

## **BILL ANALYSIS**

H.B. 561  
By: Workman  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Under current law, land that is designated for agricultural use is eligible for certain exemptions and special appraisal methods for property tax purposes. However, if a landowner changes the use of the owner's land from agricultural use to another use, the landowner must pay additional property taxes, plus interest, for each of the five years preceding the year in which the change in use occurs. Certain exceptions, however, are made when the land is owned by a religious or charitable organization and the organization uses the land for certain tax exempt purposes.

Land devoted to school use is also exempt from property taxes. However, a landowner who changes the use of land from agricultural use to educational use must pay the five-year tax penalty. As many private and religious schools expand their property holdings, they are purchasing or considering the purchase of land that is currently appraised for agricultural use. Even though these schools are dedicating the land to otherwise tax-exempt educational purposes, currently they must pay the additional taxes plus interest, taking resources away from educational purposes. H.B. 561 seeks to treat schools in the same manner as other nonprofit tax exempt organizations such as religious and charitable organizations and allow schools to avoid certain tax liability for land to be used for educational purposes.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department agency, or institution.

### **ANALYSIS**

H.B. 561 amends the Tax Code to exempt from sanctions, imposed because of a change in the use of land previously designated as agricultural land for property tax appraisal purposes, land owned by an organization that qualifies as a school if the organization, within five years, converts the land to a use for which the land is eligible for the property tax exemption of property used for school purposes.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.