

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 5, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB398 by Shine (Relating to an exemption from ad valorem taxation of property owned by an economic development corporation and used for a public purpose.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB398, As Introduced : a negative impact of (\$5,713,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	\$0
2025	(\$5,713,000)
2026	(\$6,364,000)
2027	(\$6,587,000)
2028	(\$7,014,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>
2024	\$0	\$0	\$0	\$0
2025	(\$5,713,000)	(\$8,187,000)	(\$3,610,000)	(\$3,178,000)
2026	(\$6,364,000)	(\$8,794,000)	(\$3,659,000)	(\$3,231,000)
2027	(\$6,587,000)	(\$8,885,000)	(\$3,710,000)	(\$3,286,000)
2028	(\$7,014,000)	(\$9,339,000)	(\$3,761,000)	(\$3,341,000)

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2024	\$0
2025	(\$2,934,000)
2026	(\$3,015,000)
2027	(\$3,099,000)
2028	(\$3,184,000)

Fiscal Analysis

The bill would add a new subsection to Chapter 11 of the Tax Code (Taxable Property and Exemptions) exempting property owned by Type A and Type B economic development corporations defined under Chapters

504 and 505, respectively, of the Local Government Code, if the property is used for a public purpose.

Methodology

Under current law, (Local Government Code Section 505.161) projects owned by Type B economic development corporations are exempt from local property taxation under Tax Code Section 11.11; however, it is unclear whether the property owned by Type A economic development corporations is exempt from local property taxation. The proposed new subsection would clarify that property owned by both types of economic development corporation is exempt from property taxation if the property is used for a public purpose.

To the extent that property owned by Type A economic development corporations is currently taxed, exempting such property would create a cost to units of local government and to the state through operation of the school funding formulas.

The value of property owned by Type A economic development corporations currently being taxed was estimated based on reported payments from economic development corporations and information reported by appraisal districts. 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 in the table below; however, under provisions of the Education Code, the initial school district tax revenue loss each year is partially transferred to the state through the operation of school funding formulas.

The estimated cost to the Foundation School Program is \$5.7 million in fiscal year 2025, \$6.4 million in fiscal year 2026, \$6.6 million in fiscal year 2027, and \$7.0 million in fiscal year 2028.

The bill would take effect January 1, 2024.

Local Government Impact

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

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

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