

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 23, 2009

TO: Honorable Joe Deshotel, Chair, House Committee on Business & Industry

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

IN RE: **HB2257** by Giddings (Relating to mandatory sales price disclosure in certain real property sales; providing a civil penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2257, As Introduced: a positive impact of \$7,586,000 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$7,586,000
2012	\$32,718,000
2013	\$54,589,000
2014	\$60,464,000

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</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2010	\$0	\$0	\$0	\$0
2011	\$7,586,000	\$2,524,000	\$2,967,000	\$2,846,000
2012	\$32,718,000	\$10,391,000	\$12,558,000	\$12,012,000
2013	\$54,589,000	\$15,016,000	\$20,123,000	\$19,199,000
2014	\$60,464,000	\$14,455,000	\$21,494,000	\$20,454,000

Fiscal Analysis

The bill would require sales price disclosure for commercial property, multifamily residential property, and vacant land. The disclosure requirements would not apply to mineral interests. The bill would impose a civil penalty on purchasers who do not comply with the disclosure requirements. The penalty would be five percent of the purchase price of the property.

The bill would take effect September 1, 2009.

Methodology

The comptroller estimated the amount of property value gain based on a survey of large appraisal districts. The median percent increase in property value estimated by the appraisal districts was applied to the state total property value to estimate the statewide property value gain.

The disclosure requirement would begin on September 1, 2009, so the first affected tax year would be 2010 and the first effect on taxing units would be in fiscal year 2011. The tax year 2010 effect would be reduced because only a partial year's information would be available. The state only requires reappraisal every third year, so the full effect of the bill would not be realized until fiscal year 2013. In the estimate, the gain is in increments of one third per year. The gain was reduced because certain sales information helpful to the appraisal process would not be required by the bill. Values and tax rates were trended through the projection period. County, city, and school district tax rates were applied to the value gains to project revenue gains.

Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), the portion of the gain related to school district compressed rates results in a savings to the state. A portion of the school district debt and enrichment gains also result in savings to the state after a one-year lag.

Similar fiscal implications would continue after fiscal year 2014.

Local Government Impact

The fiscal implication to units of local governments is reflected in the table above.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, JI, RS