SESSION OVERVIEW

- **Governor Greg Abbott**: Sworn in January 20, 2015
  - First new Texas Governor since December 2000 (7 Sessions)

- **Lieutenant Governor Dan Patrick**: Sworn in January 20, 2015
  - First new Lieutenant Governor since January 2003 (6 sessions)

- **Speaker Joe Straus**: Re-elected January 13, 2015
  - Fourth full session as Speaker of the House
The Budget

- Revenue Estimate: $113 Billion
- Spending Cap: $94 Billion (non-dedicated general revenue)
  - 12% increase from 2013
- What does this mean?
  - Enough money to fully fund the budget
  - Enough money to provide tax relief
- Final Budget is $6.4 billion under revenue estimate, $2.9 billion under spending cap
Governor’s Emergency Items

- Tax Cuts
- Transportation Funding
- Higher Education
- High-Quality Pre-K Program
- Ethics Reform
Tax Cuts

- **Senate Plan**
  - Increase homestead exemption to 25% of statewide average ($30,000)
  - Decrease Margin Tax rate by 15%
  - Increase small business exemption from $1 to $4 million

- **House Plan**
  - Decrease Margin Tax rate by 25%
  - Increase E-Z tax availability
  - Decrease sales tax rate from 6.25% to 5.95%
Tax Cuts – Final Deal

- **Franchise Tax**
  - 25% across-the-board rate reduction
  - Businesses up to $20 million annual revenue may use E-Z tax calculation (up from the current $10 million)

- **Property Tax**
  - Increase homestead exemption from $15,000 to $25,000

- **Sales Tax**
  - No change
Transportation Funding

- 2014 Constitutional Election
  - Excess Oil & Gas severance taxes are dedicated to the Rainy Day Fund
  - Constitutional amendment took ½ of those funds and dedicated them to road funding
Transportation Funding

- 2015 Legislation
  - DPS funding came from highway funding, costing over $1 billion per biennium
  - In 2015, the Legislature stopped this diversion and used general revenue to fund DPS

- SJR 5, if approved, would add for highway funding:
  - Up to $2.5 billion per year in sales tax collections that exceed $28 billion per year; and
  - 35% of motor vehicle sales taxes in excess of $5 billion
Texas BOMA Priority Issues

- Oppose Elimination of Equal & Uniform Appraisals – WIN
- Support Property Tax Reform – WIN
- Oppose Mandatory Sales Price Disclosure – WIN
- Oppose Appraisal Caps on Real Property – WIN
- Oppose Construction Trust Fund for Retainage – WIN
Equal & Uniform Appraisals

- Start of session, things looked bad
  - Press were running stories blaming commercial property owners for increase in residential property taxes
  - Many said equal & uniform appraisals were “keeping buildings undervalued on tax rolls”

- Texas BOMA worked with other interested parties to change the discussion and fight off several pieces of detrimental legislation
Equal & Uniform Appraisals

- End Result: HB 2083
  - Does not eliminate equal and uniform appraisals
  - Does not limit the use of equal and uniform appraisals

- Says selection of comparable properties and the application of appropriate adjustments must be based on the application of generally accepted appraisal methods and techniques
Support Property Tax Reform

- Even if property tax rates decline, property taxes will increase because appraisal growth—particularly for commercial real estate—is increasing faster than tax rates are reduced.

- Effective Tax Rate – Tax rate necessary to achieve the same revenue as the previous year, assuming no new properties taxed.

- 2015 legislation requires the board of a local taxing district to take an affirmative vote to adopt any tax rate higher than the effective tax rate. Requires at least 60% of the vote from the board to pass.
Oppose Mandatory Sales Price Disclosure

- Texas BOMA has opposed mandatory sales price disclosure for many years.

- Sales price disclosure will lead to appraisal creep.

- Sales price is frequently not the best indicator of the market value of a property for various reasons, such as 1031 exchanges and seller-financed sales.

- In 2015, no sales price disclosure legislation advanced.
Oppose Appraisal Caps

➢ Texas BOMA has historically opposed appraisal caps.

➢ Appraisal caps distort the market because newly constructed or sold property is priced according to the market while other property valuations are limited. This results in local appraisal districts over-valuing real property when possible to counter the limitations imposed by appraisal caps.

➢ Many bills with appraisal caps were filed; none passed
Construction Trust Fund for Retainage

- Property owners commonly use retainage in construction projects.
  - Owners withhold 10% of payments to a general contractor until final completion.
  - Owners pay the final 10% once they achieve final completion and they receive assurances that subcontractors have been paid.

- Subcontractors have sought to require owners to put accrued retainage into a bank account, held in trust for the benefit of contractors. Texas BOMA objects because this will increase construction costs.

- Texas BOMA defeated this legislation in 2015.
Open & Concealed Carry Legislation

- No longer have Concealed Handgun License
- Can carry openly (must be holstered) unless 30.07 notice
- Can carry concealed unless 30.06 notice
- Can’t prohibit employees from keeping guns locked in trunk of car on company property
Conclusion

- Successful Session for BOMA!
- Successful Session for Governor Abbott, Lt. Governor Patrick, and Speaker Straus.
- Additional transportation funding secured.
- Tax cuts on the way.
- Waiting for school finance…
Political Overview

- Presidential Politics
  - July 30-August 10 Aggregate GOP Polling
    - Trump – 22.5
    - Bush – 11.8
    - Walker – 9.3
    - Rubio – 6.3
    - Carson – 6.3
    - Cruz – 5.8
    - Perry – 1.5
Political Overview

- Presidential Politics
  - August 7 – August 11 Iowa GOP Polling
    - Trump – 19.3
    - Carson – 11.7
    - Walker – 11.0
    - Fiorina – 8.0
    - Cruz – 8.0
    - Rubio – 7.0
    - Bush – 7.0
  - Perry – 1.3
Political Overview

- Presidential Politics
  - July 22 – August 10 New Hampshire GOP Polling
    - Trump – 24.5
    - Bush – 11.0
    - Kasich – 10.0
    - Walker – 7.5
    - Paul – 6.0
    - Cruz – 5.3
    - Perry – 1.0
Texas Politics

Only Railroad Commissioner (David Porter) and Judicial Seats on statewide ballot in 2016

2 State Senators not seeking re-election

9 State Representatives not seeking re-election
At Least 14 Members Not Returning

- Senator Troy Fraser (R-Tyler)
- Senator Kevin Eltife (R-Horseshoe Bay)
- Representative Jimmie Don Aycock (R-Killeen)
- Representative Myra Crownover (R-Lake Dallas)
- Representative Joe Farias (D-San Antonio)
- Representative Allen Fletcher (R-Tomball)
- Representative Patricia Harless (R-Spring)
- Representative Bryan Hughes (R-Mineola)
- Representative Jim Keffer (R-Eastland)
- Representative Marisa Marquez (D-El Paso)
- Representative John Otto (R-Dayton)
- Representative David Simpson (R-Longview)
- Representative Scott Turner (R-Frisco)
- Representative Sylvester Turner (D-Houston)
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Potential Texas BOMA Legislators of the Year

- Sen. Paul Bettencourt (R-Houston)
- Rep. Dennis Bonnen (R-Angleton)
- Sen. Brandon Creighton (R-Conroe)
- Sen. Kelly Hancock (R-North Richland Hills)
- Rep. Dan Huberty (R-Houston)
- Rep. Todd Hunter (R-Corpus Christi)