

BILL ANALYSIS

Senate Research Center
84R1916 LEH-D

H.B. 376
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law applies a one-time tax (commonly known as the "rollback tax") to a property owner who changes the use of qualified open-space land such that the land loses its classification. When this occurs, the property owner is required to pay a tax equal to the difference between what the tax would have been at market value without the exemption and the actual tax paid for each of the preceding five years, plus a seven percent annual interest rate. However, this tax does not apply if the change of the land's use occurs as a result of a transfer of the property to the state or a political subdivision of the state to be used for a public purpose.

Some municipalities wishing to attract economic development have been known to buy qualified open space land from a developer, change the use of the land, and then sell the land back to the developer. Because the change in use occurred while the land was in possession of a nontaxable entity—a political subdivision of the state—the developer avoids the rollback tax entirely. Therefore, the county and the local school district miss out on significant tax revenue.

H.B. 376 seeks to close this loophole in the Tax Code by applying a rollback tax to property owners who convey and reacquire certain land.

H.B. 376 amends current law relating to the additional tax imposed on land appraised for ad valorem tax purposes as open-space land if a change in use of the land occurs.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.55, Tax Code, by adding Subsections (r) and (s), as follows:

(r) Provides that a property owner is subject to the sanctions provided by Subsection (a) if the property owner, a subsidiary of the property owner, or an affiliate of the property owner, or another person acting in concert with the property owner, subsidiary, or affiliate, or any combination of those persons acting in concert with one another:

(1) conveys land that has been appraised as provided by this subchapter to a person, the state, or a political subdivision of the state who changes the use of the land but is not subject to the sanctions provided by Subsection (a) (relating to the appraised value of the land for land that has changed uses) for that action; and

(2) on or before the fifth anniversary of that conveyance regains possession of the land; and uses the land in a way that would have subjected the land to the sanctions provided by Subsection (a) (relating to a change of land use affecting the computation of tax) if the change had occurred before the conveyance described by Subdivision (1).

(s) Provides that for purposes of determining the amount of the sanction provided by Subsection (a), the date of a change in the use of land that results in imposition of the sanction is the date of the conveyance described by Subsection (r)(1).

SECTION 2. Provides that Sections 23.55(r) and (s), Tax Code, as added by this Act, apply to a change of use of land that occurs on or after the effective date of this Act. Provides that a change of use of land that occurred before the effective date of this Act is governed by the law in effect when the change of use occurred, and the former law is continued in effect for that purpose.

SECTION 3. Effective date: upon passage or September 1, 2015.