

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 21, 2009

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

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

IN RE: HB2165 by Rose (Relating to the appraisal for ad valorem tax purposes of certain open-space land devoted principally to ecological research.), **As Engrossed**

Passage of the bill would provide mechanisms to confirm that ecological research was ongoing and could result in fewer properties qualifying for the special agricultural valuation. As a result, taxable property values could be increased and the related costs to the Foundation School Fund could be decreased.

In addition, passage of the bill would allow entire tracts to qualify for the special agricultural valuation when only a portion of the tract is used for ecological research projects, which could increase the number of acres across the state qualified for the special agricultural valuation. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Chapter 23 of the Tax Code, relating to the appraisal for ad valorem tax purposes of certain open-spaced land devoted principally to ecological research.

The bill would define "devoted principally to ecological research" and "ecological research" as they relate to qualification for special agricultural valuation. The bill would also require an agreement between the landowner and a public or private college or university signed by an official of the institution authorized to enter into binding contracts. The agreement would allow the college or university to engage in ecological research on the land throughout the year.

In order to qualify, an application would be submitted that includes a statement from a supervising faculty member that three research projects which further farming, ranching or wildlife management will be conducted each year and that site visits would be frequent enough to be scientifically valid and generally acceptable for ecological research. Land and improvements qualifying as a residential homestead could not qualify for the special appraisal.

Under the bill, qualifying tracts would be appraised as if they were native pasture.

The chief appraiser could require an annual application and an annual report signed by the supervising faculty confirming and documenting the ecological research use of the land in the previous year. The chief appraiser could deny the application for the previous year based on lack of required documentation or refusal to submit the report. This denial would not disqualify the application for the current year and the landowner could protest the denial.

If the land was otherwise eligible for appraisal as agricultural land, use for ecological research would qualify the land as meeting the definition of "agricultural use" or "wildlife management" under Section 23.51 of the Tax Code, provided that the land had been appraised based on the basis of ecological research for two of the preceding three years.

The bill would clarify issues concerning ecological labs qualifying for special agricultural valuation and requires written agreements between landowners and higher education institutions that are not required under current law. Chief appraisers would have mechanisms to confirm and verify that

ecological research was ongoing. These requirements could result in fewer properties qualifying for the special agricultural valuation and result in a gain to the state and units of local government. Because there is no data available concerning the number and size of possible qualifying tracts, the gain cannot be estimated.

Language in the bill allowing entire tracts to qualify for the special appraisal when only a portion of the tract is used for ecological research projects might increase the number of acres across the state qualified for the special agricultural valuation. This would result in a loss to the state and units of local government. It is not possible to estimate the loss because no data on the use of such land is available.

The bill would take effect January 1, 2010.

Local Government Impact

Passage of the bill would provide mechanisms to confirm that ecological research was ongoing and could result in fewer properties qualifying for the special agricultural valuation. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be increased.

In addition, passage of the bill would allow entire tracts to qualify for the special agricultural valuation when only a portion of the tract is used for ecological research projects, which could increase the number of acres across the state qualified for the special agricultural valuation. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS