

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: HB1970 by Hefner (Relating to the additional tax imposed on land appraised for ad valorem tax purposes as qualified open-space land if a change in use of the land occurs.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB1970, As Introduced: a negative impact of (\$5,529,000) 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 | (\$1,865,000) |
| 2021 | (\$3,664,000) |
| 2022 | (\$2,879,000) |
| 2023 | (\$2,195,000) |
| 2024 | (\$1,496,000) |

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 | (\$1,865,000) | (\$62,106,000) | (\$17,892,000) | (\$3,761,000) |
| 2021 | (\$3,664,000) | (\$199,342,000) | (\$56,190,000) | (\$11,775,000) |
| 2022 | (\$2,879,000) | (\$210,277,000) | (\$58,387,000) | (\$12,199,000) |
| 2023 | (\$2,195,000) | (\$221,619,000) | (\$60,669,000) | (\$12,638,000) |
| 2024 | (\$1,496,000) | (\$233,509,000) | (\$63,041,000) | (\$13,093,000) |

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>Other Special Districts</i> |
|--------------------|---------------------------------------------------------------------------------|
| 2020 | (\$13,305,000) |
| 2021 | (\$42,230,000) |
| 2022 | (\$44,350,000) |
| 2023 | (\$46,576,000) |
| 2024 | (\$48,913,000) |

Fiscal Analysis

The bill would amend Chapter 23, Subchapter D of the Tax Code, regarding property tax appraisal methods and procedures, to provide that if the use of qualified open-space land changes to a non-qualifying use, an additional tax is imposed equal to the difference in the taxes that would have been paid at market value and the taxes that were actually paid over the past two years (rather than five years).

The bill would take effect September 1, 2019.

Methodology

Under Chapter 23 of the Tax Code, qualified land is appraised at a value much lower than its market value. Generally, when the use of the land changes to a non-qualifying use, Chapter 23 requires that landowners pay the difference between the market value and the productivity value of qualified agricultural or timber land plus interest for each of the five years preceding a change in the use of the land (rollback). The bill's change in the rollback period from five years to two years would create a cost to local taxing units and to the state through the operation of the school funding formulas because the taxing units would no longer receive the revenue from the full five years.

The estimated costs were based on rollback information from a sample of appraisal districts. Information from responding appraisal districts was extrapolated to other districts and the results were projected through the five-year period in the table above. 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