

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**April 18, 2021**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3833** by King, Phil (Relating to the additional ad valorem tax and interest imposed as a result of a change in the use of certain land.), **As Introduced**

**Passage of the bill would change the rollback period on which additional tax is owed if the use of certain restricted land changes to a non-qualifying use from five years to three years. As a result ad valorem tax revenue for school districts could be reduced and the related costs to the Foundation School Fund increased through the operation of the school finance formulas.**

The bill would amend Chapter 23, Subchapters F, G, and H of the Tax Code, regarding property tax appraisal methods and procedures, to provide that if the use of certain restricted 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 three years (rather than five years) plus interest calculated at 5 percent (rather than 7 percent).

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 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 three 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 bill's change in the rate at which interest is charged from 7 percent to 5 percent would create a cost to school districts and other local taxing units but not to the state because the interest on rollbacks is not included in the state's school funding formula. No rollback information is available for recreational park and scenic land, or public access airport property, or restricted-use timber land; consequently, the cost of the proposed rollback changes on taxing units containing this special appraised restricted land is unknown.

The bill would take effect September 1, 2021.

**Local Government Impact**

Passage of the bill would change the rollback period on which additional tax is owed if the use of certain restricted land changes to a non-qualifying use from five years to three years and change the rate at which interest is charged on the additional tax from 7 percent to 5 percent. As a result, 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