

SUBJECT: Agricultural appraisal of land with a wholesale greenhouse operation

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Oliveira, McCall, Hartnett, Bonnen, Y. Davis, Heflin, Keffer, Ramsay, Ritter

1 nay — Craddick

1 absent — Hilbert

SENATE VOTE: On final passage, April 26 — 30-0

WITNESSES: None

BACKGROUND: Property Tax Code, sec. 23.42 establishes eligibility criteria for designating land for agricultural use for purposes of ad valorem tax appraisal. Land receiving this designation is appraised according to its productive value, which is typically well below its market value.

Agriculture Code, sec. 71.041 defines a florist item as a cut flower, potted plants, blooming plant, inside foliage plant, bedding plant, corsage flower, cut foliage, floral decoration, or live decorative material.

DIGEST: SB 1272 would entitle a property owner to have land designated for agricultural use if it was located in a county with a population of 35,000 or less and a wholesale greenhouse for growing florist items, as defined in the Agriculture Code, was operating on the land. The land would have to qualify otherwise as being in agricultural use. The owner could not use the land in conjunction with or contiguous to land on which retail florist operations occurred. The greenhouse would not be appraised separately but would be considered an appurtenance to the land.

The bill would take effect January 1, 2002.

SUPPORTERS SAY: Some large commercial nurseries in rural Texas have greenhouses nearly 10 acres in size. They must compete with larger nurseries in other areas, yet

they are ineligible for agricultural use appraisal. If the designation applies to cultivation of plants grown commercially in the ground, it also should apply to plants grown commercially indoors on agricultural land.

Granting agricultural appraisal for these properties would encourage rural economic development by giving large rural nurseries more incentive to supply plants to commercial outlets nationwide. It would make permanent greenhouses on agricultural land eligible for the designation just as temporary greenhouses are now.

The designation would be drawn narrowly to exclude retailers. Currently, the bill would apply only to a few growers, mostly in East and Southeast Texas. The Comptroller's Office estimates little or no impact on state or local government revenue.

OPPONENTS
SAY:

This bill's impact on local tax revenues might be minimal now, but that could change if these types of operations proliferated because of the relaxation in eligibility requirements for agricultural appraisal. Local school districts or other local governments could wind up collecting less revenue from businesses that only loosely can be defined as agricultural.

OTHER
OPPONENTS
SAY:

Agricultural appraisal should not be limited to wholesale florists. If economic development is the goal, small nurseries and florists should be allowed to take advantage of it as well. Tax breaks would benefit them proportionately more than large companies. Also, the county population limit specified by the bill is arbitrary and should be raised or removed.

NOTES:

The companion bill, HB 2757 by Ritter, passed the House on the Local, Consent, and Resolutions Calendar on May 5 and has been referred to the Senate Intergovernmental Relations Committee, which scheduled the bill for a public hearing on May 9.