

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 8, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1328** by Turner, Chris (relating to an exemption from ad valorem taxation of a portion of the appraised value of certain real property used to provide housing to certain persons with disabilities.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1328, Committee Report 1st House, Substituted: a negative impact of (\$798,000) 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	(\$798,000)
2018	(\$4,021,000)
2019	(\$4,338,000)
2020	(\$4,683,000)

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
2017	(\$798,000)	(\$4,067,000)	(\$1,479,000)	(\$1,460,000)
2018	(\$4,021,000)	(\$1,247,000)	(\$1,606,000)	(\$1,581,000)
2019	(\$4,338,000)	(\$1,366,000)	(\$1,743,000)	(\$1,713,000)
2020	(\$4,683,000)	(\$1,494,000)	(\$1,891,000)	(\$1,856,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2016	\$0
2017	(\$1,028,000)
2018	(\$1,115,000)
2019	(\$1,209,000)
2020	(\$1,311,000)

Fiscal Analysis

The bill would amend Chapter 31 of the Tax Code regarding property tax collections to entitle an owner of certain real property to a property tax exemption.

To receive the exemption the property would be required to be used as a group home operating under a Section 1915(c) waiver program; or an intermediate care facility for persons with developmental, physical, or intellectual disabilities if at least 95 percent of the residents of the facility are recipients of medical assistance under Chapter 32, Human Resources Code. The amount of the exemption would be equal to the costs incurred by the property owner in maintaining, operating, and making improvements to the property during the preceding 12-month period.

The bill would define "group home", "intermediate care facility", and "Section 1915(c) waiver program".

The Comptroller would be required to adopt rules and prescribe a form for the administration of the property tax exemption.

The bill would take effect January 1, 2016, contingent on voter approval of a constitutional amendment.

Methodology

The bill's proposed property tax exemption for certain group homes and intermediate care facilities would create a cost to local taxing units and to the state through the operation of the school funding formulas.

The property value loss was estimated based on information from appraisal districts, the U.S. Bureau of Labor Statistics, and the Texas Department of Aging and Disability Services. 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 each year's additional school district loss related to the compressed rate would be transferred to the state while in subsequent years 100 percent of the loss would be transferred to the state. Because lagged year property values are used in the enrichment formula, school districts lose enrichment funding (a 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.

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: UP, KK, SD, SJS