

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: HB4209 by Murr (Relating to the valuation of appraised value of qualified open-space land.), As Introduced

Passage of the bill would modify the definition of net to land used in the appraisal of open-spaced land to remove income from hunting and recreational leases. As a result, taxable values could be reduced and the associated 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 remove income received from hunting or recreational leases from the calculation of net to land used in special open-space land appraisal.

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. Removing income from hunting and recreational leases would significantly decrease the productivity value of special appraised land, creating a substantial 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 lease income or decreased taxable value that would be attributable to this provision; consequently, its cost cannot be estimated, but is expected to be significant.

The bill would take effect September 1, 2021.

Local Government Impact

Passage of the bill would modify the definition of net to land used in the appraisal of open-spaced land to remove income from hunting and recreational leases. As a result, taxable values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

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