

By: Murr

H.B. No. 4576

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value for ad valorem tax purposes of agricultural or open-space land.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 23.41, Tax Code, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a) Except as provided by Subsection (a-1), land ~~[Land]~~ designated for agricultural use is appraised at its value based on the land's capacity to produce agricultural products. The value of land based on its capacity to produce agricultural products is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year. However, if the value of land as determined by capitalization of average net income exceeds the market value of the land as determined by other generally accepted appraisal methods, the land shall be appraised by application of the other appraisal methods.

(a-1) The appraisal office may not increase the appraised value of land designated for agricultural use to an amount that exceeds 110 percent of the appraised value of the land for the preceding tax year. The limitation provided by this subsection takes effect as to a parcel of land on January 1 of the later of the 2024 tax year or the tax year following the first tax year the owner of the land qualifies the land for designation for agricultural use

1 under this subchapter and expires on January 1 of the first tax year
2 the owner of the land when the limitation took effect ceases to
3 qualify the land for the designation.

4 SECTION 2. Section 23.46(a), Tax Code, is amended to read as
5 follows:

6 (a) When appraising land designated for agricultural use,
7 the chief appraiser also shall appraise the land at its market value
8 and shall record both the market value and the value according to
9 this subchapter [~~based on its capacity to produce agricultural~~
10 ~~products~~] in the appraisal records.

11 SECTION 3. Section 23.52, Tax Code, is amended by amending
12 Subsection (a) and adding Subsection (a-1) to read as follows:

13 (a) Except as provided by Subsection (a-1), the [~~The~~]
14 appraised value of qualified open-space land is determined on the
15 basis of the category of the land, using accepted income
16 capitalization methods applied to average net to land. The
17 appraised value so determined may not exceed the market value as
18 determined by other appraisal methods.

19 (a-1) The appraisal office may not increase the appraised
20 value of qualified open-space land to an amount that exceeds 110
21 percent of the appraised value of the land for the preceding tax
22 year. The limitation provided by this subsection takes effect as to
23 a parcel of land on January 1 of the later of the 2024 tax year or
24 the tax year following the first tax year the owner of the land
25 qualifies the land for appraisal as qualified open-space land under
26 this subchapter and expires on January 1 of the first tax year the
27 owner of the land when the limitation took effect ceases to qualify

1 the land for the appraisal.

2 SECTION 4. Section 403.302, Government Code, is amended by
3 amending Subsection (d) and adding Subsection (i-1) to read as
4 follows:

5 (d) For the purposes of this section, "taxable value" means
6 the market value of all taxable property less:

7 (1) the total dollar amount of any residence homestead
8 exemptions lawfully granted under Section 11.13(b) or (c), Tax
9 Code, in the year that is the subject of the study for each school
10 district;

11 (2) one-half of the total dollar amount of any
12 residence homestead exemptions granted under Section 11.13(n), Tax
13 Code, in the year that is the subject of the study for each school
14 district;

15 (3) the total dollar amount of any exemptions granted
16 before May 31, 1993, within a reinvestment zone under agreements
17 authorized by Chapter 312, Tax Code;

18 (4) subject to Subsection (e), the total dollar amount
19 of any captured appraised value of property that:

20 (A) is within a reinvestment zone created on or
21 before May 31, 1999, or is proposed to be included within the
22 boundaries of a reinvestment zone as the boundaries of the zone and
23 the proposed portion of tax increment paid into the tax increment
24 fund by a school district are described in a written notification
25 provided by the municipality or the board of directors of the zone
26 to the governing bodies of the other taxing units in the manner
27 provided by former Section 311.003(e), Tax Code, before May 31,

1 1999, and within the boundaries of the zone as those boundaries
2 existed on September 1, 1999, including subsequent improvements to
3 the property regardless of when made;

4 (B) generates taxes paid into a tax increment
5 fund created under Chapter 311, Tax Code, under a reinvestment zone
6 financing plan approved under Section 311.011(d), Tax Code, on or
7 before September 1, 1999; and

8 (C) is eligible for tax increment financing under
9 Chapter 311, Tax Code;

10 (5) the total dollar amount of any captured appraised
11 value of property that:

12 (A) is within a reinvestment zone:

13 (i) created on or before December 31, 2008,
14 by a municipality with a population of less than 18,000; and

