

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 7, 2015

TO: Honorable Tracy O. King, Chair, House Committee on Agriculture & Livestock

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB133 by Simpson (Relating to the repeal of the additional ad valorem taxes imposed as a result of certain changes in the use of open-space land appraised as agricultural land.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB133, As Introduced: a negative impact of (\$85,443,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$16,342,000)
2017	(\$69,101,000)
2018	(\$174,981,000)
2019	(\$226,980,000)
2020	(\$284,413,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund 1</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>
2016	(\$16,342,000)	(\$18,224,000)	(\$18,429,000)	(\$44,417,000)
2017	(\$69,101,000)	(\$74,400,000)	(\$75,388,000)	(\$178,848,000)
2018	(\$174,981,000)	(\$82,792,000)	(\$98,432,000)	(\$147,988,000)
2019	(\$226,980,000)	(\$104,143,000)	(\$124,060,000)	(\$179,111,000)
2020	(\$284,413,000)	(\$126,515,000)	(\$151,009,000)	(\$209,726,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2016	(\$12,823,000)
2017	(\$52,404,000)
2018	(\$68,354,000)
2019	(\$86,065,000)
2020	(\$104,657,000)

Fiscal Analysis

The bill would repeal Tax Code, Section 23.55. Under current law, this section imposes additional property tax and interest on properties when the property owner changes the use of agricultural land that receives a reduced appraisal as qualified open-space agricultural land. A property that is removed from agricultural use owes a rollback tax, which is the difference between the taxes paid on the land's agricultural value and the taxes that would have been paid if the land had been taxed on its market value for each of the previous five years, plus 7 percent interest. Enacting the bill's provisions would result in a loss to school districts and other units of local government because they would no longer receive the additional tax and interest. The loss of the additional tax would also create a cost to the state through the operation of the school funding formula.

Methodology

According to the Comptroller of Public Accounts (CPA), the costs were estimated based on information from appraisal districts. CPA surveyed appraisal districts and obtained information trends in rollback tax collections in a sample of jurisdictions. Under the hold harmless provisions of the Education Code, only a small portion of the first year school district loss related to the compressed rate would be transferred to the state while 100 percent of the loss would be transferred to the state in later years. Because lagged year property values are used in the enrichment formula, school districts lose enrichment funding (a state gain) in the first year of a taxable property value reduction. In the second and successive years the enrichment loss and a portion of the school district debt (facilities) loss are transferred to the state through the relevant funding formulas.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

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