

## **BILL ANALYSIS**

Senate Research Center  
86R3161 JES-F

S.B. 474  
By: Hancock  
Property Tax  
3/18/2019  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Last session, the Texas Constitution was amended by statewide vote to permit property valued for agricultural use to be used as collateral for home equity loans (S.J.R. 60 by Hancock). However, existing statute states that if homestead land secures a home equity loan, it cannot be used for agricultural use under Section 23.42(a-1), Tax Code. This directly contradicts the authority to use the land as collateral now expressly stated in the constitution.

While the constitution takes precedent over statute, this contradiction creates confusion among homestead property owners in rural areas or estate subdivisions attempting to obtain a home equity loan. Some property owners experience difficulties in accessing the accumulated equity on their property due to all or a portion of the land being designated as an agricultural use tax exemption.

S.B. 474 repeals Section 23.42(a-1), Tax Code, in its entirety, eliminating the contradiction with the Texas Constitution.

As proposed, S.B. 474 amends current law relating to the eligibility of land secured by a home equity loan to be designated for agricultural use for ad valorem tax purposes.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to any state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 23.42(a), Tax Code, to remove an exception to an individual's entitlement to have land he owns designated for agricultural use.

SECTION 2. Repealer: Section 23.42(a-1) (relating to a provision that an individual is not entitled to have land designated for agricultural use if the land secures a home equity loan), Tax Code.

SECTION 3. Effective date: January 1, 2020.