

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 14, 2003

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways and Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1821 by Kuempel (Relating to the immediate qualification of newly acquired land for ad valorem tax appraisal as qualified open-space land.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1821, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

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
2004	\$0
2005	\$0
2006	(\$916,000)
2007	(\$1,924,000)
2008	(\$3,031,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from FOUNDATION SCHOOL FUND 193	Probable Revenue (Loss) from School Districts	Probable Revenue (Loss) from Counties
2004	\$0	\$0	\$0
2005	\$0	(\$916,000)	(\$191,000)
2006	(\$916,000)	(\$1,008,000)	(\$401,000)
2007	(\$1,924,000)	(\$1,107,000)	(\$632,000)
2008	(\$3,031,000)	(\$152,000)	(\$664,000)

Fiscal Analysis

The bill would permit immediate qualification of land for appraisal as open-space land when: 1) an owner filed a notice with the chief appraiser stating that the owner intended to devote the land principally to a particular agricultural use; 2) the land was not appraised as open-space land at the time of acquisition; 3) the land was appraised as open-space land in any of the 10 preceding years; 4) the land was not otherwise ineligible for appraisal as open-space land; and 5) the land was acquired by the owner on or after June 1, 2002.

The bill would require the chief appraiser to determine the value of the land as if the land had been used for the stated intended purpose for the preceding five years. To continue receiving open-space appraisal, the land would have to be devoted principally to agricultural use to the degree of intensity

generally accepted in the area within three years after receiving open-space appraisal under this proposal. Failure to meet the local degree of intensity standard would result in imposition of the additional rollback tax, as if the use of the land had changed.

The bill would require the chief appraiser, on request of the owner during the initial three-year appraisal period, to inspect the land and provide the owner a written evaluation specifying any actions necessary to meet local primary use and degree of intensity standards.

Methodology

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.

Based on a telephone survey of a sample of Texas appraisal districts by the Comptroller's office, the proposed bill would have no impact in the Panhandle and West Texas Regions of the state. In other regions, passage of the bill could affect an average of 1,000 acres in each appraisal district. Since the typical affected acreage would be native pastureland, native pasture values were used in the analysis. The difference between the reported native pasture market value and ag-use productivity value was calculated based on 1,000 acres in each affected appraisal district. The appraisal district differences in market value and productivity were then totaled.

Only land acquired on or after June 1, 2002 would be eligible for immediate qualification. The Comptroller's office estimated one-third of the total eligible acreage would apply and qualify for productivity appraisal each year until the total acreage was absorbed. Consequently, the value loss would increase by one-third through year three of the projection period. The estimated value losses were converted to levy losses by applying the appropriate tax rates. The estimated levy losses were trended forward to account for increases in values and rates. The estimated losses were reduced because of the restriction that the land would have to have previously qualified within the preceding 10 years. The school district costs would shift to the state after a one-year lag through the operation of the school funding formula.

Local Government Impact

The impact on local school districts and counties is shown in the above tables. Revenues for local taxing units for cities could also be reduced.

Source Agencies: 304 Comptroller of Public Accounts, 802 Parks and Wildlife Department
LBB Staff: JK, SD, WP, DLBe