

**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: HB623** by Harris, Cody (Relating to an exemption from ad valorem taxation of tangible personal property consisting of animal feed held by the owner of the property for sale at retail.), As **Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB623, As Introduced : a negative impact of (\$3,373,000) through the biennium ending August 31, 2025.

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

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2024	\$0
2025	(\$3,373,000)
2026	(\$3,694,000)
2027	(\$4,269,000)
2028	(\$4,346,000)

**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>
2024	\$0	\$0	\$0	\$0
2025	(\$3,373,000)	(\$4,906,000)	(\$2,177,000)	(\$1,917,000)
2026	(\$3,694,000)	(\$5,239,000)	(\$2,225,000)	(\$1,965,000)
2027	(\$4,269,000)	(\$5,787,000)	(\$2,269,000)	(\$2,010,000)
2028	(\$4,346,000)	(\$5,909,000)	(\$2,314,000)	(\$2,056,000)

<i>Fiscal Year</i>	<b>Probable Revenue Gain/(Loss) from Other Special Districts</b>
2024	\$0
2025	(\$1,770,000)
2026	(\$1,833,000)
2027	(\$1,895,000)
2028	(\$1,960,000)

**Fiscal Analysis**

The bill would amend Chapter 11 of the Tax Code (Taxable Property and Exemptions) to exempt animal feed

held for sale at retail and exempted from sales and use taxes under current law, from property tax.

### **Methodology**

Assuming voter approval of an associated constitutional amendment, the bill would exempt animal feed held for sale at retail from property tax. The bill's proposed property tax exemption of animal feed that is exempt from the sales and use tax under Tax Code Section 151.316 (State Sales and Use Tax—exemptions for agricultural items) and is held by the owner for sale at retail would create a cost to school districts, other local taxing units, and to the state through the operation of the school funding formulas.

The value lost to the proposed exemption was based on information from appraisal districts, U.S. Census, and on information related to the existing sales and use tax exemption under Section 151.316 of the Tax Code from animal feed expenditures reported by United States Department of Agriculture.

Projected tax rates were applied through the five-year projection period to estimate the tax revenue loss to special districts, cities and counties; and to estimate the initial school district loss each year that would subsequently be partially transferred to the state through the operation of the school funding formulas.

The estimated cost to the Foundation School Program is \$3.4 million in fiscal year 2025, \$3.7 million in fiscal year 2026, \$4.3 million in fiscal year 2027, and \$4.3 million in fiscal year 2028.

This bill would take effect on January 1, 2024, contingent on approval by the voters of a constitutional amendment (HJR 47).

### **Local Government Impact**

The estimated fiscal implication to units of local government is reflected in the table above and is contingent upon passage of a constitutional amendment authorizing the exemption.

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

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