

## **BILL ANALYSIS**

Senate Research Center  
86R2964 LHC-D

S.B. 555  
By: Schwertner et al.  
Property Tax  
3/18/2019  
As Filed

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

Currently, the State of Texas provides specific property tax exemptions for property in agricultural use, so a property owner only pays taxes on the value of the land based on its current use, rather than its potential market value.

When previously exempted land changes to a use that does not qualify for the exemption, current code requires that the property owner pay the difference in taxes between the devalued property and the market value of the property for a certain amount of time (three years for Agricultural Exemption; five years for Open-Space Exemption and Timber Exemption). In addition to those rollback taxes, property owners are required to pay seven percent compounded interest on those taxes.

Current law specifies that these taxes are not due if the land previously qualified as an open-space or timber exemption and was taken through condemnation, but no comparable exemption exists for an agricultural exemption. These rollback taxes and interest are due even if the land was taken out of an agricultural use through eminent domain. S.B. 555 ensures that property owners are not forced to pay rollback taxes on condemned land they had no choice but to sell.

S.B. 555 clarifies that, should land be diverted to a nonagricultural use as a result of a condemnation, the additional taxes and interest are the obligation of the condemning entity, not the property owner.

As proposed, S.B. 555 amends current law 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.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 23.46, Tax Code, by adding Subsection (g), as follows,

(g) Provides that if additional taxes are due because the land has been diverted to a nonagricultural 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.

SECTION 2. Makes application of this act prospective.

SECTION 3. Effective date: September 1, 2019.