

- SUBJECT:** Providing guidelines for the appraisal of certain open-space land
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 8 ayes — Burrows, Guillen, Bohac, Murphy, Noble, E. Rodriguez, Shaheen, Wray
- 0 nays
- 3 absent — Cole, Martinez Fischer, Sanford
- WITNESSES:** For — Judith McGeary, Farm and Ranch Freedom Alliance; Harold Connett; Scott Snodgrass; (*Registered, but did not testify:* Carolina Mueller, Central Texas Young Farmers Coalition; Jay Crossley, Farm&City; David Glenn, Home Builders Association of Greater Austin; Alex Canepa, Sustainable Food Center; Ray Head, Texas Association of Property Tax Professionals; Andrew Smiley, Texas Organic Farmers and Gardeners Association; Amy Hedtke; Kelley Masters; Shirley Mount; Arthur Simon)
- Against — (*Registered, but did not testify:* Jeremy Fuchs, Texas and Southwestern Cattle Raisers Association)
- BACKGROUND:** Tax Code sec. 23.41 provides that certain land designated for agricultural use is appraised for the purposes of property taxation at its value based on the land's capacity to produce agricultural products, rather than market value. Sec. 23.51 lists requirements that land must meet to qualify for the agricultural appraisal, including what may be grown on the land.
- Some have noted that smaller agricultural operations near urban centers are not receiving this exemption because the land is appraised differently with regard to what qualifies as agricultural use of open-space land.
- DIGEST:** HB 97 would require the comptroller of public accounts to provide guidelines for the appraisal of qualified open-space land for the purposes of property taxation with regard to assessing uncommon agricultural uses.

**Definitions.** The bill would amend the Tax Code's definition of "qualified open-space land" to require a chief appraiser to distinguish between the degree of intensity required for various agricultural production methods, including organic, sustainable, pastured poultry, rotational grazing, and other uncommon production methods or systems.

The bill also would expand the list of uses that qualified open-space land for appraisal as land designated for agricultural use to include the production of fruits and vegetables.

**Guidelines.** The comptroller, in consultation with the Texas A&M AgriLife Extension Service and individuals selected by the comptroller who represent appraisal districts and affected producers, would be required to develop guidelines for determining under what conditions the cumulative effect of multiple agricultural uses of a tract of land met the degree of intensity generally accepted in the area.

The comptroller would partner with the Extension Service, representatives of appraisal districts, and representatives of small-scale producers to develop guidelines for determining under what conditions land under 10 acres used for the production of fruits, vegetables, poultry, hogs, sheep, or goats qualified for appraisal as land designated for agricultural use. These guidelines would have to provide that qualifying land under 10 acres used solely for the aforementioned purposes could not also qualify for appraisal if the owner of the land changed the use of the land to wildlife management.

These guidelines could include recordkeeping requirements and would allow the comptroller to consider factors deemed appropriate, including the financial investment of a producer, the degree of active management, and the percentage of a tract of land used for agricultural uses.

**Provision of guidelines.** By September 1, 2020, the comptroller would distribute the new guidelines to appraisal districts. The comptroller, in cooperation with appraisal districts, would be required to provide

educational resources to chief appraisers to assist with the appraisal of land using the developed guidelines.

The bill would take effect September 1, 2019, and would apply only to the appraisal of land for property tax purposes for a tax year that began on or after January 1, 2021.

**NOTES:**

According to the Legislative Budget Board, the bill would have a negative impact of \$150,000 on general revenue related funds through fiscal 2020-21 due to comptroller administrative costs. The bill's proposed changes to the definitions of qualified open space land and agricultural use would have an estimated negative impact of \$29.5 million on general revenue related funds beginning in fiscal 2023.