

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 8, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB376 by Simmons (Relating to the additional tax imposed on land appraised for ad valorem tax purposes as open-space land if a change in use of the land occurs.), **As Introduced**

Passage of the bill would address situations in which a landowner and/or associated party may avoid the payment of additional taxes, penalty, and interest when the use of land is changed from a qualifying open-space use to a non-qualifying use by conveying land to an entity that is exempt from the sanctions and then reacquiring the land. As a result, taxable property values could be increased and the related costs to the Foundation School Fund could be decreased through the operation of the school finance formulas.

The bill amends Tax Code Section 23.55, regarding appraisal methods and procedures, to specify that a property owner is subject to the legal sanctions requiring the payment of additional taxes, penalty, and interest when the use of land is changed from a qualifying open-space use to a non-qualifying use if the property owner or the property owner's subsidiary, affiliate, and/or another person acting in concert with the property owner:

- 1) conveys qualified open-space land to an entity that changes the use of the land but is not subject to the standard legal sanctions for such change of use; and
- 2) regains possession of the land and uses the land in a way that would have triggered the sanctions if the change of use had occurred before the conveyance on or before the fifth anniversary of that conveyance.

The date of a change in use that results in an imposition of the sanctions would be the date of the conveyance.

The bill would address situations in which a landowner and/or associated party may avoid the payment of additional taxes, penalty, and interest when the use of land is changed from a qualifying open-space use to a non-qualifying use by conveying land to an entity that is exempt from the sanctions and then reacquiring the land. In these situations the bill's provisions would create a gain to local taxing units and to the state through the operation of the school finance formulas.

No information is available regarding the additional acres of land to which the sanctions would be applied under the bill. Consequently, the fiscal gain cannot be estimated.

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, 2015.

Local Government Impact

Passage of the bill would address situations in which a landowner and/or associated party may avoid the payment of additional taxes, penalty, and interest when the use of land is changed from a qualifying open-space use to a non-qualifying use by conveying land to an entity that is exempt from the sanctions and then reacquiring the land. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be increased.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS