

BILL ANALYSIS

S.B. 449
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Landowners can currently qualify for several property tax valuation options based on land management practices. According to interested parties, two of the more commonly used options are the agricultural and wildlife valuation options. While generally called exemptions, these valuation methodologies allow property to be appraised based on its use for agriculture or open space, which is typically a lower value than an appraisal for highest and best use and can result in lower property taxes for the landowner.

S.B. 449 seeks to create a new valuation option similar to the agricultural and wildlife valuations that would provide a tax incentive for landowners who choose to engage in activities on their property that benefit both water quality and quantity. Since Texas is a private lands state and most of the water in the state either flows through or sits under land that is held by private individuals, it has been suggested that one of the best ways for Texas to protect water is to encourage landowners to be good stewards of the resource. Interested parties contend that the creation of a water stewardship valuation option will give landowners a new land management option that is both incentive-based and cost-effective and will help protect valuable open space land, promote water conservation, help the state meet its overall water conservation goals, advance the state water plan, and protect water quality in rivers, streams, and aquifers.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the comptroller of public accounts in SECTIONS 3 and 6 of this bill.

ANALYSIS

S.B. 449 amends the Tax Code to include water stewardship among the agricultural uses, as that term is defined, that qualify agricultural land for a property tax appraisal as qualified open-space land on the basis of the land's productive capacity rather than its market value as determined by other appraisal methods.

S.B. 449 requires the Parks and Wildlife Department, with the assistance of the comptroller of public accounts, to develop standards for determining whether land qualifies for appraisal as open-space land based on its use for water stewardship purposes. The bill requires the Texas AgriLife Extension Service, on the department's or comptroller's request, to assist the department and the comptroller in developing the standards. The bill requires the comptroller to designate one chief appraiser from a rural area of Texas and one chief appraiser from an urban area of Texas to assist in the development of the standards. The bill requires the comptroller by rule to adopt the standards developed by the department or to adopt alternative standards and to distribute those rules to each appraisal district and sets out certain requirements and specifications that must be included in those standards.

S.B. 449 authorizes the standards to include specifications for a written management plan to be developed by a landowner if the landowner receives a request for a written management plan

from a chief appraiser as part of a request for additional information under statutory provisions relating to action on appraisal applications. The bill requires the chief appraiser and the appraisal review board, in determining whether land qualifies as open-space land on the basis of its water stewardship uses, to apply the adopted standards and, to the extent they do not conflict with those standards, the appraisal manuals developed and distributed by the comptroller.

S.B. 449 makes land located inside the corporate limits of an incorporated city or town eligible for appraisal as open-space land if it is used for water stewardship, but establishes that land is not eligible for such appraisal if the land was appraised as qualified open-space land at the time the water stewardship use began and the land is developed to a degree that precludes the land from eligibility for appraisal as open-space land on a basis other than use for water stewardship or the land was appraised as qualified timber land at the time the water stewardship use began and the land is developed to a degree that preclude the land from eligibility for appraisal as qualified timber land. The bill excludes land used for water stewardship, along with land used for wildlife management, from a provision that entitles an owner of qualified open-space land on which the Texas Animal Health Commission has established a temporary quarantine for the purpose of regulating the handling of livestock and eradicating ticks or exposure to ticks to a reappraisal of the owner's land for the applicable tax year.

S.B. 449 provides that the category of land that qualifies for appraisal as qualified open-space land based on its use for water stewardship purposes is the category of the land appraised as agricultural land or timber land, as applicable, before the water stewardship use began.

S.B. 449 requires, as soon as practicable after the bill's effective date, the Parks and Wildlife Department, with the comptroller's assistance, to develop the standards required by the bill's provisions. The bill requires, as soon as practicable after those standards are developed, the comptroller by rule to adopt those standards or to adopt alternative standards and distribute those rules to each appraisal district. The bill makes the rules applicable only to tax years beginning after the tax year in which the rules are adopted and distributed. The bill makes its provisions applicable only to the appraisal of land for property tax purposes for a tax year that begins after the tax year in which the rules are adopted and distributed.

S.B. 449 defines "water stewardship" and redefines "agricultural use."

EFFECTIVE DATE

January 1, 2012, if the constitutional amendment providing for the appraisal for property tax purposes of open-space land devoted to water stewardship purposes on the basis of its productive capacity is approved by the voters.