LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 26, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB255** by Guillen (relating to the definitions of certain terms for purposes of the exemption from ad valorem taxation of farm products in the hands of the producer.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

Contingent on the passage of HJR 31, the bill would expand the goods that are considered farm products to include items defined as farm products in Section 9.102 of the Business and Commerce Code, as well as poultry, eggs, and timber, together with standing timber.

The bill would revise the definition of "in the hands of the producer." For farm products other than timber, it would mean under the ownership of the person who is using or financially providing for the physical requirements of such farm products, while for timber it would mean timber, standing timber, and harvested timber located on the real property on which it was produced and is under the ownership of the person who owned the timber when it was standing on January 1 of the tax year.

Expanding the definition of farm products in the hands of the producer and are therefore exempt from the property tax would reduce taxable property value and associated property tax revenue to school districts which would result in a cost to the state through the operation of the school finance formula. However, the cost is not expected to be significant.

Local Government Impact

Contingent upon passage of a constitutional amendment authorizing the legislature to define farm products in the hands of the producer for the purposes of the property tax exemption, the bill would expand the list of items exempt from the property tax, which would reduce taxable value. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code would be higher as a consequence of the reduced taxable property value proposed by the bill. If cities, counties, and special districts did not adopt higher rates, local levies would be reduced. If those jurisdictions adopted higher tax rates, the initial revenue loss from the expanded exemption would be offset by increased tax levies from owners of non-exempt property and slightly reduced tax savings from owners of exempt property.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI