

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 20, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB950 by Rodriguez, Justin (Relating to the qualification of land for appraisal for ad valorem tax purposes as qualified open-space land.), **As Introduced**

Passage of the bill would reduce the number of years required to qualify land for agricultural special appraisal from 5 of the preceding 7 years to one year for veterans of the armed services and for certain persons less than 35 years of age. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

The bill would amend Chapter 23 of the Tax Code, related to property tax appraisal methods and procedures, to specify in the definition of "qualified open space land" that, notwithstanding the other provisions of Subsection 23.51(1) of this code, land qualifies for open-space appraisal if the land:

- A. is currently devoted principally to agricultural use to the degree of intensity generally accepted in the area;
- B. was devoted principally to agricultural use or to production of timber or forest products for the preceding year (currently 5 of the preceding 7 years); and
- C. is owned or managed by:
 - i. a veteran of the armed services of the United States; or
 - ii. an individual who, at the time the owner filed an initial application for appraisal of the land under this subchapter, was less than 35 years of age and had not served as the principal operator of a farm or ranch for any period of more than 10 consecutive years.

The bill would apply only to the appraisal of land for an ad valorem tax year beginning on or after the effective date.

Land qualified for agricultural open-space appraisal is appraised according to a special appraisal formula that results in an appraised value significantly less than market value. The bill's provision that reduces the number of years required to qualify land for agricultural special appraisal from 5 of the preceding 7 years to one year for veterans of the armed services and for certain persons less than 35 years of age would create a cost to local taxing units (other than cities) and to the state through the school funding formulas. The bill would not change the requirement that to qualify for open-space appraisal land in a city owned by a veteran or any other individual must have been devoted principally to agricultural use continuously for the preceding five years.

The number of veterans that would qualify for special agricultural appraisal under the bill is unknown. Similarly the number of individuals who meet the age and consecutive years of operation limitations that would qualify for special agricultural appraisal under the bill is

unknown. As a result, the cost of the bill cannot be estimated.

The bill would take effect on January 1, 2018.

Local Government Impact

Passage of the bill would reduce the number of years required to qualify land for agricultural special appraisal from 5 of the preceding 7 years to one year for veterans of the armed services and for certain persons less than 35 years of age. As a result, taxable property values and the related ad valorem tax revenue for units of local government (other than cities) could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS, KK