

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 10, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR60 by Campbell (Proposing a constitutional amendment authorizing the governing body of a political subdivision to adopt a local option exemption from ad valorem taxation of a portion, expressed as a dollar amount, of the market value of real property of a business that employs honorably discharged veterans.), **As Introduced**

No fiscal implication to the State is anticipated, other than the cost of publication.

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

The resolution would propose an amendment to Article VIII of the Texas Constitution to add new Section 1-s to authorize the governing body of a political subdivision to adopt a property tax exemption of a portion, expressed as a dollar amount, of the market value of real property that a person owns and uses to operate a business that employs one or more honorably discharged veterans of the armed services of the U.S. The Legislature would be permitted to provide additional eligibility requirements for the exemption.

To the extent that local taxing units adopt the proposed optional exemption for property used by businesses that hire veterans, the resolution would create a cost to local taxing units. There would be no cost to the state, because the value lost by any school districts that adopt the exemption would not be deducted in the Comptroller's Property Value Study (PVS) used for school funding purposes. (The exemptions deducted in the PVS must be specified by law.) The future actions of local taxing units in adopting the proposed new exemption cannot be predicted; consequently the cost cannot be estimated.

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

Local Government Impact

To the extent that local taxing units adopt the proposed optional exemption for property used by businesses that hire veterans, the resolution would create a cost to local taxing units. The future actions of local taxing units in adopting the proposed new exemption cannot be predicted; consequently the cost cannot be estimated.

As an example, the table below shows the estimated cost to local taxing units if 10 percent of Texas business real property parcels were to be granted the proposed exemption at \$15,000.

| Fiscal Year | Gain/(Loss) to Special Districts | Gain/(Loss) to Cities | Gain/(Loss) to Counties | Gain/(Loss) to School Districts |
|-------------|--|--------------------------|----------------------------|---------------------------------------|
| 2016 | \$0 | \$0 | \$0 | \$0 |
| 2017 | (2,125,000) | (3,016,000) | (3,056,000) | (10,052,000) |
| 2018 | (2,163,000) | (3,068,000) | (3,115,000) | (10,220,000) |
| 2019 | (2,202,000) | (3,120,000) | (3,174,000) | (10,390,000) |
| 2020 | (2,242,000) | (3,173,000) | (3,235,000) | (10,563,000) |

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS