

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 6, 2019

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Property Tax

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

IN RE: SB1771 by Bettencourt (relating to the ad valorem taxation of a leasehold or other possessory interest in certain property owned by a municipality.), **Committee Report 1st House, Substituted**

Passage of the bill would allow taxing of a possessory interest in exempt property for taxing units other than the municipality that owns the property. As a result, taxable property values could be increased and the related costs to the Foundation School Fund could be reduced through the operation of the school finance formulas.

The bill would amend Chapter 25 of the Tax Code, regarding local appraisal, to add a new subsection allowing the listing of a leasehold or other possessory interest in real property for purposes of taxation of the possessory interest by a taxing unit other than the municipality that owns the property unless:

- (1) the governing body of the taxing unit approves the exemption of the possessory interest in the manner provided by law for official action by the governing body; or
- (2) the financing by the municipality of the construction of the facility on the property was authorized by the voters of the municipality at an election held by the municipality.

The provisions in the bill allowing taxing of a possessory interest in exempt property for taxing units other than the municipality that owns the property, would be a revenue gain to those local taxing units and to the state through the school funding formula; however, the number and values of municipally owned properties to which this might apply is unknown and cannot be estimated.

The bill would take effect September 1, 2019.

Local Government Impact

Passage of the bill would allow taxing of a possessory interest in exempt property for taxing units other than the municipality that owns the property. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be increased.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS