

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 17, 2009

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

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

IN RE: HB979 by Callegari (Relating to a limitation on the maximum appraised value of real property for ad valorem tax purposes of 110 percent of the appraised value of the property for the preceding tax year.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB979, As Introduced: a negative impact of (\$51,425,000) 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	(\$51,425,000)
2012	(\$103,451,000)
2013	(\$241,906,000)
2014	(\$352,501,000)

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	(\$51,425,000)	(\$17,109,000)	(\$20,111,000)	(\$19,289,000)
2012	(\$103,451,000)	(\$28,661,000)	(\$38,482,000)	(\$36,812,000)
2013	(\$241,906,000)	(\$73,909,000)	(\$91,302,000)	(\$87,110,000)
2014	(\$352,501,000)	(\$96,460,000)	(\$128,803,000)	(\$122,571,000)

Fiscal Analysis

The bill would amend the Tax Code to extend the current appraisal increase limitation of 10 percent to apply to all real property. Current law limits the application of the limit to residence homesteads.

The bill would require the termination of an appraisal limitation for real property other than a residence homestead that is owned by two or more persons upon the transfer of a 50 percent or greater interest in the property. The bill would also include transitional provisions.

The bill would also make conforming changes to Chapter 403 of the Government Code to require the deduction of the value lost to the appraisal increase limitation in the Comptroller's property value study.

The bill would be effective January 1, 2010 contingent on the adoption of a constitutional amendment.

Methodology

Contingent on the passage of a constitutional amendment, the bill would expand the 10 percent per year value limitation from homesteads to all real property. The analysis was based on appraisal roll information reported electronically by appraisal districts. The year to year percent change in value for properties that were listed on the appraisal roll in two succeeding years was calculated and the results were sorted by percent change. The value loss resulting from the proposed limitation was calculated for properties that increased in value more than 10 percent. Any value growth over 10 percent was excluded from the calculations.

The value loss was adjusted in the second and succeeding years of the analysis to reflect multi-year appraisal cycles and the holdover of capped property from one year to the next based on historical data from the existing 10 percent cap. The value loss was also reduced to reflect the expected slow down of growth in the real estate market reflected in fiscal 2010 and 2011 and then increased to reflect the market recovery. The projected city, county, and school district tax rates were applied to the value losses in each year to estimate their respective levy losses.

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

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 growth of the equalized yield on those enrichment pennies would slow, resulting in slower growth in state aid.

Local Government Impact

The fiscal implication to units of local government is reflected in the above table and is contingent upon passage of a constitutional amendment authorizing the exemption.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS