

- SUBJECT:** Reappraising land temporarily quarantined for fever ticks
- COMMITTEE:** Local Government Ways and Means — favorable, without amendment
- VOTE:** 4 ayes — Hill, Puente, Quintanilla, Villarreal
0 nays
3 absent — Creighton, Elkins, C. Howard
- WITNESSES:** For — (*Registered, but did not testify:* Daniel Gonzalez, Texas Association of Realtors)
Against — None
On — Lee Flowers; Gerald “Buddy” Winn; (*Registered, but did not testify:* Bill Powers, Texas Animal Health Commission)
- BACKGROUND:** Tax Code, ch. 23, subch. C specifies appraisal methods and procedures on land used for agriculture.
Agriculture Code, ch. 167 empowers the Texas Animal Health Commission (TAHC) to determine tick-infested land and animals and temporarily quarantine a necessary perimeter of land around the infested area.
- DIGEST:** HB 967 would create the Rancher Relief Act (Tax Code, secs. 23.48 and 23.60) to govern the reappraisal of land designated for agricultural use and open-space land, respectively, if it were subject to a temporary quarantine due to tick infestation. Open-space land used for wildlife management would be excluded.
For both categories of land, HB 97 would allow the land owner to request a reappraisal in writing from the chief appraiser. The reappraisal would have to occur as soon as practicable and take into account how the tick infestation changed the value of the land. The cost of the reappraisal would be borne by the taxing district. If the land were in multiple districts, the districts would pay a proportionate amount based on the amount of property tax paid to each district the previous year.

Each taxing district would determine the prorated taxes by calculating the following sum:

- the total obtained by dividing the number of days in the year prior to the reappraisal by 365, then multiplying that quotient by the taxes paid based on the January 1 value of the land; plus
- the total obtained by dividing the number of days remaining in the year after the reappraisal, including the day of the reappraisal, by 365, then multiplying that quotient by the amount of taxes that would be paid based on the reappraised value of the land.

If the land owner owed less in taxes under the reappraisal than under the previous appraisal, the tax assessor would mail the owner a new tax bill or, if the owner had already paid the taxes, refund the difference. The chief appraiser still would reserve the right to correct the appraisal value under certain circumstances defined in the Tax Code.

For any subsequent year in which the property was under a tick quarantine, the chief appraiser would be required to weigh that circumstance against the value of the property.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

**SUPPORTERS
SAY:**

HB 967 would help ranchers whose income and property value has been adversely affected because their land has been placed under quarantine for fever ticks. The bill would be a small way to help property owners whose livelihood is severely impacted by an event beyond their control. These landowners have little recourse because they cannot replace their livestock, and the difficulty of selling or leasing their land is a large financial burden.

A rancher whose property is under quarantine for fever ticks faces just as significant a catastrophe as a landowner whose home has been devastated by a natural disaster and should be treated the same under property tax law, which allows for reappraisals for properties in disaster areas. Tick infestation affects the productive value of the property because the chief source of income — the cattle — is adversely affected. Fever ticks negatively impact weight gain, milk production, and reproduction of cattle. Although other diseases have adverse effects on agricultural land,

tick infestation is harder for the government to protect against and isolate because the ticks primarily come from animals crossing the Rio Grande from Mexico to the United States.

The financial burden placed on a landowner under quarantine is severe. It is difficult finding a person or company willing to lease the land under quarantine, and a property owner would be subject to a tax rollback if he or she decided to change the land's use. The quarantine also would be a significant liability in the event the owner wanted to sell the property.

The treatment options faced by ranchers involve significant costs and the opportunity cost of time, money and resources spent dealing with the disease instead of handling typical duties. Ranchers typically vacate the property for at least nine months and dip the animals in chemicals designed to rid them of ticks. Although ranchers can sell cattle for a reduced price after removing the ticks, they still have to rid their land of ticks before they can repopulate their properties.

Reappraising the land would not be a significant burden on appraisers, nor would it reduce local tax rolls in a meaningful way. Appraisers would not have to reexamine the property already appraised to recalculate property values but instead simply would recalculate estimates based on lost productivity. There would be no potential for abuse because a property would not become eligible unless the TAHC placed it under quarantine. Because property owners who use their land for agricultural purposes already receive a considerable tax break under Texas law, any reductions in taxes under this bill would not cause a significant change in the tax revenue of a taxing district.

**OPPONENTS
SAY:**

This bill is unnecessary because appraisers already can take into account conditions that adversely affect the value of property. By adding an option to reappraise land in the middle of a year, this bill would grant properties under tick quarantine special status currently only reserved for properties in disaster areas. While tick infestation is a serious problem, there are numerous other diseases that can adversely affect agricultural land and other setbacks beyond a property owner's control that do not merit a reappraisal in the same tax year.

A property owner significantly affected by a quarantine can notify an appraiser and seek a reduction of the property's appraised value in the year following the declaration. Most quarantines last at least nine months, so

the likelihood that a property would be under quarantine at the first of the year would be high. That property owner would get the additional benefit of a full year's appraisal under that value, even if the quarantine were not in effect for the entire year.

Although the current system is not perfect, the state should not encourage the practice of reappraising property piecemeal. Currently, only properties under a disaster declaration can seek a midyear appraisal. A property owner whose home is severely damaged by a fire does not receive a reappraisal midyear, and the owner would see no reduction in the appraised value if he or she rebuilt the home by January 1. The value of property is fluid, and the value of all property should be gauged at the same time to assure equity in the taxing system.

Other agricultural land owners plagued by devastating diseases also could seek a reappraisal using the precedent set by this bill. Property owners beset by cattle diseases such as brucellosis do not receive an instant tax benefit, nor do those whose cotton fields are decimated by boll weevils. Reappraising property due to tick infestation would reduce tax revenue to local school districts, requiring the state to offset these losses.

OTHER
OPPONENTS
SAY:

The bill should be extended to cover other agricultural diseases, not just tick quarantines. A variety of diseases and pest infestations can cause significant damage to the value of agricultural land, and the tax burden of those land owners also should be reduced under these circumstances.

A property owner benefiting from a reappraisal should be required to notify the chief appraiser upon the lifting of a tick quarantine, and the bill should include penalties to ensure it. In addition, the bill should include a formula allowing the chief appraiser to prorate the taxes owed on a property after such a notification. Under this bill, the property owner would benefit from lower prorated taxes in mid-cycle if a quarantine was placed on his property, and the same process should be used once the quarantine was lifted to ensure the land owner paid his fair share.

NOTES:

The author expects to offer an amendment to HB 967 that would specify that a property would have to be under quarantine for at least three months to qualify for the reappraisal in that tax year. Under the amendment, the appraised value of reappraised land could not be higher than the lesser of the market value of the land or half of the original appraised value for the current tax year. The amendment also would add a provision mandating

that the property owner promptly inform the chief appraiser in writing upon notification from the TAHC that the quarantine had been lifted. If the owner failed to do this, the chief appraiser would assess the owner for the taxes the owner would have owed if the property had not been subject to the different value because of the quarantine, plus a penalty.