

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

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

**May 1, 2021**

**TO:** Honorable Morgan Meyer, Chair, House Committee on Ways & Means

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

**IN RE: SB1449** by Bettencourt (Relating to the exemption from ad valorem taxation of income-producing tangible personal property having a value of less than a certain amount.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1449, As Engrossed : a negative impact of (\$758,845) through the biennium ending August 31, 2023.

**General Revenue-Related Funds, Five- Year Impact:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	\$0
2023	(\$758,845)
2024	(\$1,211,513)
2025	(\$932,464)
2026	(\$896,273)

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>	<b>Probable Revenue Gain/(Loss) from School Districts</b>	<b>Probable Revenue Gain/(Loss) from Cities</b>	<b>Probable Revenue Gain/(Loss) from Counties</b>
2022	\$0	\$0	\$0	\$0
2023	(\$758,845)	(\$3,059,000)	(\$1,003,000)	(\$924,000)
2024	(\$1,211,513)	(\$3,093,000)	(\$1,017,000)	(\$939,000)
2025	(\$932,464)	(\$3,127,000)	(\$1,031,000)	(\$955,000)
2026	(\$896,273)	(\$3,161,000)	(\$1,045,000)	(\$971,000)

<i>Fiscal Year</i>	<b>Probable Revenue Gain/(Loss) from Other Special Districts</b>
2022	\$0
2023	(\$802,000)
2024	(\$824,000)
2025	(\$847,000)
2026	(\$870,000)

**Fiscal Analysis**

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to increase the taxable value below which tangible personal property held or used for the production of income is exempt from

property taxation from \$500 to \$2,500.

**Note:** The constitutional authorization for this exemption is not specified in the bill. The authorization for this proposed increase in exemption is unknown; however, Article VIII, Section 1(g), Texas Constitution, does state that "The Legislature may exempt from ad valorem taxation tangible personal property that is held or used for the production of income and has a taxable value of less than the minimum amount sufficient to recover the costs of the administration of the taxes on the property, as determined by or under the general law granting the exemption." The estimated costs in the table below are net of the estimated local taxing unit administrative savings that would result from the bill.

The bill would take effect January 1, 2022.

### **Methodology**

The bill's proposed increase in the taxable value below which tangible personal property held or used for the production of income is exempt from property taxation from \$500 to \$2,500 would create a cost to school districts, other local taxing units, and to the state through the school funding formula.

Information from appraisal districts on the statewide number and value of tangible personal property parcels was used to estimate the value loss from the proposed new exemption of tangible personal property parcels valued from \$500 up to but not including \$2,500. Tangible personal property parcels valued at less than \$500 were excluded because they are exempt under current law.

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. For informational purposes the initial loss to school districts is shown; however, under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state.

The estimated cost to the Foundation School Program is an increase in state aid of \$758,845 in fiscal year 2023, \$1,211,513 in fiscal year 2024, \$932,464 in fiscal year 2025, and \$896,273 in fiscal year 2026.

### **Local Government Impact**

The fiscal impact to units of local government is shown in the table above.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, KK, SD, BRI, CPA, AH