

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 24, 2017

TO: Honorable Charles Perry, Chair, Senate Committee on Agriculture, Water & Rural Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1459 by Hinojosa (Relating to incentives to encourage landowners to destroy, remove, or treat citrus trees located in a pest management zone.), **As Introduced**

Passage of the bill would prevent citrus land from losing special open space appraisal qualification when an agreement is signed with one of three specified agencies to destroy, remove, or treat all the citrus trees located on the land that are or could become infested with pests. 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.

Additionally, passage of the bill could increase the number of agreements intended to prevent the spread of citrus infestations and prevent losses in the taxable value of citrus land. As a result, taxable property values could be increased and the related costs to the Foundation School Fund could be decreased through the operation of the school finance formulas.

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that the eligibility of land for special open space appraisal does not end because the land ceases to be devoted principally to agricultural use to the degree of intensity generally accepted in the area for a specified five-year period if:

1. the land is located in a pest management zone;
2. the land is appraised as open space citrus land in the year in which the agreement described below is executed;
3. the owner of the land has executed an agreement with one of three specified agencies to destroy, remove, or treat all the citrus trees located on the land that are or could become infested with pests; and
4. the cessation of use is caused by the destruction, removal, or treatment of the citrus trees located on the land under the terms of the agreement.

The continued eligibility of certain citrus lands for special open-space appraisal would apply only during the period that begins on the date the agreement described above is executed and that ends on the fifth anniversary of that date.

The bill would require the citrus land owner to notify the chief appraiser that the agreement has been executed, and that the owner intends to destroy, remove or treat the citrus trees located on the land under the terms of the agreement. The land owner would be required to provide the chief appraiser a copy of the agreement.

Special open space land appraisal results in an appraised value for property tax purposes that is

significantly less than the market value. The destruction or removal, per agreement, of the citrus trees located on qualified open space land would cause a temporary cessation of agricultural use. Land that is no longer used for agricultural purposes loses its qualification for the lower special appraised value. This may discourage citrus growers from executing agreements to prevent the spread of citrus canker, citrus greening, and other pests, which if left unchecked could spread and cause severe losses in the Texas citrus industry. The bill would prevent citrus land from losing special open space appraisal qualification when such an agreement is signed, which could increase the number of agreements intended to prevent the spread of citrus infestations. This could prevent losses in the taxable value of citrus land. The extent of any impact on local taxing units or the state (through the school finance formulas) cannot be estimated because the extent of future infestations that might be prevented by the bill is unknown.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2017.

Local Government Impact

Passage of the bill would prevent citrus land from losing special open space appraisal qualification when an agreement is signed with one of three specified agencies to destroy, remove, or treat all the citrus trees located on the land that are or could become infested with pests. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be decreased.

Passage of the bill could increase the number of agreements intended to prevent the spread of citrus infestations and prevent losses in the taxable value of citrus land. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be increased.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS