

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 31, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HR3494 by Springer (Suspending limitations on conference committee jurisdiction, H.B. No.A1905)

Estimated Two-year Net Impact to General Revenue Related Funds for HR3494, Conference Committee Report: a negative impact of (\$3,551,000) through the biennium ending August 31, 2017.

The resolution would allow extension of the property tax exemption for nonprofit community business organizations providing economic development to certain real and personal property owned by Type A and Type B corporations and would create a cost to the state through the operation of the school funding formulas to the extent that the property is not already exempt as public property or under another exemption in Chapter 11 of the Tax Code.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$1,232,000)
2017	(\$2,319,000)
2018	(\$6,665,000)
2019	(\$7,218,000)
2020	(\$7,826,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Available School Fund</i> 2	Probable Revenue (Loss) from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Foundation School Fund</i> 193
2016	(\$1,148,000)	(\$84,000)	(\$253,000)	\$0
2017	(\$1,148,000)	(\$93,000)	(\$279,000)	(\$1,078,000)
2018	(\$1,148,000)	(\$94,000)	(\$283,000)	(\$5,423,000)
2019	(\$1,148,000)	(\$96,000)	(\$287,000)	(\$5,974,000)
2020	(\$1,148,000)	(\$97,000)	(\$292,000)	(\$6,581,000)

Fiscal Year	Probable Revenue (Loss) from <i>School Districts</i>	Probable Revenue (Loss) from <i>Counties</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Other Special Districts</i>
2016	\$0	\$0	\$0	\$0
2017	(\$5,484,000)	(\$1,995,000)	(\$1,969,000)	(\$1,387,000)
2018	(\$1,831,000)	(\$2,211,000)	(\$2,177,000)	(\$1,535,000)
2019	(\$2,044,000)	(\$2,449,000)	(\$2,408,000)	(\$1,699,000)
2020	(\$2,282,000)	(\$2,714,000)	(\$2,663,000)	(\$1,881,000)

Fiscal Analysis

The resolution would allow HB 1902 to amend the Occupations Code and the Tax Code to repeal certain state taxes.

The resolution would allow repeal of Section 2001.501 of the Occupations Code, regarding the bingo gross rental tax, and would make conforming changes elsewhere in this chapter. All other bingo-related fees imposed by this chapter would be unchanged.

The resolution would allow repeal sections in Chapter 162 (motor fuel tax) of the Tax Code to repeal the liquefied gas tax, and would make conforming changes elsewhere in this code.

The resolution would allow conforming changes to the Business and Commerce Code and the Transportation Code.

The resolution would allow Chapter 11 of the Tax Code, regarding property taxation and exemptions, to be amended to grant a property tax exemption on the real property a person owns and leases to a qualified open-enrollment charter school if:

- 1) the real property is used exclusively by the school for educational functions;
- 2) the real property is reasonably necessary for the operation of the school;
- 3) the owner certifies by affidavit to the school that the rent for the lease of the real property will be reduced by an amount equal to the tax savings;
- 4) the owner provides the school with a disclosure document stating the amount by which the taxes on the real property are reduced as a result of the exemption and the method the owner will implement to ensure that the property rent fully reflects the reduction; and
- 5) the rent charged for the lease of the real property reflects the reduction in the amount of taxes on the property resulting from the exemption through a monthly or annual credit against the rent.

The charter school would be required to qualify as a school under current law (Section 11.21(d), Tax Code).

The resolution would allow Chapter 162 of the Tax Code, regarding motor fuel taxes, to be amended to exempt certain nonprofit emergency medical service (EMS) entities from the taxes imposed under Subchapters B (gasoline), C (diesel fuel), D (liquefied gas), and D-1 (compressed natural gas and liquefied natural gas).

The resolution would allow a tax exemption for each of the four motor fuels listed above when sold to a nonprofit entity that is organized for the sole purpose of and engages exclusively in providing emergency medical services and uses the motor fuel exclusively to provide emergency medical services, including rescue and ambulance services. The resolution would also allow the bill to provide for an eligible nonprofit EMS entity that paid a tax on these motor fuels, except liquefied gas, to file a claim with the Comptroller for a refund of the tax.

The resolution would allow the bill to amend Chapter 156 of the Tax Code, regarding the state hotel occupancy tax, to define "short term rentals" as the rental of all or part of a residential property to a person who is not a permanent resident under Section 156.101.

The resolution would allow the bill to amend Section 151.314, Tax Code, in relation to sales and use taxation of certain food items.

The definition of "snack items" would be amended in the bill to exclude pine nuts and include pork rinds, corn nuts, sunflower and pumpkin seeds, ice cream, sherbet, frozen yogurt, ice pops, juice pops, and certain other frozen fruit items. Snack items when sold in individual-sized portions are subject to tax.

The resolution would allow the bill to also provide that when a grocery store or convenience store contains a type of location like a restaurant, lunch counter, cafeteria, or deli, the store is considered a like place of business in relation to items sold at that location.

The resolution allows the bill to amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to provide that "nonprofit community business organization" also means a Type A and a Type B corporation as specified in Chapter 504 or 505, Local Government Code, related to certain economic development projects. This designation would extend the property tax exemption for nonprofit community business organizations providing economic development to certain real and personal property owned by Type A and Type B corporations.

Methodology

The estimated fiscal impact provided by the Comptroller of Public Accounts (CPA), is based on the *2016-2017 Biennial Revenue Estimate*.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the table above.

The resolution would allow HB 1902 to amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes, to allow a municipality to spend no more than one percent of hotel occupancy tax revenue for the creation, maintenance, operation, and administration of an electronic tax administration system. A municipality could contract with a third party to assist with an electronic tax administration system.

Source Agencies:

LBB Staff: UP, SD, KK