

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: HB1513** by Fletcher (Relating to the ad valorem taxation of qualified open-space land.),  
**As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1513, As Introduced: a negative impact of (\$13,908,000) through the biennium ending August 31, 2017.

The net impact to General Revenue Related funds increases to a negative (\$160,784,000) through the biennium ending August 31, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	(\$13,908,000)
2018	(\$69,992,000)
2019	(\$90,792,000)
2020	(\$113,765,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Cities	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from School Districts
2016	\$0	\$0	\$0	\$0
2017	(\$13,908,000)	(\$29,760,000)	(\$30,155,000)	(\$85,272,000)
2018	(\$69,992,000)	(\$38,780,000)	(\$39,373,000)	(\$59,195,000)
2019	(\$90,792,000)	(\$48,779,000)	(\$49,624,000)	(\$71,644,000)
2020	(\$113,765,000)	(\$59,257,000)	(\$60,404,000)	(\$83,491,000)

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from <i>Other Special Districts</i></b>
2016	\$0
2017	(\$20,961,000)
2018	(\$27,342,000)
2019	(\$34,426,000)
2020	(\$41,863,000)

**Fiscal Analysis**

This bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to amend the definition of qualified open space land to include land used for agricultural or timber purposes at the required degree of intensity in the preceding year. Currently land must be in agricultural or timber use for five out of the previous seven years to qualify. The definition of agricultural use would be amended to reduce the minimum number of acres from five to two for land used to keep bees. The bill also would reduce from five to two the number of previous years for which additional taxes and interest would be calculated after land is no longer in a qualifying agricultural use. 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**

The bill's provision reducing from five to two the number of previous years for which additional taxes and interest would be calculated after land is no longer in a qualifying agricultural use would create a cost to units of local government. The loss of the additional tax would also create a cost to the state through the operation of the school funding formula. These costs were estimated by the Comptroller of Public Accounts based on information from appraisal districts. Under the hold harmless provisions of the Education Code, only a small portion of each year's additional school district loss related to the compressed rate would be transferred to the state while 100 percent of the previous year's loss would be transferred to the state. 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

**LBB Staff:** UP, SZ, JJ, BRi