15 (ii) the project plan for which includes
16 the alteration, remodeling, repair, or reconstruction of a
17 structure that is included on the National Register of Historic
18 Places and requires that a portion of the tax increment of the zone
19 be used for the improvement or construction of related facilities
20 or for affordable housing;

21 (B) generates school district taxes that are paid
22 into a tax increment fund created under Chapter 311, Tax Code; and

23 (C) is eligible for tax increment financing under
24 Chapter 311, Tax Code;

25 (6) the total dollar amount of any exemptions granted
26 under Section 11.251 or 11.253, Tax Code;

27 (7) the difference between the comptroller's estimate

1 of the market value and the productivity value of land that
2 qualifies for appraisal on the basis of its productive capacity,
3 except that the productivity value estimated by the comptroller may
4 not exceed the fair market value of the land;

5 (8) the portion of the appraised value of residence
6 homesteads of individuals who receive a tax limitation under
7 Section 11.26, Tax Code, on which school district taxes are not
8 imposed in the year that is the subject of the study, calculated as
9 if the residence homesteads were appraised at the full value
10 required by law;

11 (9) a portion of the market value of property not
12 otherwise fully taxable by the district at market value because of
13 action required by statute or the constitution of this state, other
14 than Section 11.311, Tax Code, that, if the tax rate adopted by the
15 district is applied to it, produces an amount equal to the
16 difference between the tax that the district would have imposed on
17 the property if the property were fully taxable at market value and
18 the tax that the district is actually authorized to impose on the
19 property, if this subsection does not otherwise require that
20 portion to be deducted;

21 (10) the market value of all tangible personal
22 property, other than manufactured homes, owned by a family or
23 individual and not held or used for the production of income;

24 (11) the appraised value of property the collection of
25 delinquent taxes on which is deferred under Section 33.06, Tax
26 Code;

27 (12) the portion of the appraised value of property

1 the collection of delinquent taxes on which is deferred under
2 Section 33.065, Tax Code;

3 (13) the amount by which the market value of a
4 residence homestead to which Section 23.23, Tax Code, applies
5 exceeds the appraised value of that property as calculated under
6 that section; ~~and~~

7 (14) the total dollar amount of any exemptions granted
8 under Section 11.35, Tax Code; and

9 (15) the amount by which the lesser of the market value
10 or the productivity value of land to which Subchapter C or D,
11 Chapter 23, Tax Code, applies exceeds the appraised value of the
12 land as calculated under that subchapter.

13 (i-1) If the comptroller determines in the study that the
14 market value of property in a school district as determined by the
15 appraisal district that appraises property for the school district,
16 less the total of the amounts and values listed in Subsection (d) as
17 determined by that appraisal district, is valid, the comptroller,
18 in determining the taxable value of property in the school district
19 under Subsection (d), shall for purposes of Subsection (d)(15)
20 subtract from the lesser of the market value or the productivity
21 value as determined by the appraisal district of land to which
22 Subchapter C or D, Chapter 23, Tax Code, applies the amount by which
23 that amount exceeds the appraised value of the land as calculated by
24 the appraisal district under that subchapter. If the comptroller
25 determines in the study that the market value of property in a
26 school district as determined by the appraisal district that
27 appraises property for the school district, less the total of the

1 amounts and values listed in Subsection (d) as determined by that
2 appraisal district, is not valid, the comptroller, in determining
3 the taxable value of property in the school district under
4 Subsection (d), shall for purposes of Subsection (d)(15) subtract
5 from the lesser of the market value or productivity value as
6 estimated by the comptroller of land to which Subchapter C or D,
7 Chapter 23, Tax Code, applies the amount by which that amount
8 exceeds the appraised value of the land as calculated by the
9 appraisal district under that subchapter.

10 SECTION 5. This Act applies only to the appraisal for ad
11 valorem tax purposes of land designated for agricultural use or
12 qualified open-space land for a tax year that begins on or after the
13 effective date of this Act.

14 SECTION 6. This Act takes effect January 1, 2024, but only
15 if the constitutional amendment proposed by the 88th Legislature,
16 Regular Session, 2023, to authorize the legislature to limit the
17 maximum appraised value for ad valorem tax purposes in a tax year of
18 land designated for agricultural use or open-space land devoted to
19 farm, ranch, or wildlife management purposes to a specified
20 percentage of the appraised value of the land for the preceding tax
21 year is approved by the voters. If that amendment is not approved
22 by the voters, this Act has no effect.