

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1379 by Lucio (Relating to an exemption from ad valorem taxation of structures used primarily to store implements of husbandry.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1379, As Introduced: a negative impact of (\$7,086,000) 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	(\$7,086,000)
2018	(\$35,670,000)
2019	(\$36,869,000)
2020	(\$38,138,000)

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	(\$7,086,000)	(\$36,068,000)	(\$13,121,000)	(\$12,949,000)
2018	(\$35,670,000)	(\$9,090,000)	(\$13,642,000)	(\$13,436,000)
2019	(\$36,869,000)	(\$9,573,000)	(\$14,188,000)	(\$13,946,000)
2020	(\$38,138,000)	(\$10,067,000)	(\$14,761,000)	(\$14,481,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2016	\$0
2017	(\$9,121,000)
2018	(\$9,473,000)
2019	(\$9,843,000)
2020	(\$10,230,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to exempt from property taxation a structure used primarily to store implements of husbandry (machinery and equipment that is used in the production of farm or ranch products, or of timber).

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

Methodology

The bill's exemption of structures used to house implements of husbandry would create a cost to units of local government and to the state through the operation of the school funding formulas. The value loss was estimated based on information from appraisal districts. 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 additional 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 fiscal implication to units of local government is reflected in the table above and is contingent upon passage of a constitutional amendment authorizing the exemption.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS