

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**April 27, 2025**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: SB2541** by Bettencourt (relating to the calculation of the unused increment rate of a taxing unit.),  
**Committee Report 1st House, Substituted**

**No fiscal implication to the State is anticipated.**

The bill would revise definitions related to the calculation of the unused increment rate of a taxing unit. “Year 1” would mean the second year instead of the third year preceding the current tax year and “year 2” would mean the tax year preceding the current tax year.

The bill would remove “year 3 foregone revenue amount” from the calculation of the unused increment rate. The changes made to the calculation of the unused increment rate would apply to a tax year that begins on or after January 1, 2027.

Under current law, the unused increment rate includes the foregone revenue amount from the three tax years preceding the current tax year. The bill would no longer add the foregone revenue amount from the third tax year preceding the current tax year. The unused increment rate is a component in the calculation of the voter-approval tax rate of certain taxing units.

**Local Government Impact**

For taxing units that have an unused increment rate greater than zero, the voter-approval rate requiring an election would be lower. While this bill could alter the threshold for a voter-approval tax rate election, it is unknown which or how many taxing units would be influenced by this change when deciding to adopt a tax rate above the voter-approval tax rate.

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

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