

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 629  
By: Schwertner et al.  
Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Currently, the state of Texas provides specific property tax exemptions for property owners who are engaged in agriculture. This relief is provided by devaluing the land that is currently in production, so a property owner pays the taxes on how much the land is worth in its current use instead of its market value.

When a property owner changes the use of their land to a use that does not qualify for the exemption, current code requires that the property owner pay the difference in taxes between the devalued property and the market value property for a certain amount of time (three years for agriculture exemption; five years for open-space exemption). In addition to those back taxes, property owners are required to pay seven percent compounded interest on those back taxes. This adversely affects farmers and ranchers who unfortunately must exit the agriculture industry, often through retirement or hardship.

S.B. 629 eliminates the seven percent interest requirement when a change-of-use in land with the agriculture or open-space exemption occurs. These property owners should be afforded the right to use their property as they see fit, without a penalty of compounded interest on an already burdensome tax.

As proposed, S.B. 629 amends current law relating to liability for interest if land appraised for ad valorem tax purposes as agricultural or open-space land is sold or diverted to a different use.

### **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 Sections 23.46(c) and (d), Tax Code, as follows:

(c) Provides that, if land designated for agricultural use in any year is sold or diverted to nonagricultural use, the total amount of additional taxes for the three years preceding the year in which the land is sold or diverted becomes due, rather than the total amount of additional taxes for the three years preceding the year in which the land is sold or diverted plus interest at the rate provided for delinquent taxes becomes due. Requires the assessor for each taxing unit, under certain circumstances, to prepare and deliver a bill for the additional taxes as soon as practicable after the change of use occurs, rather than to prepare and deliver a bill for the additional taxes plus interest as soon as practicable after the change of use occurs. Provides that the taxes are due and become delinquent and incur penalties and interest as provided by law for other delinquent ad valorem taxes imposed by the taxing unit if not paid before a certain date, rather than provides that the taxes and interest are due and become delinquent and incur penalties and interest as provided by law for ad valorem taxes imposed by the taxing unit by a certain date.

(d) Provides that a tax lien attaches to the land on the date the sale or change of use occurs to secure payment of the additional tax imposed by Subsection (c) and any penalties and interest incurred if the tax becomes delinquent, rather than on the date of

the sale or change of use occurs to secure payment of the additional tax and interest imposed by Subsection (c) of this section and any penalties incurred.

SECTION 2. Amends Sections 23.47(c) and (d), Tax Code, to delete existing text regarding interest on a loan secured by a lien on land designated for agricultural use and to make conforming changes.

SECTION 3. Amends Sections 23.55(a), (b), (e), (f), (m), and (n), Tax Code, to delete existing text relating to interest at an annual rate of seven percent calculated from the dates on which the difference would have become due from the formula for calculating an additional tax imposed on land if the use of land that has been appraised as provided by this subchapter (Administrative Provisions) changes. Makes conforming and nonsubstantive changes.

SECTION 4. Amends Sections 23.58(c) and (d), Tax Code, to delete existing text relating to interest regarding a loan secured by a lien in favor of the lender on land appraised according to this subchapter and makes conforming changes.

SECTION 5. Makes application of Sections 23.46(c) and (d), Tax Code, as amended by this Act, prospective.

SECTION 6. Makes application of Sections 23.47(c) and (d), Tax Code, as amended by this Act, prospective.

SECTION 7. Makes application of Sections 23.55(a), (b), (e), (f), (m), and (n), Tax Code, as amended by this Act, prospective.

SECTION 8. Makes application of Sections 23.58(c) and (d), Tax Code, as amended by this Act, prospective.

SECTION 9. Effective date: September 1, 2017.