

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 11, 2021

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1427 by Bettencourt (Relating to the applicability of the temporary exemption from ad valorem taxation of a portion of the appraised value of certain property damaged by a disaster.), **As Introduced**

Passage of the bill would define damage as physical damage to qualify property for the percentage disaster exemption from ad valorem taxation. As a result, taxable values could be increased and the related savings to the state could be increased through the operation of the school finance formulas.

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to define damage as physical damage for purposes of qualifying for the temporary property tax exemption for property damaged by a disaster.

Defining damage as physical damage to qualify property for the percentage disaster exemption could create a gain to local taxing units and to the state through the school funding formula to the extent disaster exemptions would be granted for property not physically damaged by a disaster. The occurrence of granting the exemption to properties without physical damage and the incidence and severity of future disasters not causing physical damage is unknown. Consequently, the gain cannot be estimated, but is not expected significant.

Local Government Impact

Passage of the bill would define damage as physical damage to qualify property for the percentage disaster exemption from ad valorem taxation. As a result, taxable 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: JMc, AF, SD, BRI