

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 21, 2009

TO: Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

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

IN RE: HB1976 by Solomons (Relating to the operation of property owners' associations.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB1976, As Engrossed: an impact of \$0 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2010	(\$100,000)
2011	(\$103,000)
2012	(\$106,000)
2013	(\$110,000)
2014	(\$115,000)

Fiscal Analysis

The bill would amend the Property Code relating to property owners' associations. Among the provisions, the bill would require a property owners' association to deposit all ballots cast in an election that results in a change in a dedicatory instrument with a county clerk, prohibiting the clerk from charging a fee for the deposit of ballots. Election results would not be valid until ballots are deposited with the county clerk as required.

Under provisions of the bill, a property owners' association must obtain a court order for expedited foreclosure before foreclosing on an assessment lien. The bill would also require the Supreme Court of Texas to adopt rules establishing expedited foreclosure proceedings in cases in which a property owners' association seeks to foreclose an assessment lien.

The bill would amend Chapter 171, Tax Code, relating to the franchise tax to require a taxable entity that is a property owners' association, as defined in the Property Code, to exclude from total revenue the assessments received by the association and used for the benefit of the residential subdivision. The

change would take effect January 1, 2010, and apply to franchise tax reports due on or after that date.

Methodology

Based on the analysis of the Office of Court Administration, costs associated with rule-making under the Property Code provisions within the bill could be absorbed within existing resources.

Data from 2008 franchise tax reports were used to determine the amount of tax remitted by taxable entities that are property owner's associations to calculate the fiscal impact of the proposed changes to Chapter 171, Tax Code. The exclusion of assessments from total revenue was assumed to eliminate all tax liability for the affected taxable entities.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, DB, MN, SD, SM