

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 22, 2005

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

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

IN RE: SB447 by Janek (Relating to the sale of tax receivables by a local government.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would authorize a county, municipality, school district, special purpose district or authority, or other political subdivision of the state to, at any time, sell all or any part of its tax receivables, including an undivided interest in all or any part of the receivables. The bill would establish the procedures for selling tax receivables, would identify what would be included in the amount of tax receivables sold, would allow the entity to recover court costs and other related expenses in a suit to collect delinquent taxes after the date of sale of a delinquent ad valorem tax receivable, would identify prohibitions under the authorization to sell a tax receivable, and would identify associated financial duties of the local government entity.

In calculating an effective tax rate and a rollback tax rate of a local government under Section 26.04(c) of the Tax Code, provisions of the bill would not allow inclusion of proceeds received from the sale of a tax receivable.

Further, the sale by a school district of an ad valorem tax receivable would not affect the allocation of state or federal funds to the school district or the entitlement of the school district to state or federal funds under the Education Code or the taxable value of property in the district for the purposes of allocation or entitlement to those funds. The sale of a tax receivable by a school district would be required to meet minimum price criteria established in the bill.

The bill would take effect immediately if it receives the required two-thirds vote in each house; otherwise, it would take effect September 1, 2005.

Local Government Impact

The Legislative Budget Board contacted a sample of municipalities, counties, school districts, and special districts regarding the fiscal impact of the bill. The majority of the responses received indicated that the local government entity would not likely utilize the authorization the bill would provide for selling tax receivables. Local governments that provided an estimate on the fiscal impact stated that the costs associated with implementation and the loss in revenue that would occur, as the sell of tax receivables is expected to bring in less than normal collections despite having less than 100 percent collection rate, would have an insignificant to moderate fiscal impact. It is assumed by school districts contacted that the provisions of the bill that establish a minimum purchase price for the sale of a receivable by a school district could offset that concern if the district were able to obtain the minimum required amount for the sale. No significant fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JOB, WP, SD, DLBa