

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION
Revision 1

May 2, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: HJR3 by Huberty (proposing a constitutional amendment to provide property tax relief by reducing school district maintenance and operations ad valorem tax rates and increasing the state sales and use tax rates.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR3, Committee Report 1st House, Substituted: a negative impact of (\$177,289) through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$177,289)
2021	\$0
2022	\$0
2023	\$0
2024	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from General Revenue Fund 1	Probable (Cost) from Foundation School Fund 193	Probable (Cost) from General Revenue Fund 1	Probable Revenue (Loss) from Cities
2020	\$3,093,800,000	(\$3,093,800,000)	(\$177,289)	(\$58,800,000)
2021	\$5,149,300,000	(\$5,149,300,000)	\$0	(\$97,800,000)
2022	\$5,444,800,000	(\$5,444,800,000)	\$0	(\$103,400,000)
2023	\$5,764,000,000	(\$5,764,000,000)	\$0	(\$109,500,000)
2024	\$6,054,200,000	(\$6,054,200,000)	\$0	(\$115,000,000)

Fiscal Year	Probable Revenue (Loss) from Transit Authorities	Probable Revenue (Loss) from Counties and Special Districts
2020	(\$20,200,000)	(\$11,900,000)
2021	(\$33,500,000)	(\$19,700,000)
2022	(\$35,500,000)	(\$20,900,000)
2023	(\$37,500,000)	(\$22,100,000)
2024	(\$39,500,000)	(\$23,200,000)

Fiscal Analysis

The joint resolution proposes an amendment of Article VIII, Texas Constitution to provide property tax relief by reducing school district maintenance and operations ad valorem tax rates through an increase in the state sales and use tax rate.

Section 27 would be added to impose tax on items subject to sales and use tax under Chapter 151, Tax Code at a rate of 7.25 percent.

The legislature would have authority by general law to raise the rate of the tax or to modify the application of or repeal the tax.

The added Section would further provide that the net revenue derived from the portion of the tax rate in excess of the rate in effect on January 1, 2019 (6.25 percent) but that does not exceed 7.25 percent may be used only to provide property tax relief by reducing school district maintenance and operations ad valorem tax rates in the manner provided by general law.

The proposed amendment would be submitted to the voters at an election to be held November 5, 2019. If approved by voters, the change in tax rate would apply to taxes imposed on or after January 1, 2020.

Methodology

The estimated increases in sales and use tax revenue are based on the forecast of sales and use tax revenue adopted for the *2020-21 Biennial Revenue Estimate*.

As stipulated by the resolution the proceeds of the sales tax would go towards the reduction of school district maintenance and operations ad valorem tax rates. The enabling legislation (House Bill 4621) stipulates that this would be accomplished through a decrease in the state compression percentage. That reduction is shown as a cost to the Foundation School Fund in the tables above.

The cost to the state for publication of the resolution is \$177,289.

Local Government Impact

An additional one percent in sales tax rate would increase the total price of taxable goods and services relative to the price of nontaxable items, resulting in reduced spending on taxable items. Consequently, there would be a negative effect on local sales tax revenues which are displayed in the above tables.

The bill would have the effect of compressing local maintenance and operations property tax rates, and would reduce local property tax collections by a total of \$8.6 billion in the 2020-21

biennium. This decrease in local maintenance and operations property tax collections would be partially offset by an increase in state aid related to the compression of local maintenance and operations tax rates.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency

LBB Staff: WP, KK, SD, AH