

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 25, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2314** by Murphy (Relating to liability for interest if land appraised for ad valorem tax purposes as agricultural or open-space land is sold or diverted to a different use.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2314, As Introduced: an impact of \$0 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
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from School Districts	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Other Special Districts
2018	(\$5,615,000)	(\$1,655,000)	(\$1,251,000)
2019	(\$17,687,000)	(\$5,189,000)	(\$3,916,000)
2020	(\$18,572,000)	(\$5,424,000)	(\$4,088,000)
2021	(\$19,500,000)	(\$5,670,000)	(\$4,266,000)
2022	(\$20,475,000)	(\$5,927,000)	(\$4,453,000)

Fiscal Analysis

The bill would amend Chapter 23, Subchapter C, of the Tax Code, regarding land designated for agricultural use, and Chapter 23, Subchapter D, of the Tax Code, regarding appraisal of agricultural land, to strike the requirement that a land owner pay interest on the additional

property tax imposed when the use of the land is changed from a use which qualifies for special agricultural productivity or open space appraisal to a non-qualifying use (ag rollback tax).

The bill would take effect September 1, 2017.

### **Methodology**

The bill's provision which would strike the requirement that a landowner pay interest on the additional tax required upon change of use under Subchapter C of the Tax Code, regarding land designated for agricultural use (three-year ag rollback), would not create a significant cost to local taxing units or the state because very little land is qualified under this subchapter. Note that the constitutional provision for Subchapter C special appraisal (Article VIII, Section 1-d, of the Texas Constitution, regarding assessment of land designated for agricultural use) is not permissive regarding the payment of interest on the additional tax, stating, "Until paid there shall be a lien for additional taxes and interest on land assessed under the provisions of this Section." This could be interpreted to require a constitutional amendment to authorize the removal of the interest requirement.

The bill's provision which would strike the requirement that a landowner pay interest on the additional tax upon change of use required under Subchapter D of the Tax Code, regarding appraisal of agricultural land (five-year ag rollback), would create a cost to special districts, counties, and school districts. There would be an insignificant cost to cities because very little agricultural land is in cities. There would be no cost to the state because interest is not recognized in the school finance formulas.

The taxable value loss estimate was based on information from appraisal districts. Projected tax rates were applied to the taxable value losses through the five-year projection period to estimate tax revenue losses to special districts, counties, and school districts.

### **Local Government Impact**

The estimated fiscal implication to units of local government is reflected in the above table.

**Source Agencies:** 304 Comptroller of Public Accounts

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