

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 21, 2007**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

**IN RE: SB1576** by Wentworth (Relating to the appraisal for ad valorem tax purposes of certain recreational land.), **As Introduced**

**Passage of the bill would establish a methodology for appraising qualified recreational land at 20 percent of the market value of the land. As a result, taxable property values could be significantly decreased and the related costs to the Foundation School Fund could be significantly increased.**

The bill would add a new Subchapter I to Chapter 23 of the Tax Code to establish a methodology for appraising "qualified recreational land."

"Recreational land" would be defined as land that is:

- (1) a contiguous tract of land of at least 10 acres;
- (2) does not have any structures located on the land other than a single-family residence or structures that are designed to be used in connection with farming or ranching;
- (3) is not the subject of a subdivision plat; and,
- (4) is used for recreational purposes by the owner of the land. Qualified recreational land would be appraised at 20 percent of the market value of the land.

The procedures for applying for qualification of land as recreational land would be similar to current qualification procedures for agricultural and open-space land, and the Comptroller would prescribe an application form for use by appraisal districts and property owners.

The rollback tax provisions would be similar to current rollback law for agricultural and open-space land. However, the bill would provide that the rollback tax for change of use from recreational land to another use would not apply to a transfer of property from this state, a political subdivision of the state or a nonprofit corporation created by a municipality with a population of more than one million under the Development Corporation Act of 1979 to an individual or business entity for economic development, subject to certain findings by the Comptroller.

The Comptroller would have to determine that the economic development was likely to generate for deposit in the General Revenue Fund 0001 during the next two state fiscal biennia an amount of taxes and other revenues that equaled or exceeded 20 times the amount of additional taxes and interest that would be imposed had the rollback tax applied to the transfer.

The Comptroller would issue a letter of determination to the applicant and send a copy of the letter to the chief appraiser. Within one year of the conclusion of the applicable two state fiscal biennia, the appraisal district could request the Comptroller to determine if the revenue was correct. Upon a finding by the Comptroller that the determination did not meet the bill's requirements, the chief appraiser would levy rollback taxes on the property from the time of the transfer.

The bill would provide that an owner of qualified recreational land would have the right to appeal qualification determinations by the chief appraiser to the appraisal review board and state district court, and to receive all notices from the appraisal district currently provided to owners of qualified agricultural and open-space land.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, 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.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would decrease, resulting in a decrease in state aid.

The bill would take effect January 1, 2008, contingent upon passage of a constitutional amendment authorizing the proposed special appraisal methodology.

### **Local Government Impact**

Passage of the bill could result in an undetermined but significant loss of revenue to units of local government. For tax year 2006, appraisal districts reported to the Comptroller a total of 8,761,485 acres of rural land that does not qualify for special appraisal as agricultural or open-space land. This acreage is currently on local appraisal rolls at market value of \$16,328,416,763. For illustration purposes, if 50 percent of the reported acreage qualified for the proposed recreational land appraisal, local governments would lose approximately \$640,000,000 in taxable value. The actual amount of revenue loss would depend on the value of qualified land and the future tax rates set by units of local government.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, CT, SD, SJS