

- SUBJECT:** Limiting rollback taxes and interest imposed after change in land use
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 11 ayes — Meyer, Thierry, Button, Cole, Guerra, Martinez Fischer, Murphy, Noble, Rodriguez, Sanford, Shine
- 0 nays
- WITNESSES:** For — Scott Norman, Texas Association of Builders; (*Registered, but did not testify*: James LeBas, AECT, TXOGA, and IBAT; David Mintz, Texas Apartment Association; Rick Dennis, Texas Association of Property Tax Professionals)
- Against — (*Registered, but did not testify*: Julie Wheeler, Travis County Commissioners Court; Susana Carranza; Linda Guy; Courtney Perry)
- On — (*Registered, but did not testify*: Korry Castillo, Comptroller of Public Accounts)
- BACKGROUND:** Under Tax Code sec. 23.86, if land that was appraised as recreational, park, or scenic land is no longer subject to a deed restriction or is diverted to another use, an additional tax is imposed on the land for the preceding five years, plus interest at an annual rate of 7 percent.
- Secs. 23.96 and 23.9807 establish a similar rollback period for additional taxes and interest imposed on land appraised as public access airport property or restricted-use timber, respectively, if the land was no longer subject to a deed restriction or if there was a change in land use.
- DIGEST:** HB 3833 would limit additional taxes imposed on land appraised as recreational, park, or scenic land; public access airport property; or restricted-use timber for which the use of land changed or that was no longer subject to a deed restriction. Additional taxes could be imposed only on the preceding three tax years, plus interest at an annual rate of 5 percent.

The bill would take effect September 1, 2021, and would apply only to a change of use of land that occurred on or after that date.

**SUPPORTERS
SAY:**

HB 3833 would reduce the tax burden for certain property owners and standardize tax laws. Under current law, certain types of land are appraised using methods other than market value, but if the use of that land changes, there is a rollback period of five years during which the land faces penalties. The bill would limit the rollback period such that additional taxes would be imposed only for the preceding three years, rather than five years, and at an interest rate of 5 percent, rather than 7 percent. In 2019, the Legislature made this limitation for agricultural use and timber use land, and this bill would be a logical extension of that policy by providing the same for park lands, airport property, and restricted-use timber land.

While local governments may have concerns about not being able to generate these revenues, property owners have the right to choose how to use their land and should not face such high penalties. Such punitive measures discourage property owners from finding the best use for their land and may make selling the land more difficult.

**CRITICS
SAY:**

By limiting rollback taxes and interest imposed on certain properties that had a change in use, HB 3833 would negatively impact local government revenues and could affect their ability to provide public services.

NOTES:

According to the Legislative Budget Board, the bill could reduce property tax revenue for school districts, and related costs to the Foundation School Fund would increase through the operation of the school finance formulas. However, because no rollback information for the types of land under the bill is available, the cost is unknown.