

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: HB1606 by Zedler (Relating to the exemption from ad valorem taxation for property owned by a religious organization for purposes of expanding a religious facility or constructing a new religious facility.), **As Introduced**

Passage of the bill would increase the time period that certain non-revenue producing property owned for the purpose of either expanding an existing place of worship or constructing a new place of worship by a church or religious organization may be exempt from property taxation. 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 11.20 of the Tax Code to increase the time period that certain non-revenue producing property may be exempt from property taxation. The non-revenue producing property would have to be owned for the purpose of either expanding an existing place of worship or constructing a new place of worship by a church or religious organization.

Under this bill, the exemption would not apply for more than five years for tracts of land not contiguous to the tract on which the religious organization's regular place of worship is located. Under current law, the period is three years.

For land contiguous to a place of worship, the exemption would not apply for more than 15 years if the tract did not exceed three acres, or for more than 10 years if the tract exceeds three acres. Under current law, contiguous land may not be exempted for more than six years.

In situations where a property on which the proposed exemption had been claimed was sold or transferred in the same year that the exemption was claimed, the statutory additional tax imposed on the property would be equal to the taxes that would have been imposed for each of the seven years preceding the sale of transfer. Under current law, the period is five years.

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 the bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

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 amount of lost revenue to units of local government. The amount of loss would depend on the number of religious organizations qualifying for the expanded exemption and the market value of the subject properties that would be exempted under the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS