

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

August 1, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB249 by Phillips (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 HB249, As Introduced: a negative impact of (\$3,908,000) through the biennium ending August 31, 2019.

Additionally, there would be a negative impact of (\$94,789,000) through the biennium ending August 31, 2021.

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
2018	(\$24,000)
2019	(\$3,884,000)
2020	(\$46,441,000)
2021	(\$48,348,000)
2022	(\$50,350,000)

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>Other Special Districts</i>
2018	(\$24,000)	(\$4,990,000)	(\$1,477,000)	(\$1,117,000)
2019	(\$3,884,000)	(\$59,285,000)	(\$18,533,000)	(\$13,986,000)
2020	(\$46,441,000)	(\$19,887,000)	(\$19,373,000)	(\$14,598,000)
2021	(\$48,348,000)	(\$21,296,000)	(\$20,250,000)	(\$15,237,000)
2022	(\$50,350,000)	(\$22,776,000)	(\$21,167,000)	(\$15,902,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that if the use of qualified open space land changes to a non-qualifying use, an additional tax is imposed equal to the difference in the taxes that would have been paid at market value and the taxes that were actually paid over the past three years (rather than five years) plus interest calculated at 5 percent (rather than 7 percent).

The bill would take effect December 1, 2017

Methodology

Land qualified for special open space appraisal is appraised at a value significantly less than its market value. Under current law if the use of qualified land changes to a non-qualifying use the landowner must pay an additional tax based on the sum of the taxes that the landowner avoided over the preceding five years by paying taxes on the special appraised value instead of the market value, plus interest (i.e., the ag rollback). The bill's reduction of the ag rollback period from five years to three years would create a cost to local taxing units and to the state through the school finance formulas in regard to the reduction in the additional rollback tax. The reduction in the additional rollback interest would not affect the state because interest is not included in the school finance formulas.

The losses were estimated based on information from appraisal districts and projected through the five-year period. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. Projected school funding rates were applied to estimate the state loss and the net school district loss. Cities were excluded from the table below because little agricultural land is in cities.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the table above. Cities were excluded from the table below because little agricultural land is in cities.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS