LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 15, 2025

TO: Honorable Dustin Burrows, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB9** by Meyer (Relating to an exemption from ad valorem taxation of a portion of the appraised value of tangible personal property that is held or used for the production of income.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB9, As Passed 2nd House: a negative impact of ($193,504,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	**Probable Net Positive/(Negative) Impact to** ***General Revenue Related Funds***
2026	$0
2027	($193,504,000)
2028	($106,732,000)
2029	($115,129,000)
2030	($145,424,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from** ***Foundation School Fund*** **193**	**Probable Revenue Gain/(Loss) from** ***Recapture Payments Atten Crdts*** **8905**	**Probable Revenue Gain/(Loss) from** ***School Districts***
2026	$0	$0	$0
2027	($193,504,000)	($72,597,000)	($339,632,000)
2028	($106,732,000)	($71,917,000)	($329,395,000)
2029	($115,129,000)	($78,202,000)	($349,107,000)
2030	($145,424,000)	($74,723,000)	($386,531,000)

Fiscal Analysis

Contingent on the passage of HJR 1, the bill would amend Chapter 11 of the Tax Code to exempt $125,000 of the appraised value of tangible personal property a person owns that is held for the production of income. This would replace the current exemption of less than $2,500 in taxable value. The exemption would apply to each location in a taxing unit where the property owner holds or uses tangible personal property for the production of income and all property that has taxable situs within a taxing unit is aggregated to determine taxable value.

Exceptions to separate exemptions at each location in a taxing unit would be provided for tangible personal property leased by the owner to others, and tangible personal property at locations neither owned nor leased by the owner of the property. A property owner who leases tangible personal property would receive the exemption on the total appraised value of all tangible personal property that is subject to a lease, regardless of where the property is located within the taxing unit. The bill would provide an exemption from taxation by a taxing unit of $125,000 of the total appraised value of all the tangible personal property held or used for the production of income in the taxing unit if the property has taxable situs within the taxing unit at any location that is not owned or leased by the owner, regardless of where the property is located within the taxing unit.

The bill would provide definitions for “related business entity” and “unified business enterprise.” The chief appraiser would have the right to investigate whether an entity is a related business entity and has eligible aggregated tangible personal property.

The bill would require a person to render tangible personal property the person owns that is held or used for the production of income only if, in the person 's opinion, the aggregate market value of the property having taxable situs in the same location in at least one taxing unit that participates in the appraisal district is greater than the exempted amount. The bill would provide rendition requirements related to the tangible personal property that has taxable situs in an appraisal district, the duration of certain rendition choices and renditions a chief appraiser can require.

Methodology

The bill would provide a tax exemption by a taxing unit in the amount of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. The bill provides the exemption would apply per location and precludes the subdivision of eligible tangible personal property at one location. This analysis is based on business personal property account value data provided to the Comptroller of Public Accounts by appraisal districts.

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 $193.5 million in fiscal year 2027, $106.7 million in fiscal year 2028, increasing to $145.4 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of $72.6 million in fiscal year 2027, $71.9 million in fiscal year 2028, increasing to $74.7 million in fiscal year 2030 as a result of school district tax revenue loss. The decrease in recapture is reflected as a revenue loss 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 upon passage of a constitutional amendment authorizing the property tax exemption, the bill would provide property owners with an exemption of $125,000 in tangible personal property that is held for the production of income which would reduce taxable value. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code would be higher as a consequence of the reduced taxable property value proposed by the bill. If cities, counties, and special districts did not adopt higher rates, local levies would be reduced by $442.0 million in fiscal year 2027. If those jurisdictions adopted higher tax rates, the initial revenue loss from the exemption would be offset by increased tax levies from owners of non-exempt property and slightly reduced tax savings from owners of exempt property.

The fiscal impact to school districts is shown in the table above.

Source Agencies: 304 Comptroller of Public Accounts

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