

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

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

**March 5, 2009**

**TO:** Honorable Craig Estes, Chair, Senate Committee on Agriculture & Rural Affairs

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

**IN RE: SB252** by Estes (Relating to the authority of a municipality with a population of less than 10,000 to enter into an agreement with an owner of real property in or adjacent to an area in the municipality that has been approved for funding under certain revitalization or redevelopment programs to prohibit ad valorem tax increases on the owner's property for a limited period.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would add Section 11.34 to the Tax Code to allow the governing body of a municipality with a population of less than 10,000 to call an election to allow the voters to determine whether to authorize the governing body to enter into an agreement with an owner of real property in or adjacent to an area in the municipality that has been approved for funding under the programs administered by the Department of Agriculture, to limit property tax increases on that property. If approved by the voters, the tax officials would be required to appraise the applicable property and calculate taxes as on other property, but if the calculated tax exceeds the limitation, the tax imposed would be the amount of the tax as limited, except as otherwise determined by date limitations established in the bill.

Provisions of the bill would apply only to ad valorem taxes imposed for a tax year beginning on or after the effective date of the bill.

**Local Government Impact**

A municipality that chooses to hold an election would incur costs associated with that election. It is assumed that a municipality would choose to call an election only if the municipality could absorb those costs. In addition to election costs, if the voters were to approve the proposal, the municipality would experience a loss in revenue from limiting the ad valorem taxes on the applicable property for up to six years. Revenue loss would vary depending on the number of properties affected, the appraised value of the property, and any increases in value during that period that would have otherwise resulted in increased revenue. It is assumed that a municipality would not pursue these actions unless the loss in revenue would not be significant.

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

**Source Agencies:**

**LBB Staff:** JOB, WK, DB