

BILL ANALYSIS

Senate Research Center
86R20781 LHC-D

C.S.S.B. 555
By: Schwertner et al.
Property Tax
3/27/2019
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the State of Texas provides specific property tax exemptions for property in agricultural use, so a property owner only pays taxes on the value of the land based on its current use, rather than its potential market value.

When previously exempted land changes to a use that does not qualify for the exemption, current code requires that the property owner pay the difference in taxes between the devalued property and the market value of the property for a certain amount of time (three years for the agricultural exemption; five years for open-space exemption and timber exemption). In addition to those rollback taxes, property owners are required to pay seven percent compounded interest on those taxes.

Current law specifies that these taxes are not due if the land previously qualified as an open-space or timber exemption and was taken through condemnation, but no comparable exemption exists for an agricultural exemption. These rollback taxes and interest are due even if the land was taken out of an agricultural use through eminent domain. S.B. 555 ensures that property owners are not forced to pay rollback taxes on condemned land they had no choice but to sell.

S.B. 555 clarifies that, should land be diverted to a nonagricultural use as a result of a condemnation, the additional taxes and interest are the obligation of the condemning entity, not the property owner. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 555 amends current law relating to the qualification of land for appraisal for ad valorem tax purposes as agricultural land and the liability for the additional tax imposed on such land if the use of the land changes as a result of a condemnation.

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 23.46, Tax Code, by adding Subsections (e-1) and (g), as follows,

(e-1) Provides that a portion of a parcel of land is not diverted to nonagricultural use for purposes of Subsection (c) (relating to taxes due if land designated for agricultural land use is sold or diverted to nonagricultural use) because the portion is subject to a right-of-way that is less than 200 feet wide and that was taken by condemnation if the remainder of the parcel of land qualifies for appraisal under this subchapter (Land Designated for Agricultural Use).

(g) Provides that if additional taxes are due because the land has been diverted to a nonagricultural use as a result of a condemnation, the additional taxes and interest imposed by this section (Additional Taxation) are the personal obligation of the condemning entity and not the property owner from whom the property was taken.

SECTION 2. (a) Makes application of Section 23.46(e-1), Tax Code, as added by this Act, prospective.

(b) Makes application of Section 23.46(g), Tax Code, as added by this Act, prospective.

SECTION 3. Effective date: September 1, 2019.