

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION
Revision 1

March 2, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR29 by Bettencourt (Proposing a constitutional amendment to extend the number of days that certain tangible personal property to be transported outside of this state is exempt from ad valorem taxation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR29, As Introduced: a negative impact of (\$17,823,681) through the biennium ending August 31, 2017.

The estimated net impact to General Revenue Related Funds would increase to a negative (\$184,828,000) 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	(\$118,681)
2017	(\$17,705,000)
2018	(\$89,122,000)
2019	(\$95,706,000)
2020	(\$102,824,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue (Loss) from School Districts	Probable Revenue (Loss) from Counties
2016	(\$118,681)	\$0	\$0	\$0
2017	\$0	(\$17,705,000)	(\$90,117,000)	(\$32,783,000)
2018	\$0	(\$89,122,000)	(\$27,088,000)	(\$35,418,000)
2019	\$0	(\$95,706,000)	(\$29,546,000)	(\$38,264,000)
2020	\$0	(\$102,824,000)	(\$32,176,000)	(\$41,340,000)

Fiscal Year	Probable Revenue (Loss) from Cities	Probable Revenue (Loss) from Other Special Districts
2016	\$0	\$0
2017	(\$32,353,000)	(\$22,788,000)
2018	(\$34,884,000)	(\$24,595,000)
2019	(\$37,613,000)	(\$26,545,000)
2020	(\$40,555,000)	(\$28,650,000)

Fiscal Analysis

The resolution would propose an amendment to Section 1-j(a), Article VIII, of the Texas Constitution, to extend the number of days within which certain qualifying tangible personal property must be transported outside of this state before losing eligibility for the "freeport" property tax exemption from 175 to 365. Many taxing units took action to tax this personal property under previous constitutional authority to do so, and the exemption does not apply in those districts.

The proposed amendment would be submitted to voters at an election to be held November 3, 2015.

Methodology

The proposed amendment to extend the number of days within which certain tangible personal property must be transported outside of this state before losing eligibility for a property tax exemption is self-implementing and would create a cost to units of local government and to the state through the operation of the school finance formula.

Projected tax rates were applied through a five-year 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 compressed rate 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 (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.

The cost to the state for publication of the resolution is \$118,681.

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, JSp