

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 26, 2019

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Property Tax

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

IN RE: SB701 by Nichols (Relating to the qualification of land for appraisal for ad valorem tax purposes as timber land or restricted-use timber land.), **As Introduced**

Passage of the bill would permit some land to qualify for reduced timber-use appraisal that is currently ineligible. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

The bill would amend Section 23.72 of the Tax Code, regarding qualification for productivity appraisal, to provide that in determining whether land is currently and actively devoted principally to the production of timber or forest products to the degree of intensity generally accepted in an area, a chief appraiser may not consider the purpose for which a portion of a parcel of land is used if the portion is:

- used for a purpose associated with the production of timber or forest products, including use as a road, right-of way, buffer area, or firebreak; or
- subject to a right-of-way that was taken through the exercise of the power of eminent domain.

For the purpose of the appraisal of land as qualified timber land, a portion of a parcel of land described above would be considered land that qualifies for special use appraisal as timber land if the remainder of the parcel qualifies.

The bill would also add Section 23.765 of the Tax Code, regarding oil and gas operations on land, to provide that the eligibility of land for appraisal under this subchapter does not end because a lessee under an oil and gas lease begins conducting operations over which the Railroad Commission of Texas has jurisdiction on the land if the portion of the land on which oil and gas operations are not being conducted otherwise continues to qualify for appraisal under this subchapter.

The bill would make similar changes to Subchapter H, Section 23.9802 of the Tax Code related to qualification for appraisal as restricted use timber land and would add the oil and gas provisions in a separate section in Subchapter H.

The bill contains two provisions that would create a cost to local taxing units with qualified timber land, and to the state through the operation of the school funding formulas:

- The bill's provision that in determining whether land is currently and actively devoted principally to the production of timber or forest products to the degree of intensity generally accepted in an area, a chief appraiser may not consider the purpose for which a portion of a parcel

of land is used if the portion is used for specified purposes that are not directly related to the harvesting of timber would create a cost because currently land must be currently and actively devoted principally to the production of timber or forest products to qualify for special timber-use appraisal. Under the bill's provision some land would qualify for reduced timber-use appraisal that is currently ineligible.

- The bill's provision that the eligibility of land for special appraisal does not end because a lessee under an oil and gas lease begins conducting operations over which the Railroad Commission of Texas has jurisdiction on the land if the portion of the land on which oil and gas operations are not being conducted otherwise continues to qualify for appraisal under this subchapter would create a cost because currently this land would be considered ineligible for the reduced timber-use appraisal.

The number of acres that would qualify for reduced timber-use appraisal and the amount of the reduction are unknown. Consequently the cost of the bill cannot be estimated.

The bill would take effect on September 1, 2019 and apply only for a tax year the begins on or after the effective date.

Local Government Impact

Passage of the bill would permit some land to qualify for reduced timber-use appraisal that is currently ineligible. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS