

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 12, 2019

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director     Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB794** by King, Phil (Relating to the repeal of the additional ad valorem taxes imposed as a result of certain changes in the use of open-space land appraised as agricultural land.),  
**As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB794, As Introduced: a negative impact of (\$9,184,000) through the biennium ending August 31, 2021.

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
2020	(\$3,077,000)
2021	(\$6,107,000)
2022	(\$4,799,000)
2023	(\$3,659,000)
2024	(\$2,493,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Cities
2020	(\$3,077,000)	(\$122,158,000)	(\$35,027,000)	(\$7,521,000)
2021	(\$6,107,000)	(\$395,328,000)	(\$111,113,000)	(\$23,788,000)
2022	(\$4,799,000)	(\$416,708,000)	(\$115,457,000)	(\$24,644,000)
2023	(\$3,659,000)	(\$438,924,000)	(\$119,971,000)	(\$25,531,000)
2024	(\$2,493,000)	(\$462,219,000)	(\$124,661,000)	(\$26,450,000)

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from <i>Other Special Districts</i></b>
2020	(\$26,047,000)
2021	(\$83,508,000)
2022	(\$87,700,000)
2023	(\$92,101,000)
2024	(\$96,724,000)

**Fiscal Analysis**

The bill would repeal Section 23.55 of the Tax Code, regarding additional property taxes and interest imposed on a taxpayer who changes the use of land qualified for special appraisal as open-space agricultural land. The bill would make conforming changes elsewhere in the Tax Code and in other Codes.

The bill would take effect September 1, 2019.

**Methodology**

Tax Code Section 23.55 imposes an additional property tax and interest in certain instances when the property owner changes the use of agricultural land that receives a special reduced appraisal as qualified open-space agricultural land. The additional tax is computed based on the difference in each of the preceding 5 years between the market value of the land and the taxable value of the land as reduced by the special appraisal. Interest is computed at 7 percent. The bill's proposed repeal of Section 23.55 would create a cost to school districts and other units of local government because they would no longer receive the additional tax and interest. The loss of the additional tax would also create a cost to the state through the operation of the school funding formula.

The bill does not repeal Section 23.46 of the Tax Code, regarding additional taxation, a provision in Subchapter C of the Tax Code that is similar to the provision that this bill would repeal. Little agricultural land is qualified under Subchapter C because its qualification requirements are much more stringent. Further, because of its requirement that the owner's income be primarily from the agricultural operations the land tends to be further from urban areas, is less likely to be diverted from an agricultural use, and the difference between the special appraised value and the market value is less. For these reasons, and the lack of relevant information, no adjustment for the absence of a Section 23.46 repeal was made to the estimated costs in the table below and any such adjustment would be insignificant.

The costs were estimated based on information from appraisal districts. Because of the bill's September 1, 2019 effective date, only one-third of the annual cost was included in fiscal 2020. Under provisions of the Education Code, only a small portion of the school district loss would be transferred to the state because there would be a collections loss, but no corresponding value loss.

**Local Government Impact**

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

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

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