

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**May 27, 2021**

**TO:** Honorable Dade Phelan, Speaker of the House, House of Representatives

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB1931** by Walle (Relating to certain public facilities used to provide affordable housing.), **As Passed 2nd House**

**No significant fiscal implication to the State is anticipated.**

However, the bill could create an indeterminate revenue gain to the State through the school funding formula by limiting the amount of property that would qualify for future property tax exemptions.

The bill would amend Chapter 303 of the Local Government Code regarding public facility corporations. Among other provisions, the bill would authorize a corporation or sponsor to finance, own, and operate certain multifamily residential developments if certain requirements are met, exempt materials used by a person receiving the current property tax exemption for leaseholds or other possessory interest in a public facility to improve the real property of the public facility from all sales and use taxes, and add additional requirements for certain public facilities owned by corporations created by housing authorities in order to receive beneficial tax treatment and for certain public facilities owned by corporations created by any sponsor for the same purpose.

According to the Comptroller of Public Accounts (CPA), the provision that would exempt from sales and use taxes materials used for the improvement of the real property of a public facility corporation by a person with a possessory interest in the real property would not be expected to have significant fiscal implications, as public facility corporations may purchase the materials on a tax-exempt basis under current law and would be expected to do so if the developer making the improvement may not. Additionally, the CPA notes that the bill's provisions could limit the amount of property that would qualify for future property tax exemptions, creating a revenue gain to local taxing units and the State through the school funding formula. The number and value of properties to which this might apply is unknown and cannot be estimated by the CPA.

The CPA indicates it could absorb the costs associated with receiving reports from public facility users, redacting certain information from those reports, and posting the reports on the CPA's website.

**Local Government Impact**

The bill could create an indeterminate revenue gain to local taxing units by limiting the amount of property that would qualify for future property tax exemptions.

**Source Agencies:** 304 Comptroller of Public Accounts, 329 Real Estate Commission, 332 Dept Housing-Comm Affairs

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