

BILL ANALYSIS

Senate Research Center
84R5948 LEH-D

S.B. 974
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Owners of agricultural, or open-space, property are required to pay a "roll-back" tax penalty if a "change in use" determination is made by their county appraisal district. If the chief appraiser determines that the roll-back tax penalty provision applies, property owners are required to pay the difference between the taxes imposed on the land for each of the preceding five years and the tax that would have been imposed had the land been taxed on the basis of its market value in each of those five years, plus interest. One purpose of the roll-back tax penalty provision is to prevent landowners from keeping their land in nominal agricultural use while it's being developed for commercial uses to avoid paying taxes on the market value of the property until the development is complete. It also serves as a disincentive for property owners to develop their agricultural property, in an effort to preserve open-space land.

Agricultural landowners in rural areas argue that they should not be subject to the roll-back tax penalty if the land is in true agricultural production up until the date its use is changed. What's more, concerns of abuse and land preservation are of far less concern in rural counties and exempting rural landowners from the roll-back tax provision would allow them to take advantage of new economic opportunities that arise without being subject to an unnecessary penalty.

S.B. 974 specifies that the roll back tax penalty does not apply in a county with fewer than 25,000 residents. Landowners in rural counties then could change the use of their land from agricultural to non-agricultural use without being subject to the roll-back tax penalty.

As proposed, S.B. 974 amends current law relating to the additional tax imposed if the use of land located in certain counties and appraised for ad valorem tax purposes as open-space land is changed.

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 Subsection (r), as follows:

(r) Provides that the sanctions provided by Subsection (a) (providing that if the use of land that has been appraised as provided by this subchapter changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs that the land was appraised as provided by this subchapter and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent calculated from the dates on which the differences would have become due and the chief appraiser is prohibited from considering any period during which land is owned by the state in determining whether a change in the use of the land has occurred) do not apply to land located in a county with a population of less than 25,000.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2015.