

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

TO: Honorable Kyle Janek, Chair, Senate Committee on S/C on Emerging Technologies & Economic Dev.

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

IN RE: SB1002 by West, Royce (Relating to a requirement that an ad valorem tax abatement agreement provide for the recapture of lost ad valorem tax revenue if the property owner fails to provide a health benefit plan to the owner's employees and their dependents.), **As Introduced**

Passage of this bill would allow otherwise lost property tax revenue, resulting from certain tax abatement and economic development agreements, to be recaptured by contracting taxing units following a local determination that the owner had failed to provide state employee equivalent health benefits to his or her full-time employees. As a result, taxable property values could be increased and the related costs to the Foundation School Fund could be decreased.

The bill would amend Section 312.205 of the Tax Code to require the recapture of revenue lost by a taxing unit as a result of a tax abatement agreement if certain conditions were not met.

The bill would require tax abatement agreements to contain a provision mandating the recapture of all or a specified portion of property tax revenue lost as a result of the agreement, if the owner of the subject property failed to provide to persons employed on the property as full-time employees and their dependents a health benefit plan that provided at least the benefits provided to state employees.

Based on Property Tax Division registries for tax abatement and economic development agreements, approximately 100 new agreements can be expected to be executed each year for the foreseeable future. An undetermined amount of otherwise lost property tax revenue would be recaptured by contracting taxing units following a local determination that the owner had failed to provide state employee equivalent health benefits to his or her full-time employees. The amount of revenue would depend on the number of owners found to be in noncompliance and the efforts of local tax units to recapture those revenues. The Comptroller's Property Tax Division does not receive or maintain information that would be helpful in estimating the potential level of noncompliance, or the amount of revenue that would be subject to recapture.

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 September 1, 2007, and would apply only to tax abatement agreements entered into on or after that date.

Local Government Impact

Passage of this bill would allow otherwise lost property tax revenue, resulting from certain tax abatement and economic development agreements, to be recaptured by contracting taxing units following a local determination that the owner had failed to provide state employee equivalent health

benefits to his or her full-time employees. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be increased.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JOB, JRO, SD, SJS