

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION
Revision 1

April 17, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB974 by Zaffirini (Relating to the additional tax imposed if the use of land located in certain counties and appraised for ad valorem tax purposes as open-space land is changed.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB974, As Introduced: a negative impact of (\$17,145,000) through the biennium ending August 31, 2017.

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	(\$3,650,000)
2017	(\$13,495,000)
2018	(\$1,523,000)
2019	(\$2,870,000)
2020	(\$4,774,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Cities
2016	(\$3,650,000)	(\$15,023,000)	(\$5,664,000)	(\$1,120,000)
2017	(\$13,495,000)	(\$60,701,000)	(\$22,559,000)	(\$4,453,000)
2018	(\$1,523,000)	(\$92,384,000)	(\$28,620,000)	(\$5,638,000)
2019	(\$2,870,000)	(\$112,752,000)	(\$35,322,000)	(\$6,944,000)
2020	(\$4,774,000)	(\$134,325,000)	(\$42,595,000)	(\$8,357,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2016	(\$2,956,000)
2017	(\$11,761,000)
2018	(\$14,906,000)
2019	(\$18,378,000)
2020	(\$22,140,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code, regarding appraisal methods and procedures, to provide that the additional property tax and interest charged to a land owner who changes the use of open-space agricultural land qualified for special appraisal do not apply in a county with a population of less than 25,000.

The bill would take effect September 1, 2015.

Methodology

Tax Code Section 23.55 imposes an additional property tax and interest in certain instances in which the property owner changes the use of agricultural land that receives a reduced appraisal as qualified open-space agricultural land. The additional tax is computed based on the difference over the preceding 5 years between the market value of the land and the taxable value of the land as reduced by the special appraisal. Interest is computed at 7 percent. The bill's proposed exception from the additional tax and interest of landowners in counties with less than 25,000 population would create a cost to the affected 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 school funding formulas.

Costs to local taxing entities were estimated based on information from appraisal districts. School district losses noted in the tables above are net of additional state aid anticipated under the Foundation School Program (FSP).

Costs to the state under the Foundation School Program (FSP) were estimated using a Legislative Budget Board school finance model of the projected loss of local school district revenue, excluding interest. State costs would be anticipated to be higher in fiscal years 2016 and 2017 because of the effect of an existing FSP hold harmless provision that considers total state and local revenue. In the absence of the local revenue that would result from the application of Section 23.55, Tax Code, the state's obligation under the FSP hold harmless provision would be higher. Because this FSP hold harmless provision expires at the end of fiscal year 2017, state cost would be anticipated to be significantly lower in fiscal years 2018 and beyond.

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

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