

BILL ANALYSIS

Senate Research Center
87R2208 LHC-D

S.B. 725
By: Schwertner et al.
Local Government
3/26/2021
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the State of Texas provides specific property tax exemptions for property in agricultural use, so a property owner only pays taxes on the value of the land based on its current use, rather than its potential market value.

When previously exempted land changes 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 of the property for the past three years. In addition to those rollback taxes, property owners are required to pay compounded interest on those taxes.

These rollback taxes and interest are due even if the land was taken out of an agricultural use through eminent domain taking. S.B. 725 ensures that property owners are not forced to pay rollback taxes on condemned land they had no choice but to sell.

As proposed, S.B. 725 amends current law relating to the qualification of land for appraisal for ad valorem tax purposes as agricultural land and the liability for the additional tax imposed on such land if the use of the land changes as a result of a condemnation.

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 23.46, Tax Code, by adding Subsections (e-1) and (g), as follows:

(e-1) Provides that a portion of a parcel of land is not diverted to nonagricultural use for purposes of Subsection (c) (relating to the taxation of certain agricultural land that is sold or diverted to a nonagricultural use) because the portion is subject to a right-of-way that is less than 200 feet wide and that was taken by condemnation if the remainder of the parcel of land qualifies for appraisal under Subchapter C (Land Designated for Agricultural Use).

(g) Provides that, if the additional taxes are due because the land has been diverted to a nonagricultural use as a result of a condemnation, the additional taxes and interest imposed by Section 23.46 (Additional Taxation) are the personal obligation of the condemning entity and not the property owner from whom the property was taken.

SECTION 2. (a) Provides that Section 23.46(e-1), Tax Code, as added by this Act, applies only to the appraisal of land for ad valorem tax purposes for a tax year that begins on or after the effective date of this Act.

(b) Makes application of Section 23.46(g), Tax Code, as added by this Act, prospective.

SECTION 3. Effective date: September 1, 2021.