

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 30, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3395 by Christian (Relating to the ad valorem tax appraisal of qualified timber land.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB3395, Committee Report 1st House, Substituted: 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	\$626,000
2007	\$658,000
2008	\$690,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain from <i>School Districts</i>	Probable Revenue Gain from <i>Counties</i>
2004	\$0	\$0	\$0
2005	\$0	\$626,000	\$197,000
2006	\$626,000	\$31,000	\$207,000
2007	\$658,000	\$33,000	\$217,000
2008	\$690,000	\$35,000	\$228,000

Fiscal Analysis

The bill would amend the Tax Code relating to the appraisal of qualified timber land.

The bill would change the definition of "net to land" (the calculated average net income that a prudent manager would earn, less expenses). The bill would require that average annual growth be expressed in tons rather than cords or board feet of wood.

The bill would list a wider range of types of timber, including saw timber and hardwood pulpwood; and it would require the use of information for the East Texas region as a whole, rather than the current use of Northeast and Southeast regions. In addition, the bill would require the determination of stumpage prices based on all types of timber sales (specifically including timber deed, cutting

contract, and gatewood sales).

The bill would implement a five-year average capitalization rate for calculating timber productivity values, but that section of the bill would not take effect until the year that the timber cap rate as calculated under current law was equal to or greater than 10 percent.

Methodology

Per acre values for the twelve classes of timberland were calculated based on proposed changes to the definition of net-to-land in the bill. These values were applied to the number of acres of timber land reported by each school district for 2002. The effect on value of combining the two regions as proposed in the bill was estimated by combining the timber plots in each region and recalculating a growth rate for each product type and site class.

The bill would implement a five-year average capitalization rate for calculating timber productivity values, but that provision would not take effect until the year that the timber cap rate as calculated under current law was equal to or greater than 10 percent. This provision would have no fiscal impact during the five-year projection period.

The yearly differences in timber value between current law estimates and estimates under the bill were multiplied by the appropriate county or school district weighted average tax rates for East Texas timber counties to develop the county and school district costs. The school district gains shift to the state after a one-year lag because of the operation of the school funding formula. In addition to the amounts shown in the tables, cities and special districts would also realize additional revenue.

Local Government Impact

The impact to counties and school districts is shown in the above tables. In addition to these amounts, cities and special districts would also realize additional revenue gains.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, SD, WP, DLBe