

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

February 16, 2007

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

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

IN RE: HB316 by Miller (Relating to the ad valorem taxation of certain property that is part of a rail facility owned by certain rural rail transportation districts.), **As Introduced**

Since passage of this bill would provide a basis for exempting the value of leaseholds and possessory interests in exempt rural rail transportation district property, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased. There could be some undetermined loss of revenue to taxing units that currently levy a property tax on taxable leaseholds and possessory interests addressed in the bill.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, 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 could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Under current law, leaseholds and other possessory interests in exempt property are taxable and must be listed in the appraisal records in the name of the owner of the possessory interest if the duration of the interest is at least one year.

Local Government Impact

Since passage of this bill would provide a basis for exempting the value of leaseholds and possessory interests in exempt, rural rail transportation district property, taxable property values and the related ad valorem revenues would be reduced for those taxing units that currently levy an ad valorem tax on taxable leaseholds and possessory interests addressed in the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SJS, SD, WP