



Let People Prosper By Allowing Land Use Discretion

Testimony before the Texas House Committee on Ways & Means

by Vance Ginn, Ph.D., Director

Chairman Burrows and Members of the Committee:

My name is Dr. Vance Ginn, and I am a senior economist and director of the Center for Economic Prosperity at the Texas Public Policy Foundation. I am [testifying today](#) in support of [House Bill 794](#), and registering in support of [other bills](#) that would lower the burden of deciding to change the use of land.

Buying property is the largest financial decision most Texans make. There should be clear property rights so they can use land as they desire. Although property taxes force Texans to pay rent to the government forever (meaning we can never truly own our property, which is an argument for eliminating those taxes), other restrictions should be eliminated.

Texas law provides certain [property tax exemptions for agricultural land](#). While all exemptions should be eliminated because they shift the burden from some property owners to others, making any change in the current law should result in the least harm to property holders.

Under current law, if a Texan decides to change the use of his or her land from open-space or agricultural uses to something else, the land holder must pay a substantial penalty. This is often called the “rollback rate”—but with this rate being easily confused with [other trigger rates](#) discussed this session, let’s call it the “clawback tax.”

According to [Section 23.55 \(a\)](#) of the Texas Property Tax Code ([1-d-1 land](#)), the clawback tax is equal to the difference between the taxes on the land for the five years before the change of use and the tax that would have been on the land based on the market value, plus interest calculated at a 7 percent annual rate.

This can quickly add up to a large amount—all resulting from just deciding to do something different with your property. This is not only an inefficient way to tax, but it also reduces the property rights associated with the land.

[HB 794](#) would substantially reduce the cost of the clawback tax for open-space land appraised as agricultural land. Again, the property tax exemption picks winners and losers in the tax code and should not exist, but until we have comprehensive property tax reform, this clawback tax should be eliminated.

The best way to eliminate the clawback tax and the unfortunate situation of Texans being forced to rent forever is to end property taxes. Property taxes are a highly regressive tax, as many low-income people are hit hardest. Many are unable to afford their first home, pay their property taxes that compound over time, or keep their home—even after they have paid off their mortgage.

Fortunately, the [Foundation has a plan to eliminate property taxes](#) starting with the maintenance and operations school district property tax. By simply limiting the growth of government spending and using taxpayer dollars collected at the state level to cut this property tax, the Texas Legislature could [eliminate nearly half of the property tax in about a decade](#).

[HB 794](#) is a common-sense solution to an unnecessary burden; we recommend keeping the introduced version to eliminate the clawback tax entirely. If we are to improve the [Texas Model](#) that has made the Lone Star State [more successful than similarly sized states for decades](#), the Legislature should make similar changes to allow Texans' land use discretion, so that more money is kept in the productive private sector so people can prosper.

Thank you for your time and the work you do, and I look forward to continued discussion on this topic. ★

ABOUT THE AUTHOR



Vance Ginn, Ph.D., is a senior economist and director of the Center for Economic Prosperity at the Texas Public Policy Foundation, a 501(c)(3) non-profit, non-partisan free market think tank based in Austin. He is a former college lecturer, and an expert on economic and fiscal issues with research to let people prosper by removing government barriers in Texas, D.C., and beyond.

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