

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 2, 2007**

**TO:** Honorable Craig Estes, Chair, Senate Committee on S/C on Ag., Rural Affairs & Coastal Resources

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

**IN RE: SB1336** by Estes (Relating to the authority of a municipality with a population of less than 10,000 to provide that municipal ad valorem taxes imposed on real property in or adjacent to an area that has qualified for funding under certain revitalization or redevelopment programs not be increased for a limited period.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would add Section 11.34 to the Tax Code to allow the governing body of a municipality with a population of less than 10,000 to limit property tax increases on property located or adjacent to a designated area qualified for funding under the Downtown Revitalization Program or the Main Street Improvements Program administered by the Texas Department of Agriculture.

Property taxes could not be increased for the first five years after the tax year in which the limitation on municipal tax increases was established by the city council. The limitation would expire on the earlier of: January 1 of the sixth year following the tax year in which the governing body voted to limit tax increases; or January 1 of the first year in which the owner of the property when the limitation took effect ceased to own the property.

If property subject to a limitation were owned by two or more persons, the limitation would expire on January 1 of the first tax year following the year in which the ownership of at least a 50 percent in the property was sold or transferred.

Passage of the bill would allow certain small cities to limit increases in property taxes on property in designated areas for five years. Municipalities that exercise the limitation option would lose property tax revenue on the increased market value of property subject to the limitation. However, the Comptroller's Office cannot predict future behavior of local city councils relative to the proposed authorization.

The bill would take effect January 1, 2008, contingent on adopting the constitutional amendment authorizing the property limitation.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, WK, SD, SJS