

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 17, 2007

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

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

IN RE: HB644 by Hughes (Relating to the ad valorem taxation of certain property that is part of a public transportation facility.), **As Introduced**

Passage of the bill would provide a basis for exempting the value of leaseholds and possessory interests in exempt county public transportation facilities. As a result, taxable property values could be decreased and the related costs to the Foundation School Fund could be increased.

The bill would amend Section 25.07 of the Tax Code to provide that a leasehold or other possessory interest in exempt property that is part of a public transportation facility owned by a county could not be listed in the appraisal records as taxable property.

In addition, the bill would change the term "incorporated city or town" to the term "municipality."

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. Passage of the bill would provide a basis for exempting the value of leaseholds and possessory interests in exempt county public transportation facilities. There could be some undetermined loss of revenue to counties that currently levy a property tax on taxable leaseholds and possessory interests addressed in the bill. The Comptroller's Property Tax Division does not receive or maintain information from appraisal districts or taxing units that would be helpful in estimating the impact of this bill.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would decrease, resulting in a decrease in state aid.

The bill would take effect January 1, 2008.

Local Government Impact

Passage of the bill could result in an undetermined loss of revenue to counties that currently levy a property tax on taxable leaseholds and possessory interests addressed in the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS