

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 20, 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 ad valorem taxation.), **As Introduced**

**Passage of the bill would provide that that the additional property tax and interest that result 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 only apply if the chief appraiser delivers the notice of the determination of change of use within 180 days of being notified or discovering the change of use. In some instances this may prevent the imposition of additional property taxes and interest associated with the change in use. In these instances, the loss of the additional tax and interest would be a cost to local taxing units and to the state through the operation of the school finance formulas. The frequency and value of notice of change in use determinations that currently extend beyond 180 days from knowledge of the change in use is unknown. Therefore, the bill's fiscal implication cannot be determined.**

The bill would amend Chapter 201 of the Labor Code, relating to eligibility for unemployment compensation to add members of an appraisal review board to the list of services excluded from the definition of employment.

The bill would amend Chapter 23 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 require a chief appraiser deliver the notice of the determination of change of use within 180 days of being notified or discovering the change of use or the additional taxes and interest would not apply.

The bill would amend Chapter 25 of the Tax Code, regarding property taxation and local appraisal, to provide 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 require that a notice of appraised value not be delivered until the chief appraiser has determined the appraised value of the property if a rendition or property report has been filed under the requirements of the code. The bill would prohibit a chief appraiser from delivering corrected, amended, or additional notice of appraised value of property rendered that increases its value above the original notice 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 be heard by a single-member panel on request or with the assent 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 ARB determination of value to list separately the value of the land and improvements. The bill would provide timelines a chief appraiser must deliver information to the protesting party to use information requested by the protesting party in a hearing. 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.

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. The 180 day deadline provided by the bill, in some instances, might prevent the imposition of additional tax and interest associated with land losing eligibility for reduced special property tax appraisal. In these instances, the loss of the additional tax and interest would be a cost to local taxing units and to the state through the operation of the school funding formula. The frequency and value of notice of change in use determinations that currently extend beyond 180 days from knowledge of the change in use is unknown. Therefore, the bill's fiscal impact cannot be determined.

The bill would take effect January 1, 2022.

### **Local Government Impact**

Passage of the bill would provide that that the additional property tax and interest that result 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 only apply if the chief appraiser delivers the notice of the determination of change of use within 180 days of being notified or discovering the change of use. In some instances this may prevent the imposition of additional property taxes and interest associated with the change in use. In these instances, the loss of the additional tax and interest would be a cost to local taxing units. The frequency and value of notice of change in use determinations that currently extend beyond 180 days from knowledge of the change in use is unknown. Therefore, the bill's fiscal implication cannot be determined.

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

**LBB Staff:** JMc, KK, SD, BRI