

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 24, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB132 by Chisum (Relating to the exemption from ad valorem taxation of property owned by organizations engaged primarily in performing charitable functions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB132, As Introduced: a negative impact of (\$420,000) through the biennium ending August 31, 2011.

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
2010	\$0
2011	(\$420,000)
2012	(\$488,000)
2013	(\$521,000)
2014	(\$558,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts - Net Impact</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2010	\$0	\$0	\$0	\$0
2011	(\$420,000)	(\$139,000)	(\$178,000)	(\$152,000)
2012	(\$488,000)	(\$108,000)	(\$188,000)	(\$160,000)
2013	(\$521,000)	(\$121,000)	(\$201,000)	(\$170,000)
2014	(\$558,000)	(\$133,000)	(\$215,000)	(\$182,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions.

The bill would remove local discretion and make an ad valorem taxation exemption for qualified charitable organizations mandatory. Section 11.184(b) of the Code, which currently requires the exemption be adopted by the taxing unit's governing body or by the favorable vote of voters in the taxing unit, would be repealed.

The bill would be effective January 1, 2010, and would only apply to ad valorem taxes imposed for a tax year that begins on or after the effective date.

Methodology

Mandatory exemptions for qualifying charitable organizations would create a cost to cities, counties, school districts, and the state through the operation of the school finance formulas. Currently, some taxing units grant the exemption and some do not. The cost was estimated based on a survey of large appraisal districts to determine the value of currently nonexempt property that would be exempted under the bill. The appropriate tax rates were applied to the value losses to estimate the tax revenue losses.

Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), the school district cost related to the compressed rate would be transferred to the state. Portions of the enrichment cost and the school district debt (facilities) cost would also be transferred to the state after a one-year lag because of the operation of the enrichment and facilities funding formulas. All costs were estimated over the five year projection period.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS