

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 23, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB721 by Hegar (Relating to a temporary prohibition on increasing the appraised value of a residence homestead for ad valorem tax purposes following determination of a protest or appeal.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB721, As Introduced: a negative impact of (\$4,202,000) 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	(\$4,202,000)
2012	(\$8,234,000)
2013	(\$11,362,000)
2014	(\$13,022,000)

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	(\$4,202,000)	(\$1,398,000)	(\$1,643,000)	(\$1,876,000)
2012	(\$8,234,000)	(\$2,264,000)	(\$3,058,000)	(\$3,482,000)
2013	(\$11,362,000)	(\$2,934,000)	(\$4,133,000)	(\$4,694,000)
2014	(\$13,022,000)	(\$3,207,000)	(\$4,656,000)	(\$5,274,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code to prohibit an increase in the appraised value of a residence homestead for one year under certain conditions. To qualify, the subject property would have had a reduction in the value originally assigned by the appraisal district based on a final determination of an action appealed to the appraisal review board on a ground other than unequal appraisal. Value increases due to improvements would not be prohibited. Conforming amendments would be made to provisions governing the Comptroller's property value study.

The bill may require a constitutional amendment to authorize a temporary cap. Any proposed amendment would be submitted to voters at an election to be held November 3, 2009. As of this date, no resolution to propose such an amendment has been filed.

The bill would be effective January 1, 2010.

Methodology

The bill would impose a one-year cap on the value of certain residence homesteads at the value set by the appraisal review board, causing any growth in the homestead's market value to be lost to property taxation. Based on information obtained from appraisal districts the number of residence homesteads with values set by appraisal review boards was estimated and trended. The value growth pertaining to these homesteads was estimated and trended to estimate the statewide value loss. The appropriate city, county and school district tax rates were applied 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 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 are 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.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS