

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: HB2428 by Murr (relating to the calculation of net to land in the appraisal of open-space land for ad valorem tax purposes.), **Committee Report 1st House, Substituted**

Passage of the bill would require that for open-space land located in or adjacent to a wildlife or livestock disease or pest area, a chief appraiser take into consideration the effect that the presence of the disease, pest, or designation of the area has on the net income from the land. To the extent that chief appraisers are not taking into consideration any impact of these designated areas 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 of the Tax Code, regarding property tax appraisal methods and procedures to amend the definition of "net to land." The bill would change the calculation for "net to land" to state in calculating net to land of open-space land located in or adjacent to a wildlife or livestock disease or pest area, the chief appraiser shall take into consideration the effect that the presence of the applicable disease or pest or the designation of the area has on the net income from the land.

The bill would define "wildlife or livestock disease or pest area" as an area designated by a state agency in which a disease or pest that affects wildlife or livestock exists or may exist including a chronic wasting disease containment or surveillance zone and an area subject to a quarantine authorized by Subtitle C, Title 6, Agriculture Code.

Qualified open space land is appraised according to a statutory formula that results in an appraised value that is significantly less than the market value. Net to land value is the average annual net income that a class of land would likely generate over a five-year period and pivotal in determining special open space land appraisal. As a result, changes in the law that alter calculations used in this formula result in a fiscal impact to local taxing units and to the state through the school finance formulas.

Requiring that a chief appraiser consider the presence of an applicable disease, pest, or designation of an area could lower values further than the already reduced special appraisal. It is likely that in most counties with a wildlife or livestock disease or pest designation, the chief appraiser is already considering the effects of the disease or pest, especially if it is reflected in lease rates in the county. To the extent that chief appraisers are not taking into consideration any impact of these designated areas, there would be a cost to local taxing units and to the state through operation of the school funding formula. Insufficient information is available regarding the number of acres and decreased value attributable to wildlife or livestock disease or pest designations; consequently, the cost cannot be estimated.

The bill would take effect January 1, 2022.

Local Government Impact

Passage of the bill would require that for open-space land located in or adjacent to a wildlife or livestock disease or pest area, a chief appraiser take into consideration the effect that the presence of the disease, pest, or designation of the area has on the net income from the land. To the extent that chief appraisers are not taking

into consideration any impact of these designated areas 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: JMc, KK, SD, BRI