

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 24, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1027 by Slawson (Relating to the repeal of the additional ad valorem taxes imposed as a result of a sale or change of use of certain land.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB1027, As Introduced : a negative impact of (\$96,304,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	\$0
2025	(\$96,304,000)
2026	(\$101,218,000)
2027	(\$113,756,000)
2028	(\$123,054,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>
2024	\$0	\$0	\$0	\$0
2025	(\$96,304,000)	(\$480,000,000)	(\$33,607,000)	(\$142,331,000)
2026	(\$101,218,000)	(\$504,000,000)	(\$35,596,000)	(\$151,209,000)
2027	(\$113,756,000)	(\$529,000,000)	(\$37,352,000)	(\$159,139,000)
2028	(\$123,054,000)	(\$555,000,000)	(\$39,510,000)	(\$168,841,000)

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2024	\$0
2025	(\$131,400,000)
2026	(\$141,087,000)
2027	(\$150,072,000)
2028	(\$160,921,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code to repeal Section 23.55, 23.58 (c) and (d), Section 23.76, Section 23.86, 23.96, and 23.9807; removing the additional property taxes imposed as a result of the sale or

change in the use of land appraised as open-space land, timberland, parkland, or public access airport property.

The bill would make conforming changes in the Tax Code, Property Code, and Agricultural Code.

**Methodology**

Under Chapter 23 of the Tax Code, qualified land is appraised at a value much lower than market value. Tax Code Sections 23.55 (Subchapter D), 23.76 (Subchapter E), 23.86 (Subchapter F), 23.96 (Subchapter G), and 23.9807 (Subchapter H) impose an additional property tax and interest in certain instances when the property owner changes the use of the land that receives a special reduced appraisal; the additional tax is referred to as the rollback tax. The additional tax is computed based on the difference in each of the preceding three years between the market value of the land and the taxable value of the land as reduced by the special appraisal. The bill's proposed repeal of the rollback tax on land subject to special appraisal would create a cost to school districts and other units of local government because they would no longer receive the additional tax. The loss of the additional tax would also create a cost to the state through the operation of the school funding formula.

The bill does not repeal Section 23.46 of the Tax Code, regarding additional taxation on land subject to special appraisal as agricultural land under Subchapter C of the Tax Code, which is similar to the provisions the bill would repeal. Little agricultural land is qualified under Subchapter C because its qualification requirements are much more stringent. Further, because of its requirement that the owner's income be primarily from the agricultural operations the land tends to be further from urban areas, is less likely to be diverted from an agricultural use, and the difference between the special appraised value and the market value is less. For these reasons, and the lack of relevant information, no adjustment for the absence of a Section 23.46 repeal was made to the estimated costs and any such adjustment would be insignificant. Additionally, no timber, parkland or public access airport property rollback information is available; consequently, the effect of the proposed rollback changes on taxing units containing land in those categories is unknown.

The costs were estimated based on information from appraisal districts.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is \$96.3 million in fiscal year 2025, increasing to \$123.1 million in fiscal year 2028.

**Local Government Impact**

The fiscal impacts on units of local government are shown in the table above.

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

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