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Lasara High School

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Property Tax Exemption for Farm Products

HB 20 – SB 23

Fiscal Note

State Government Impact
No significant fiscal implication to the State is anticipated.

The bill would revise the definition of "in the hands of the producer." For farm products other than timber, it would mean under the ownership of the person who is using or financially providing for the physical requirements of such farm products, while for timber it would mean timber, standing timber, and harvested timber located on the real property on which it was produced and is under the ownership of the person who owned the timber when it was standing on January 1 of the tax year.

Expanding the definition of farm products in the hands of the producer and are therefore exempt from the property tax would reduce taxable property value and associated property tax revenue to school districts which would result in a cost to the state through the operation of the school finance formula. However, the cost is not expected to be significant.

Local Government Impact
The bill would expand the list of items exempt from the property tax, which would reduce taxable value. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code would be higher as a consequence of the reduced taxable property value proposed by the bill. If cities, counties, and special districts did not adopt higher rates, local levies would be reduced. If those jurisdictions adopted higher tax rates, the initial revenue loss from the expanded exemption would be offset by increased tax levies from owners of non-exempt property and slightly reduced tax savings from owners of exempt property.