

## **BILL ANALYSIS**

Senate Research Center  
85R2166 SMH-F

S.B. 330  
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Finance  
3/7/2017  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 330 makes it easier for veterans and young beginning farmers to have their land qualify for favorable agricultural property tax valuation, which would eliminate one expensive startup cost that inhibits beginning farmers from starting their businesses.

Texas needs young farmers for the viability of the agricultural industry and to help preserve land. According to Texas AgriLife Extension, the average age of farmers in Texas is 60.1, and there has been an 18 percent decline in young beginning farmers. Only six percent of Texas farmers are under the age of 35, and half of all current farmers in the United States are estimated to retire within the next decade. Further, Texas is losing farmland faster than any other state, which only exacerbates the impact of a declining farmer population.

Agricultural valuation saves farmers several hundred to several thousand dollars in property taxes and makes new farms more attractive to investors. Agricultural land is valued based on its productive agricultural value, that is, on how much money is made selling products cultivated on the land, rather than the land's residential or development value. If not classified agricultural, property valuation may be increased at speculative development rates. This inability to predict taxes with certainty discourages private investment.

Farmers must wait years before qualifying for agricultural valuation. Section 23.51(1), Tax Code, requires land be in agriculture use for five of the preceding seven years. Young people and returning military veterans often can not afford to wait. In an AgriLife survey, access to affordable land was the number one barrier identified by veteran and young beginning farmers. As it is, farming has high startup costs and often does not pay dividends for years; cattle take time to grow, orchards take years to bear fruit, and soil takes years to provide good harvests. Most farms have very small profit margins and many beginning farms operate at a net loss.

Ensuring land is kept in agricultural use is a net benefit to local governments. Any prospective loss in local tax revenue is offset in large part by government savings because agricultural lands require less infrastructure and services. Further, farms preserve open green spaces, promote aquifer recharge and reduce flooding, and promote Texas' agricultural economy.

To encourage more veterans and young beginning farmers to bring land into agricultural use, S.B. 330 creates an exception to the requirement that land be in agricultural use for five years before qualifying for agricultural valuation—if the applicant is a veteran or a young beginning farmer.

As proposed, S.B. 330 amends current law relating to the qualification of land for appraisal for ad valorem tax purposes as qualified open-space land.

### **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 23.51(1), Tax Code, to redefine "qualified open-space land" to provide that land qualifies for appraisal as qualified open-space land under this subchapter if the land:

(A) is currently devoted principally to agricultural use to the degree of intensity generally accepted in the area;

(B) was devoted principally to agricultural use or to production of timber or forest products for the preceding year; and

(C) is owned or managed by:

(i) a veteran of the armed services of the United States; or

(ii) an individual who, at the time the owner filed an initial application for appraisal of the land under this subchapter, was less than 35 years of age and had not served as the principal operator of a farm or ranch for any period of more than 10 consecutive years.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2018.