

BILL ANALYSIS

Senate Research Center

S.B. 765
By: Ratliff
State Affairs
4-21-97
Committee Report (Amended)

DIGEST

Currently, under the Tax Code, when a landowner who is growing crops or raising cattle decides to convert his land to timber production, the land, which was formerly classified as agricultural land and appraised at \$80 to \$90 an acre, is classified as timberland and is appraised at \$400 to \$600 an acre. Such a result may discourage landowners from growing timber at a time when additional trees would support the East Texas timber-based economy. Some 60 percent of East Texas' forest lands are owned by private, non-industrial landowners such as farmers and ranchers. One in seven of these privately owned acres are being replanted in trees after harvesting. Allowing farm and pasture lands to be converted to timber production would increase the number of acreage in timber production in East Texas. The landowner does not have income from the land for about 15 years since that is the amount of time it takes a forest to reach its merchantable size. This bill would amend the Tax Code to authorize the owner of certain open-space land that is converted to production of timber to elect to have the land continue to be appraised for property-tax purposes as open-space land for 15 years so long as certain conditions are satisfied.

PURPOSE

As proposed, S.B. 765 authorizes the appraisal for property tax purposes of certain open-space land that is converted to production of timber as open-space land if certain conditions are met.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 23D, Tax Code, by adding Section 23.59, as follows:

Sec. 23.59. APPRAISAL OF OPEN-SPACE LAND THAT IS CONVERTED TO TIMBER PRODUCTION. Authorizes the owner, if the owner's land has been appraised under this subchapter for at least five preceding years and is converted to production of timber after September 1, 1997, to elect to have the land continue to be appraised under this subchapter for 15 years after the date of the conversion, so long as the land qualifies for appraisal as timber land under Subchapter E. Provides that in that event, the land is deemed to be the same category of land under this subchapter as it was immediately before conversion to timber production. Provides that the election must be made by a new application filed as provided by Section 23.54 and remains in effect for 15 years or until a change in use of the land occurs. Provides that this section applies to the appraisal of land converted to timber production only until the end of the tax year in which the 15th anniversary of the date of the conversion occurs. Requires the land to be appraised as timber land as provided by Subchapter E in the 16th and subsequent years, so long as it qualifies as timber land under Subchapter E.

SECTION 2. Amends Section 23.72, Tax Code, to delete text providing that land qualifies for appraisal as provided by this subchapter if it has been devoted principally to production of timber or forest products or to agricultural use that would qualify the land for appraisal under Subchapter C or D of this chapter for five of the preceding seven years.

SECTION 3. Amends Sections 23.73(a) and (c), Tax Code, to prohibit the appraised value, in each

year until the end of the 12th year following the first year in which the timber land qualifies for appraisal under this subchapter after one or more years in which the land did not qualify for appraisal under this subchapter, from exceeding the lesser of the market value of the land as determined by other appraisal methods or the appraised value of the land according to Subchapter D as if the land qualified for appraisal under that subchapter. Prohibits the limitation, in the first year in which the limitation provided by this subsection may be applied, from being applied to more than 100 acres of timber land consisting of one tract or contiguous tracts owned by the same owner. Prohibits the limitation provided by this subsection, in the following 12-year period, from being applied to more than 400 acres of timber land owned by the same owner. Requires the chief appraiser, for the purposes of this section and Section 23.76, to determine the market value of qualified timber land and the appraised value of the timber land according to Subchapter D as if the land qualified for appraisal under that subchapter. Requires the chief appraiser to record in the appraisal records the market value of the land; the appraised value of the land according to this subchapter; and the appraised value of the land according to Subchapter D as if the land qualified for appraisal under that subchapter. Makes a conforming change.

SECTION 4. Effective date: September 1, 1997.

SECTION 5. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

Amendment 1.

Adds SECTIONS 2 and 3 to set forth amendments to Sections 23.72 and 23.73, Tax Code.
Renumbers subsequent sections accordingly.