LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 24, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB850** by Turner (relating to an exemption from ad valorem taxation of a portion of the appraised value of certain real property used to provide housing to certain individuals with an intellectual disability or related conditions.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB850, Committee Report 1st House, Substituted: an impact of $0 through the biennium ending August 31, 2019.

However, there would be a fiscal impact to local taxing units and to the state through the school funding formulas beginning in tax year 2020 (fiscal 2021).

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
2018	$0
2019	$0
2020	$0
2021	$7,000
2022	($3,968,000)

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*
2018	$0	$0	$0	$0
2019	$0	$0	$0	$0
2020	$0	$0	$0	$0
2021	$7,000	($4,881,000)	($1,417,000)	($1,419,000)
2022	($3,968,000)	($1,092,000)	($1,465,000)	($1,452,000)

Fiscal Year	Probable Revenue Gain/(Loss) from *Other Special Districts*
2018	$0
2019	$0
2020	$0
2021	($1,066,000)
2022	($1,100,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to entitle an owner of certain real property to a property tax exemption. To receive the exemption the property would be required to be used as a group home operating under a Section 1915(c) waiver program; or an intermediate care facility for persons with an intellectual disability if at least 95 percent of the residents of the facility are recipients of medical assistance under Chapter 32, Human Resources Code. The amount of the exemption would be equal to the costs incurred by the property owner in maintaining, operating, and making improvements to the property during the preceding 12-month period.

The bill would define "group home", "intermediate care facility", and "Section 1915(c) waiver program."

The Comptroller would be required to adopt rules and prescribe a form for the administration of the property tax exemption.

The bill would take effect January 1, 2018, contingent on voter approval of a constitutional amendment (HJR 52), but would apply only to a tax year that begins on or after January 1, 2020.

Methodology

The bill's proposed property tax exemption for certain group homes and intermediate care facilities would create a cost to local taxing units and to the state through the school funding formulas beginning in tax year 2020 (fiscal 2021).

The property value loss was estimated based on information from appraisal districts, the U.S. Bureau of Labor Statistics, and the Texas Health and Human Services Commission. Projected tax rates were applied to the taxable value losses through the five-year projection period to estimate tax revenue losses to school districts, special districts, cities and counties. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. Projected school funding rates were applied to estimate the state loss and the net school district loss.

In the first year of a taxable value loss, state recapture is reduced (a state loss). Because of the use of lagged year property values, in the second and successive years of a taxable value loss, state recapture is further reduced and the previous year's school district loss related to the Tier 1 rate is generally transferred to the state through the Tier 1 funding formulas (a state loss).

In the school district enrichment formula (Tier 2), property values do not reflect the first-year value loss because of the one-year value lag. Because the formula does reflect a tax collections decline in that year, school districts lose Tier 2 funding creating a state gain. In the second and successive years a large portion of the previous year's enrichment loss is transferred to the state (a

state loss).

The school district debt (facilities) funding formula does not reflect the first-year taxable value loss because of lagged property values. In the second and successive years a small portion of the previous year's school district facilities loss is transferred to the state (a state loss).

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS