

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 6, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB345 by Duncan (Relating to the exemption from ad valorem taxation of tangible personal property held temporarily at a location in this state for assembling, storing, manufacturing, processing, or fabricating purposes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB345, 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	(\$36,900,000)
2009	(\$38,494,080)
2010	(\$40,029,994)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Counties</i>	Probable Revenue (Loss) from <i>Cities</i>
2006	\$0	\$0	\$0	\$0
2007	\$0	(\$36,900,000)	(\$11,500,000)	(\$8,000,000)
2008	(\$36,900,000)	(\$1,594,080)	(\$11,996,800)	(\$8,345,600)
2009	(\$38,494,080)	(\$1,535,914)	(\$12,475,472)	(\$8,678,589)
2010	(\$40,029,994)	(\$1,433,074)	(\$12,922,094)	(\$8,989,283)

Fiscal Analysis

In November 2001, Texas voters passed a constitutional amendment to add Article VIII, Section 1-n to the Texas Constitution, thereby authorizing the Legislature to exempt from ad valorem taxation "goods in transit".

The proposed enabling legislation would provide an exemption for property acquired or imported into Texas, stored at a location in which the owner of the goods did not have a direct or indirect ownership interest, and transported to another location either inside or outside of the state within 175 days. The proposed bill would provide a local option procedure to continue taxing the property.

Methodology

It is not known how many jurisdictions might hold an election and vote to continue taxing covered items. For purposes of this analysis, it is assumed that all taxing jurisdictions would provide the exemption. The Comptroller's staff estimated this loss for fiscal year 2007. These amounts were trended upward to reflect losses for fiscal years 2008 to 2011.

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.

Local Government Impact

The impact to units of local government are shown in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe