

SUBJECT: Exempting certain land from additional tax for open-space conversion

COMMITTEE: Local Government Ways and Means — favorable, without amendment

VOTE: 5 ayes — Hill, Hegar, Laubenberg, Puente, Quintanilla

0 nays

2 absent — McReynolds, Mowery

WITNESSES: For — Trey Jacobson, Toni Moorhouse, and Milo Nitschke, City of San Antonio

Against — None

BACKGROUND: Tax Code, ch. 23, subchapter D governs the appraisal of agricultural land for ad valorem taxation. The value of land appraised according to its agricultural productivity generally is less than the market value of the land as determined by other appraisal methods. Under sec. 23.55, if the use of agricultural land changes, an additional tax is imposed on the land, equal to:

- taxes imposed on the land for each of the five years preceding the year in which the change of use occurred, minus
- 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 the rate of 7 percent, calculated from the dates on which the differences would have become due.

Sec. 23.55(f) exempts land from this tax sanction if the change in land use results from a sale for right-of-way, a condemnation, or a transfer of the property to the state or a political subdivision for a public purpose.

DIGEST: CSHB 1980 would exempt property from the tax sanction on the change in agricultural land use if the property was transferred from a municipality with a population of more than 1 million to a person who intended to conduct a business on the property. The municipality would have to certify that the

business would create more than 1,500 new jobs for residents of the surrounding metropolitan area.

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, 2003.

**SUPPORTERS
SAY:**

CSHB 1980 is an integral part of the incentive package offered by the State of Texas, San Antonio, and Bexar County to recruit the Toyota manufacturing facility to south San Antonio. The bill would enable San Antonio to transfer underused agricultural land that the city has promised to Toyota and avoid a tax penalty on the land that could be close to \$450,000. The bill would allow San Antonio to meet its commitment to acquire land for the Toyota plant and cover the costs of transferring that land to the company.

CSHB 1980 would be a wise investment for the state, since the Toyota plant is anticipated to add at least 2,000 new, high-paying manufacturing jobs in the next three years. By forgoing the modest tax that current law would impose for this transfer, the state could simplify and speed up construction of the Toyota project. Because the manufacturing plant will generate, according to some estimates, \$14.9 million in tax revenue for the state through fiscal 2005, this bill would pay for itself within a year.

By requiring that any project qualifying for this exemption from the tax sanction create at least 1,500 new jobs, CSHB 1980 would be a powerful economic development tool for the state. The additional tax revenue and economic activity generated by such a project would benefit the state much more than the minimal tax revenue that otherwise would be owed.

**OPPONENTS
SAY:**

Although CSHB 1980 is intended to facilitate the transfer of land in south San Antonio to Toyota, the bill includes no specific language to that effect. While the benefits of the new Toyota project may outweigh the cost of this particular tax abatement, future cases could be quite different. The Legislature should not adopt an open-ended policy authorizing the forgiveness of a tax sanction on land previously used for agricultural purposes in any case that creates more than 1,500 jobs in a Texas city.