LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 1, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB763** by Bettencourt (Relating to the exemption from ad valorem taxation of certain income-producing tangible personal property.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB763, As Introduced: a negative impact of ($34,800,000) through the biennium ending August 31, 2017.

The estimated net impact to General Revenue Related Funds would increase to a negative ($351,110,000) for the biennium ending August 31, 2019.

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	($34,800,000)
2018	($175,175,000)
2019	($175,935,000)
2020	($176,781,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Foundation School Fund* 193	Probable Revenue Gain/(Loss) from *School Districts*	Probable Revenue Gain/(Loss) from *Counties*	Probable Revenue Gain/(Loss) from *Cities*
2016	$0	$0	$0	$0
2017	($34,800,000)	($177,122,000)	($64,434,000)	($63,590,000)
2018	($175,175,000)	($38,393,000)	($65,090,000)	($64,109,000)
2019	($175,935,000)	($39,296,000)	($65,753,000)	($64,633,000)
2020	($176,781,000)	($40,132,000)	($66,423,000)	($65,162,000)

Fiscal Year	Probable Revenue Gain/(Loss) from *Other Special Districts*
2016	$0
2017	($44,789,000)
2018	($45,200,000)
2019	($45,615,000)
2020	($46,034,000)

Fiscal Analysis

The bill would amend Chapter 22 of the Tax Code, regarding renditions and other reports, to exempt from property taxation $50,000 of the value of a person's tangible personal property used for the production of income if, in the owner's opinion, the property has an aggregate value of at least $50,000. The property value below which a person would be required to provide only an abbreviated rendition stating the name and address of the property owner, a general description of the property by type or category, and the physical location or taxable situs of the property, would be increased from $20,000 to $50,000. The bill would require a property owner, upon request by the chief appraiser, to provide supporting information indicating how the value claimed to be exempt was determined and would provide a penalty for failure to provide the information in a timely manner.

The bill would take effect on January 1, 2016, if the corresponding constitutional amendment (SJR 36) is approved by the voters.

Methodology

The bill's proposed exemption of the first $50,000 of tangible personal property that has an aggregate value of at least $50,000 would create a cost to school districts, other local taxing units, and to the state through the operation of the school funding formulas.

The estimate was based on tangible personal property information reported electronically by appraisal districts. The percentage of tangible personal property accounts exceeding $50,000 in market value was identified from a sample of 3,000 personal property accounts and extrapolated statewide. The value loss was calculated based on the resulting number of personal property accounts that would receive the proposed $50,000 exemption.

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 nearly 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 (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 above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS, AH