

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

Revision 1

May 12, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: SB559 by Brimer (relating to the limitation on appraised value of certain property under the Texas Economic Development Act and to the continuation of that Act.), **Committee Report 1st House, Substituted**

The bill would extend the expiration dates for property tax credits and property value appraisal limits authorized by the Texas Economic Development Act . The extension of the expiration clauses would create a significant cost to the Foundation School Fund beginning in fiscal year 2013 and continuing through fiscal year 2017.

This bill would extend the expiration dates for property tax credits and property value appraisal limits authorized by the Texas Economic Development Act.

The extension of the expiration clause would affect the number of value limitation agreements and the related tax credits beginning in tax year 2009 and continuing through tax year 2013. After the two-year qualifying time period, the affected school districts would realize a reduction in property values and the related ad valorem tax revenue in tax year 2011 (fiscal year 2012). Because of the operation of the school funding formula, school district losses would be incurred by the state after a one-year lag or beginning in fiscal year 2013 and continuing through fiscal year 2017.

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 this bill would reduce school district taxable values reported to the Commissioner of Education by the Comptroller.

Local Government Impact

The extension of the expiration clause would affect the number of value limitation agreements beginning in tax year 2009 and continuing through 2013. After the two-year qualifying time period, the affected school districts would realize a reduction in property values and the related ad valorem tax revenue beginning in tax year 2011 (fiscal year 2012) and continuing through tax year 2015 (fiscal year 2016).

Source Agencies: 304 Comptroller of Public Accounts

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