to qualify for school district property tax limitations under Chapter 313.

Passage of the bill would allow certain businesses to qualify for property tax limitations and property tax credit in rural school 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 would 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:** 304 Comptroller of Public Accounts, 701 Central Education Agency

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