

BILL ANALYSIS

Senate Research Center
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S.J.R. 51
By: Estes
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In order to promote the preservation of open-space land, the Texas Constitution and current law provide for an exemption from generally applicable ad valorem appraisal procedures. Qualifying open-space land is appraised according to an income capitalization formula, which bases the ad valorem taxes on the income from the land under ordinary, prudent management practices, instead of on its market value. If the land use changes so that the land no longer qualifies for the open-space land exemption, the county appraisal district imposes an additional, retroactive tax equal to the difference between the ad valorem taxes assessed under the open-space appraisal method and taxes that would have been assessed based on the land's market value for the five years preceding the change.

Under the Texas Constitution, land must be "devoted to farm, ranch, or wildlife management purposes" or timber production to be eligible for appraisal as open-space land. Oil and gas exploration and production do not qualify as open-space land uses. The result is that a landowner can lose eligibility to have land appraised under the open-space land exemption and owe five years of taxes based on the market value of land that is used for oilfield activity like drilling pads, production facilities, and tank batteries. Because the mineral estate is the dominant estate, a landowner ordinarily has little, if any, say in whether such facilities are built or where they are located. The adverse effects of losing open-space land exemptions due to oilfield activity are particularly harmful where the surface and minerals are severed, because in such situations, the surface owner loses the open-space land exemption without any corresponding gain in the form of royalties.

This joint resolution places a proposal on the next general election ballot to amend the Texas Constitution to allow the legislature to create exceptions to the existing requirement that land be devoted only to farm, ranch, wildlife management, or timber production in order to qualify for appraisal as open-space land. This amendment would enable S.B. 1514 to become law, providing that oil and gas operations under the jurisdiction of the Railroad Commission of Texas conducted by the lessee of a mineral estate would not render land ineligible for appraisal as open-space land.

S.J.R. 51 proposes a constitutional amendment authorizing the legislature to provide for exceptions to the requirement that open-space land be devoted to certain purposes for ad valorem taxation based on the land's productive capacity.

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 1-d-1(a), Article VIII, Texas Constitution, to authorize the legislature by general law to provide exceptions to the requirement that open-space land be devoted to a purpose described by this subsection (Regarding Preservation of Open-Space Land).

SECTION 2. Requires that the proposed constitutional amendment be submitted to the voters at an election held on November 7, 2017. Sets forth the required language of the ballot.