

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 1, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB561 by Workman (Relating to an exemption for land owned by a school from the additional tax imposed on the change of use of land appraised for ad valorem tax purposes as qualified open-space land.), **As Introduced**

Passage of the bill would reduce the amount of additional taxes collected by local taxing units when the use of qualifying agricultural land changes by exempting certain school organizations from paying the additional tax. As a result, taxable property values would be reduced and the related costs to the Foundation School Fund would be increased through the operation of the school finance formulas.

The bill would amend Chapter 23 of the Tax Code, regarding property taxation and appraisal methods and procedures for agricultural land, to provide that the additional tax, penalty, and interest triggered by a change of use of land from a qualifying agricultural use would not apply to land owned by an organization that qualifies as a school if the organization converts the land to a use for which the land is eligible for an exemption as a school under Section 11.21 of this code within five years.

The bill would reduce the amount of additional taxes, penalties and interest collected by local taxing units when the use of qualifying agricultural land changes by exempting certain school organizations from paying the additional tax, penalty, and interest. This would create a cost to units of local government and to the state through the operation of the school funding formula. The number of school organizations that would benefit from the bill's provisions is unknown and therefore the cost of the bill cannot be estimated. Property tax penalties and interest do not affect the school funding formula. Additional taxes, however, are included in the funding formula. Consequently, the reduction in additional taxes under the bill would create an indeterminate cost to the state.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

Local Government Impact

The bill would reduce the amount of additional taxes, penalties and interest collected by local taxing units when the use of qualifying agricultural land changes by exempting certain school organizations from paying the additional tax, penalty, and interest. This would create a cost to

units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS