

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 20, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1979** by Schwertner (Relating to liability for the additional tax imposed on land appraised for ad valorem tax purposes as agricultural land if the use of the land changes as a result of a condemnation.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 23, Subchapter C, of the Tax Code, regarding land designated for agricultural use, to provide that if additional taxes are due on land qualified for agricultural-use appraisal because the land has been diverted to a non-agricultural use as a result of a condemnation, the additional taxes and interest imposed by this section are the personal obligation of the condemning entity and not the property owner from whom the property was taken.

The section of the Tax Code to be amended (Section 23.46) is under Subchapter C of the Tax Code, which is very rarely used by taxpayers to qualify land for special agricultural use appraisal. Landowners prefer to qualify land under the more recently adopted Subchapter D of this chapter for special open space appraisal because it is much easier to qualify. Subchapter C requires that income from agriculture be the landowner's primary source of income and Subchapter D does not, among other differences.

Because the bill's imposition of the additional taxes and interest due on qualified agricultural land on the condemning entity and not on the property owner is under Subchapter C, and very little land is qualified under that subchapter, the bill's cost would not be significant.

The bill would take effect September 1, 2017.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS