LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 28, 2007

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

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

IN RE: **HB2463** by Van Arsdale (Relating to the authority of an owner of real property to require that ad valorem taxes be imposed on that real property on the basis of a five-year average of the property's taxable value.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2463, As Introduced: a negative impact of ($2,476,792,000) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	$0
2009	($2,476,792,000)
2010	($2,474,132,000)
2011	($2,326,100,000)
2012	($2,230,436,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *FOUNDATION SCHOOL FUND* 193	Probable Revenue Gain/(Loss) from *School Districts - Initial Impact*	Probable Revenue Gain/(Loss) from *School Districts - Final Impact*	Probable Revenue Gain/(Loss) from *Counties*
2008	$0	$0	$0	$0
2009	($2,476,792,000)	($2,968,517,000)	($491,725,000)	($1,000,530,000)
2010	($2,474,132,000)	($2,793,359,000)	($319,227,000)	($941,953,000)
2011	($2,326,100,000)	($2,629,257,000)	($303,157,000)	($886,980,000)
2012	($2,230,436,000)	($2,527,227,000)	($296,791,000)	($852,848,000)

Fiscal Year	Probable Revenue Gain/(Loss) from *Cities*
2008	$0
2009	($882,719,000)
2010	($825,687,000)
2011	($772,576,000)
2012	($738,217,000)

Fiscal Analysis

The bill would amend Sections 25.19 and 31.01 and add new Section 26.095 to the Tax Code to allow, upon request by a property owner, local property taxes to be assessed on an individual owner's property on the basis of a five-year average of the property's taxable value.

A property owner could elect to have his or her property appraised on a five-year average by filing a written request with the chief appraiser.

The bill would take effect January 1, 2008, contingent upon adoption of a constitutional amendment to allow appraisal on the basis of a five-year average.

Methodology

Contingent on the passage of a constitutional amendment, the bill would allow real property owners (other than qualified agricultural or timberland owners) to elect to have their property taxes determined on the basis of a five year average taxable value instead of the value required under current law. The bill would take effect on January 1, 2008, which would affect fiscal year 2009 property taxes.

The Comptroller's Office analysis assumes that all eligible taxpayers would choose to have their property's taxable value determined using this bill's provisions. Property values for the affected property categories were projected statewide based on a five-year average and compared to the values projected under current law to determine the value loss in each year of the analysis. The appropriate projected school district, city and county tax rates were applied to the projected value losses to determine their losses. The initial loss to school districts is shown, along with the state's total cost after accounting for maintenance and operations "hold harmless" cost and formula debt funding cost (which reflects the one-year lag in the formula), and the final cost to school districts, after accounting for state reimbursements. Information was not available to estimate special district losses.

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.

Local Government Impact

The initial impact on school districts shown in the table above is provided for illustrative purposes only. The mechanics of the school finance system would likely transfer the fiscal impact to districts' M&O revenue to the state, resulting in a zero or negligible fiscal impact to the school districts. However, districts would experience a one-year lag between the loss of I&S revenue due to the provisions of the bill and the corresponding increase in state aid for debt service, which would occur the following year.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS