

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 2, 2025

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

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 a person owns that is held or used for the production of income.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB9, As Engrossed: a negative impact of (\$566,354,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$235,949,000)
2027	(\$330,405,000)
2028	(\$308,700,000)
2029	(\$409,142,000)
2030	(\$538,351,000)

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>Recapture Payments Atten Crdts 8905</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>
2026	(\$235,949,000)	(\$91,728,000)	(\$378,153,000)
2027	(\$330,405,000)	(\$103,613,000)	(\$430,165,000)
2028	(\$308,700,000)	(\$96,440,000)	(\$422,671,000)
2029	(\$409,142,000)	(\$104,117,000)	(\$448,023,000)
2030	(\$538,351,000)	(\$99,639,000)	(\$496,667,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code to exempt \$250,000 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.

Methodology

Contingent on the passage of a HJR 1, the bill would provide property owners with an exemption of \$250,000 in tangible personal property that is held for the production of income, creating a fiscal impact to the state through the operation of the school finance formulas. 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 \$235.9 million in fiscal year 2026, \$330.4 million in fiscal year 2027, increasing to \$538.4 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of \$91.7 million in fiscal year 2026, \$103.6 million in fiscal year 2027, decreasing to \$99.6 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.

Note: Due to interactive effects, the estimated state cost of combining reducing school district taxable property value as proposed by this legislation with policies that would increase property tax rate compression would be lower than the combined state cost estimates of those policies in isolation.

**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 \$250,000 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 \$452.0 million in fiscal year 2026. 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, SZ, BRI, KK, SD