

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 2, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB2100 by Lewis (Relating to the exemption from taxation of property of a local government corporation.), **As Introduced**

The bill would limit a property tax exemption for a local government corporation to only the property located within the boundaries of a local government that the local government corporation was created to aid and act on behalf of. As a result, taxable property values could be increased and the related costs to the Foundation School Fund could be decreased through the operation of the school finance formulas.

The bill would limit the exemptions available under this chapter for the property of a local government corporation (LGC) to that property located within the boundaries of a local government that the LGC was created to aid and act on behalf of.

Under current law, all property of a local government corporation (LGC) and the transaction to acquire such property, are exempt from taxation in the same manner as a corporation created under Chapter 394, Local Government Code. The bill would limit the exemption to only the property located within the boundaries of a local government that the LGC was created to aid and act on behalf of, including the transaction to acquire such property.

By extension, if an LGC acquired property outside the boundaries of the local government, the transaction and the property itself would lose the exemption and the result could be an increase in state and local taxes.

Because the number of LGCs that could be affected by the bill's provisions, and the types of taxes that might be paid are not known, the fiscal impact cannot be determined.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011.

Local Government Impact

The bill would limit a property tax exemption for a local government corporation to only the property located within the boundaries of a local government that the local government corporation was created to aid and act on behalf of. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be increased.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD, SJS, TP