

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 3, 2007

TO: Honorable Eliot Shapleigh, Chair, Senate Committee on S/C on Base Realignment and Closure

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

IN RE: SB1746 by Eltife (Relating to the authority of school districts to enter into property tax abatement agreements in connection with realigned or closed military facilities.), **As Introduced**

Passage of the bill would allow school districts limited authority to enter into tax abatements and exempt certain defined property from property taxation. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Section 312.002 of the Tax Code to allow a school district to enter into a tax abatement agreement if the property subject to the proposed agreement: 1) was part of a closed or realigned military base or other military facility; and 2) was exempt from property taxation while owned by the person from whom the current owner had acquired the property.

The bill would amend Section 403.302 of the Government Code to require the Comptroller in the annual property value study to exclude from a school district's taxable value the total dollar value of abated property subject to an abatement agreement proposed by this bill.

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.

The Tax Code currently prohibits a school district from entering into a tax abatement agreement on or after September 1, 2001. This bill would make an exception for military bases or other military facilities that were realigned or closed and exempt from property taxation while the property was owned by the person from whom the current owner had acquired the property.

Passage of this bill would allow school districts limited authority to enter into tax abatements and exempt certain defined property from property taxation. School districts—and through the operation of the school finance funding mechanism, the state—exercising the proposed abatement authority under this bill would lose an undetermined amount of revenue depending on the future increases in value of the subject properties. The state would exclude the amount of value loss from a school district's taxable value reported to the Commissioner of Education for use in school funding formulas. The Comptroller's Property Tax Division does not receive or maintain information that would be helpful in determining the impact of the bill on the state or units of local government.

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 immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Local Government Impact

Passage of the bill would allow school districts limited authority to enter into tax abatements and exempt certain defined property from property taxation. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: JOB, ES, SD, SJS