

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**April 27, 2015**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB128** by Goldman (Relating to the exemption from ad valorem taxation of mineral interests having a value of less than a certain amount.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB128, As Introduced: a negative impact of (\$1,081,000) through the biennium ending August 31, 2017.

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
2016	\$0
2017	(\$1,081,000)
2018	(\$5,445,000)
2019	(\$5,440,000)
2020	(\$5,439,000)

**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</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2016	\$0	\$0	\$0	\$0
2017	(\$1,081,000)	(\$5,266,000)	(\$1,654,000)	(\$135,000)
2018	(\$5,445,000)	(\$920,000)	(\$1,659,000)	(\$135,000)
2019	(\$5,440,000)	(\$942,000)	(\$1,664,000)	(\$136,000)
2020	(\$5,439,000)	(\$960,000)	(\$1,669,000)	(\$136,000)

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from <i>Other Special Districts</i></b>
2016	\$0
2017	(\$1,342,000)
2018	(\$1,348,000)
2019	(\$1,353,000)
2020	(\$1,359,000)

## **Fiscal Analysis**

The bill would amend Section 11.146 of the Tax Code, regarding taxable property and exemptions, to increase the taxable value below which mineral interests are exempt from property taxation from \$500 to \$2,000.

The bill would take effect on January 1, 2016.

## **Methodology**

The bill's proposed new exemption of mineral interests of \$500 up to but not including \$2,000 would create a cost to school districts, other local taxing units, and to the state through the operation of the school funding formula.

Information from appraisal districts on the statewide number and value of mineral interests valued below \$500 was used to estimate the value loss from the proposed new exemption of mineral interests valued from \$500 to \$2,000. The value of mineral interests less than \$500 was excluded because they are exempt under current law.

Projected tax rates were applied through the five-year projection period to estimate the tax revenue loss to special districts, cities and counties, and to estimate the school district loss that would be partially transferred to the state. Under the hold harmless provisions of the Education Code, only a small portion of the first year school district loss related to the compressed rate would be transferred to the state while 100 percent of the loss would be transferred to the state in later years. Because lagged year property values are used in the enrichment formula, school districts lose enrichment funding (state gain) in the first year of a taxable property value reduction. In the second and successive years the enrichment loss and a portion of the school district debt (facilities) loss are transferred to the state through the relevant funding formulas.

Note: The constitutional authorization for this exemption would presumably be Article VIII, Section 1(h), of the Texas Constitution. That section provides that "The Legislature may exempt from ad valorem taxation a mineral interest that has a taxable value of less than the minimum amount sufficient to recover the costs of the administration of the taxes on the interest, as determined by or under the general law granting the exemption." The estimated costs in the table above are net of the estimated local administrative savings that would result from the bill.

## **Local Government Impact**

The estimated fiscal implication to units of local government is reflected in the table above and is net of the estimated local administrative savings that would result from the bill.

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

**LBB Staff:** UP, KK, SD, SJS, JSp