

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 22, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2014 by Lucio III (relating to the system for appraising property for ad valorem tax purposes.),
Committee Report 1st House, Substituted

Provisions of the bill which authorize a taxing unit in a declared disaster area to extend by official action the number of days from 175 to 270, that certain personal property may remain at a defined location before losing eligibility for a goods in transit exemption could result in taxable values being reduced and the related costs to the Foundation School Fund increased through the operation of the school finance formulas. The frequency and location of future disasters and how many taxing units would choose to extend this exemption is unknown; consequently, the cost of this provision cannot be estimated.

Provisions of the bill which provide that a change in the use of land from qualifying open-space land to a non-qualifying use in which the physical characteristics of the land remain consistent with the physical characteristics of the land during the period for which the land was eligible for special appraisal is not subject to the additional tax penalty and interest as a result of changing the use of the land would be a cost to local taxing units and to the state through the operation of the school funding formula. The number and value of acres that have lost the special appraisal designation or that would lose the designation in the future, but retain certain physical characteristics is unknown. As a result, the cost of this provision cannot be estimated.

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to increase the number of days that a governing body may permit property to remain at a particular location and remain eligible for a goods in transit exemption. The bill would authorize a taxing unit in a declared disaster area to extend by official action the number of days from 175 to 270, that certain personal property may remain at a defined location before losing eligibility for the tax exemption.

The bill would amend 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 provide that a property owner may request in writing that the chief appraiser determine whether a change of use of the property owner's land has occurred. The bill would require the chief appraiser to provide the property owner with a written determination whether the current use of the land resulted in a change of use of the land within 90 days of receiving the request. The bill would prohibit the chief appraiser from later determining that a change of use of the land has occurred on the basis of the use described in the written determination. The bill would provide that a change in the use of land in which the physical characteristics of the land remain consistent with the physical characteristics of the land during the period for which the land was eligible for special appraisal is not subject to the additional tax penalty and interest.

The bill would amend Chapter 25 of the Tax Code, regarding property taxation and local appraisal, to provide that each appraisal record have a unique account number and an owner must be notified of any changes in the account number in the notice of appraised value. The bill would prohibit a chief appraiser from delivering a corrected or amended notice of appraised value later than June 1 for property for which a person files a rendition statement or property report unless to correct a clerical error or to include omitted property.

The bill would amend Chapter 41 of the Tax Code, regarding local appraisal review, to permit a protest to be heard by a single-member panel on request of the property owner and to provide that if the recommendation of a single-member panel is not accepted by the board, the board may refer the matter for rehearing to a different single-member panel or the board may determine the protest. The bill would require an appraisal review board (ARB) determination of value to list separately the value of the land and improvements. The bill would provide special provisions for appraisal districts established in counties with a population of 120,000 or more. The bill would prohibit a property owner from appealing separately the portion of an order of an ARB determining the appraised value of land or the portion of the order determining the appraised value of an improvement to the land if the order determined the appraised value of both.

The bill's proposed grant of authority to taxing units to extend the deadline for goods in transit would create a cost to taxing units and to the state through the operation of the school finance formula to the extent that taxing units that exempt goods in transit property choose to extend the deadline. Many taxing units took action to tax this personal property under previous constitutional authority to do so, and the exemption does not apply in those districts. The frequency and location of future disasters and how many taxing units would choose to extend this exemption is unknown; consequently, the cost of this provision cannot be estimated.

Land qualified for open-space appraisal is appraised according to a special appraisal formula that results in an appraised value significantly less than market value. Tax Code Section 23.55 imposes an additional property tax and interest when a property owner changes the use of land receiving a special reduced appraisal from a use which qualifies for special agricultural productivity or open space appraisal to a non-qualifying use (ag rollback tax). The bill's provision exempting land from this additional tax and interest as long as the physical characteristics of the land remain consistent with the physical characteristics of the land when it qualified for special appraisal would be a cost to local taxing units and to the state through the operation of the school funding formula. The number and value of acres that have lost the special appraisal designation or that would lose the designation in the future, but retain certain physical characteristics is unknown. As a result, the cost of the bill cannot be estimated.

The bill would take effect January 1, 2022.

Local Government Impact

Provisions of the bill which authorize a taxing unit in a declared disaster area to extend by official action the number of days from 175 to 270, that certain personal property may remain at a defined location before losing eligibility for a goods in transit exemption could result in taxable values and the related ad valorem tax revenue being reduced. The frequency and location of future disasters and how many taxing units would choose to extend this exemption is unknown; consequently, the cost of this provision cannot be estimated.

Provisions of the bill which provide that a change in the use of land from qualifying open-space land to a non-qualifying use in which the physical characteristics of the land remain consistent with the physical characteristics of the land during the period for which the land was eligible for special appraisal is not subject to the additional tax penalty and interest as a result of changing the use of the land would be a cost to local taxing units. The number and value of acres that have lost the special appraisal designation or that would lose the designation in the future, but retain certain physical characteristics is unknown. As a result, the cost of this provision cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI