

SUBJECT: Reducing additional tax imposed on certain land after change of use

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — Burrows, Guillen, Bohac, Murphy, Noble, E. Rodriguez, Shaheen, Wray

0 nays

3 absent — Cole, Martinez Fischer, Sanford

WITNESSES: For — (*Registered, but did not testify:* Julia Rathgeber, Association of Electric Companies of Texas; Frank Murphy, Dallas Builders Association; Don Allen, Greater Fort Worth Builders Association; David Glenn, Home Builders Association of Greater Austin; Michael Jewell, Solar Energy Industries Association; Jeremy Fuchs, Texas and Southwestern Cattle Raisers Association; Scott Norman, Texas Association of Builders; Ray Head, Texas Association of Property Tax Professionals; Michael Pacheco, Texas Farm Bureau; Vance Ginn, Texas Public Policy Foundation; Daniel Gonzalez and Julia Parenteau, Texas Realtors; John Pitts Jr, Texas Solar Power Association)

Against — (*Registered, but did not testify:* Alexis Tatum, Travis County Commissioners Court)

BACKGROUND: Tax Code ch. 23, subchs. D and E govern the appraisal of qualified agricultural use and timber use land, respectively, which cannot exceed the market value determined by other appraisal methods.

Under sec. 23.55, if the use of land appraised as agricultural land changes, an additional tax is imposed on the land equal to the difference between the original tax imposed and the tax that would have been imposed on the basis of market value for the five years preceding the change in use, plus interest at an annual rate of 7 percent. Sec. 23.76 imposes the same additional tax and interest on land appraised as timber land, if the land use changes.

Some have suggested that the additional tax and interest imposed on agricultural or timber land when a change in use occurs is excessive.

DIGEST: HB 1743 would reduce the additional tax and interest imposed on agricultural or timber land after a change of use had occurred to the difference in taxes for the preceding three years, plus interest at an annual rate of 5 percent.

The bill would take effect September 1, 2019, and apply only to a change of use of agricultural or timber land that occurred on or after that date.

NOTES: According to the Legislative Budget Board, the bill would have an estimated negative impact of \$3.7 million to general revenue related funds for fiscal 2020-21.