

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 20, 2007**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: SB736** by Williams (Relating to the exemption from ad valorem taxation of passenger cars or light trucks owned by an individual and used in the course of the owner's occupation or profession and also for personal activities of the owner.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB736, As Introduced: a negative impact of (\$17,668,000) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$8,534,000)
2009	(\$9,134,000)
2010	(\$9,698,000)
2011	(\$10,296,000)
2012	(\$10,930,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts - Initial Impact</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2008	(\$8,534,000)	(\$8,534,000)	(\$2,898,000)	(\$2,573,000)
2009	(\$9,134,000)	(\$9,134,000)	(\$3,079,000)	(\$2,716,000)
2010	(\$9,698,000)	(\$9,698,000)	(\$3,270,000)	(\$2,867,000)
2011	(\$10,296,000)	(\$10,296,000)	(\$3,473,000)	(\$3,025,000)
2012	(\$10,930,000)	(\$10,930,000)	(\$3,689,000)	(\$3,193,000)

**Fiscal Analysis**

The bill would add a new Section 11.253 to Chapter 11 of the Tax Code to exempt from property taxation passenger and light trucks used for the production income and for personal activities.

The bill would entitle an individual to an exemption of one or more passenger and light trucks used in the course of the individual's occupation or profession and also used for personal activities not involving the production of income.

The bill would take effect on the date the constitutional amendment authorizing the exemption takes

effect (November 6, 2007) and would apply beginning with the 2007 tax year. If a person receives the exemption for the 2007 tax year, the collector for the taxing unit would refund the taxes paid for 2007.

### **Methodology**

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Large appraisal districts were surveyed to determine the amount of value loss resulting from the exemption of personal business vehicles. The resulting percentage loss was used to estimate the statewide value loss. The statewide value loss was trended over the projection period. The appropriate city, county and school district tax rates were applied to the value loss in each year to estimate the levy loss for each kind of taxing unit.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would decrease, resulting in an decrease in state aid.

### **Local Government Impact**

The initial impact on school districts shown in the table above is provided for illustrative purposes only. The mechanics of the school finance system would likely transfer the initial fiscal impacts to the state, resulting in a zero or negligible fiscal impact to the school districts.

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

**LBB Staff:** JOB, CT, SD, SJS