

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 3, 2009**

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

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

**IN RE: HB4184** by Christian (Relating to the abolition of all political subdivision ad valorem taxes.),  
**As Introduced**

**Contingent on the passage of a constitutional amendment, the bill would repeal all taxing unit property taxes on January 1, 2014. The cost to the state is estimated to be approximately \$26.5 billion in fiscal 2015 and would grow in excess of \$2 billion per year.**

Contingent on the passage of a constitutional amendment, this bill would repeal Title 1 and Subtitle B, Title 3 of the Tax Code. This would repeal virtually the entire Property Tax Code that provides for the appraisal of property and the levy and collection of property taxes by taxing units.

Contingent on the passage of a constitutional amendment, the bill would repeal all taxing unit property taxes on January 1, 2014. This would cause a revenue loss to all taxing units. The full revenue loss related to the school district compressed rate would be transferred to the state through the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006). Only a portion of the revenue loss related to facilities funding and enrichment would be transferred to the state through the operation of the facilities and enrichment formulas. It is assumed, however, that the state would be compelled to pay the remainder of these school district costs. The effective date of the repeal would push the cost out to fiscal 2015, outside the normal projection period for fiscal notes in this legislative session.

According to the Texas Education Agency, the approximate cost to the state is estimated to be approximately \$26.5 billion in fiscal 2015 and would grow in excess of \$2 billion per year. The approximate cost to cities in fiscal 2015 would be \$8.4 billion, and the approximate cost to counties would be \$8.8 billion.

The repeal of these provisions would take effect January 1, 2014, assuming the constitutional amendment passes. The remainder of the bill expressing legislative findings and legislative intent to abolish political subdivision property taxes to be replaced by a more equitable taxing unit funding mechanism would take effect September 1, 2009.

**Local Government Impact**

Contingent on the passage of a constitutional amendment, the bill would repeal all taxing unit property taxes on January 1, 2014. The approximate cost to cities in fiscal 2015 would be \$8.4 billion, and the approximate cost to counties would be \$8.8 billion.

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

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