LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

February 24, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: **HB241** by Parker (Relating to liability for interest if land appraised for ad valorem tax purposes as agricultural or open-space land is sold or diverted to a different use.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB241, As Introduced: an impact of $0 through the biennium ending August 31, 2013.

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
2012	$0
2013	$0
2014	$0
2015	$0
2016	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *School Districts*	Probable Revenue Gain/(Loss) from *Counties*
2012	($7,163,000)	($2,112,000)
2013	($7,286,000)	($2,125,000)
2014	($7,712,000)	($2,242,000)
2015	($8,086,000)	($2,340,000)
2016	($8,568,000)	($2,468,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code, regarding appraisal methods and procedures for property taxation.

The bill would place a moratorium, from September 1, 2011 to before January 1, 2022 on the interest on any additional property taxes that become due when land that is designated for agriculture use is sold or diverted to nonagricultural use or when the use of qualified open-space landchanges. The bill would prohibit the tax bill for those additional taxes from including any interest. The moratorium would not affect the liability for interest due on additional taxes if those taxes become delinquent.

Methodology

The Tax Code requires that landowners pay the difference between the market value and the productivity value of qualified agricultural land plus interest for each of the five years preceding a change in the use of the land (rollback). The bill would remove the interest requirement on land that changes use on or after September 1, 2011 and before January 1, 2022 creating a cost to school districts and counties.

The annual number of acres subject to rollback in each appraisal district was estimated based on information from appraisal districts. The number of acres subject to rollback was multiplied by the calculated difference between the projected market value and the projected productivity value of each acre to estimate the loss in value subject to rollback. The statutory interest rate (7 percent) was applied to the value losses for each year in the five year period for which the interest is charged to estimate the interest that would be lost to school districts and counties under the bill's proposed language. This procedure was applied over the five year projection period.

There would be no state cost because the interest on agricultural productivity value rollbacks is not included in the state's school funding formula. There would be an insignificant cost to cities because very little agricultural land is in cities.

The bill would take effect September 1, 2011.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD, SJS