

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 16, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1987 by Springer (Relating to the eligibility of property for a limitation on appraised value for school district maintenance and operations ad valorem tax purposes under the Texas Economic Development Act.), **As Introduced**

No significant fiscal implication to the State is anticipated within ten years.

Beginning in 2027, the state would likely recover a significant amount of funds as a result of the recapture provision. The exact amount depends on the number and variety of projects, and their depreciation rates over the length of their limitation.

The bill would amend Chapter 313 of the Texas Tax Code, regarding the Texas Economic Development Act, and the eligibility of property for a limitation on appraised property valuation for taxation purposes under the Act.

The bill would increase the Comptroller's responsibility for new job creation requirement waivers allowed under Section 313.025(f-1).

The bill would add a requirement that limitation agreements must contain a provision providing for the recapture of the tax benefit under this chapter if the market value of the property in the year following the limitation is less than 80 percent of the market value in the year following the qualifying time period, generally the thirteenth and third years of many agreements.

To determine the rate of depreciation of the qualified property over the limitation period, the classes of 2003, 2004 and 2005 were analyzed to estimate the amount of tax levy possibly affected by the bill. Nearly half of the projects in those three years are projecting a property value in the year following the limitation that is less than 80 percent of the market value in the year following the qualifying time period. The amount of levy possibly recaptured under provisions of the bill would represent about 47 percent of the original levy loss during the limitation and qualifying time period.

Provisions in the bill related to job waivers would have no fiscal impact to the state or local school districts.

Beginning in 2027, the state would likely recover a significant amount of funds; the exact amount, however, depends on the number and variety of projects, and their depreciation rates over the length of their limitation.

Note: A method of recapture of tax benefit is not detailed in the bill. This estimate assumes revised

Comptroller rules and forms could mandate the return of recaptured funds to the state, not local school districts.

The bill would take effect January 1, 2016, and would apply to applications filed on or after that date.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

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