

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

February 22, 2007

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

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

IN RE: HB356 by Otto (Relating to the exemption from ad valorem taxation of rent-to-own property not held by the lessee primarily to produce income and to the method to be used to depreciate taxable rent-to-own property for tax appraisal purposes.), **As Introduced**

Since the bill would provide an additional property tax exemption, taxable property values would be reduced.
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The bill would exempt from property taxation certain personal property subject to a rent-to-own contract, but municipalities would have the option to continue taxing the otherwise exempt property.

Since the bill would provide an additional property tax exemption, taxable property values would be reduced. U.S. Census Bureau data indicate that there are over 3,000 entities in Texas in the business of renting furniture and appliances, which may be eligible for the exemption.

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

Since the bill would provide an additional exemption from property taxation, taxable property values for units of local government and the related ad valorem taxes would be reduced. Municipalities that acted to continue taxation would experience no fiscal impact.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SJS, SD