

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: HB2306 by Canales (Relating to the additional tax imposed on land appraised for ad valorem tax purposes as qualified open-space land if a change in use of the land occurs.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2306, As Introduced: a negative impact of (\$20,741,000) through the biennium ending August 31, 2017.

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

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$3,467,000)
2017	(\$17,274,000)
2018	(\$69,992,000)
2019	(\$90,792,000)
2020	(\$113,765,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2016	(\$3,467,000)	(\$20,837,000)	(\$7,372,000)	(\$7,290,000)
2017	(\$17,274,000)	(\$81,906,000)	(\$30,155,000)	(\$29,760,000)
2018	(\$69,992,000)	(\$59,195,000)	(\$39,373,000)	(\$38,780,000)
2019	(\$90,792,000)	(\$71,644,000)	(\$49,624,000)	(\$48,779,000)
2020	(\$113,765,000)	(\$83,491,000)	(\$60,404,000)	(\$59,257,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2016	(\$5,129,000)
2017	(\$20,961,000)
2018	(\$27,342,000)
2019	(\$34,426,000)
2020	(\$41,863,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to 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.

The bill would take effect on September 1, 2015.

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 create a cost to the state through the operation of the school funding formula. These costs were estimated 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, SD, SJS