

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 5, 2023

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB260 by Murr (Relating to the calculation of net to land in the appraisal of open-space land for ad valorem tax purposes.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

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 an area designated by a state agency as an area in which a disease or pest that affects wildlife or livestock may exist, the chief appraiser shall take into consideration the effect that the presence of the applicable disease or pest has on the net income from the land.

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 would 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 pest or disease could lower values further than the already reduced special appraisal. It is likely that in most areas impacted, the chief appraiser is already considering the presence of pest or disease and its impact, especially if it is affecting lease rates or any other variable. To the extent that chief appraisers are not taking into consideration any effect of pest or disease, there would be a cost to local taxing units and to the state through operation of the school funding formula; however, the impact is not expected to be significant.

The bill would take effect January 1, 2024.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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