

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 2, 2011**

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

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

**IN RE: SB1120** by Seliger ( relating to the exemption from taxation of property of a local government corporation.), **Committee Report 1st House, Substituted**

**The bill would ensure that property created by a municipal power agency and located outside the boundaries of the local municipalities that created the municipal power agency would not be exempt from ad valorem taxation and the result could be an increase in local tax revenues. As taxable property values increase, the related costs to the Foundation School Fund could decrease through the operation of the school finance formulas.**

The bill would amend Chapter 431 of the Transportation Code, regarding the Texas Transportation Corporation Act.

The bill would specify that property of a local government corporation (LGC) created by a municipal power agency (MPA) that was created under Subchapter C, Chapter 163 of the Utilities Code, would not be exempt from ad valorem taxation if the property was located outside the boundaries of each of the municipalities that created the MPA.

Under current law, all property of an LGC and the transaction to acquire such property are exempt from ad valorem taxation in the same manner as a corporation created under Chapter 394 of the Local Government Code. The bill would ensure that property created by an MPA and located outside the boundaries of the local municipalities that created the MPA would not be exempt from ad valorem taxation and the result could be an increase in local tax revenues. As taxable property values increase, the related costs to the Foundation School Fund could decrease through the operation of the school finance formulas. Because the number of LGCs that could be affected by the bill's provisions 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 ensure that property created by a municipal power agency and located outside the boundaries of the local municipalities that created the municipal power agency would not be exempt from ad valorem taxation and the result could be an increase in local tax revenues.

**Source Agencies:** 304 Comptroller of Public Accounts

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