

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 24, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB4950** by Gervin-Hawkins (Relating to an exemption from ad valorem taxation of the amount of the appraised value of real property that arises from the installation in the property of certain energy efficiency-related improvements.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4950, As Introduced : a negative impact of (\$34,285,000) through the biennium ending August 31, 2025.

The estimates in the table are an estimate for single-family homes only, and thus represent only minimum fiscal implications of the bill. The taxable value loss and associated costs to the state through the operation of the school finance formulas would be substantially higher as multi-family residential, commercial, and industrial property would also be eligible for the exemption of value provided by the bill. However, the fiscal impact associated with applying the exemption to these additional real properties cannot be estimated.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$0
2025	(\$34,285,000)
2026	(\$37,836,000)
2027	(\$42,259,000)
2028	(\$44,191,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from Foundation School Fund 193</i>	<i>Probable Savings/(Cost) from Recapture Payments Atten Crdts 8905</i>	<i>Probable Revenue Gain/(Loss) from School Districts</i>
2024	\$0	\$0	\$0
2025	(\$34,285,000)	\$14,525,000	(\$51,183,000)
2026	(\$37,836,000)	\$15,605,000	(\$55,641,000)
2027	(\$42,259,000)	\$17,596,000	(\$61,080,000)
2028	(\$44,191,000)	\$18,328,000	(\$64,299,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code to provide a property tax exemption of the amount of the appraised value of real property that arises from the installation in the property of certain energy efficiency-related improvements.

The bill would provide definitions and require the Comptroller together with the State Energy Conservation Office to develop guidelines to assist local officials in the administration of the exemption.

The bill would take effect January 1, 2024, contingent on approval by voters of a constitutional amendment (HJR 187).

**Methodology**

This estimate is based on share of single family housing stock added since 2010 with higher than average sales prices, on the assumption these the most likely to have energy-efficiency measures built in. Additionally, an adjustment was made to account for retrofitted homes. The amount of value of such housing to be exempted by the bill was then estimated based on a study by Freddie Mac indicating energy rated homes have average selling prices 2.7 percent higher than otherwise.

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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 (FSP) is \$34.3 million in fiscal year 2025, increasing to \$44.2 million in fiscal year 2028. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of \$14.5 million in fiscal year 2025, increasing to \$18.3 million in fiscal year 2028 as a result of school district tax revenue loss. The decrease in recapture is reflected as a savings in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

**Local Government Impact**

Contingent on the passage of a constitutional amendment, passage of the bill would provide a property tax exemption of the amount of the appraised value of real property that arises from the installation in the property of certain energy efficiency-related improvements. As a result taxable property values would be reduced. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code could be higher as a consequence of the exemption proposed by the bill.

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

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