

BILL ANALYSIS

Senate Research Center
78R13219 RCJ-F

H.B. 1460
By: Eiland (Jackson)
Intergovernmental Relations
5/12/2003
Engrossed

DIGEST AND PURPOSE

Under current law, a chief appraiser is required to place a market value on a wide array of income-producing properties and is authorized to use the income method of appraisal on these properties for tax purposes. The chief appraiser may use the cost method, the market data comparison method, or the income method of appraisal or a combination of the three appraisal methods to determine the market value of real property. The income method of appraisal requires the chief appraiser to use rental income to make such a determination; however, rental income does not cover real property which generates "non-rental" income. The Texas Constitution requires that taxation be equal and uniform, but with the rental income method rental income-producing properties might be valued and taxed differently than non-rental income-producing property. H.B. 1460 conforms the language to match that of the Uniform Standards of Professional Appraisal Practice 2003 Edition.

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 23.012, Tax Code, as follows:

Sec. 23.012. INCOME METHOD OF APPRAISAL. (a) Creates this subsection from existing text. Requires the chief appraiser, if the income method of appraisal is the most appropriate method to use to determine the market value of real property, to perform certain analyses and projections.

(b) Requires the chief appraiser, in developing income and expense statements and cash-flow projections, to consider historical information and trends, current supply and demand factors affecting those trends, and anticipated events such as competition from other similar properties under construction.

SECTION 2. Amends Subchapter A, Chapter 23, Tax Code, by adding Section 23.014, as follows:

Sec. 23.014. EXCLUSION OF PROPERTY AS REAL PROPERTY. Requires the chief appraiser, in determining the market value of real property, to analyze the effect of tangible personal property, including trade fixtures; intangible personal property; or other property that is not subject to appraisal as real property on that value and exclude that from the value.

SECTION 3. Effective date: January 1, 2004.
Makes application of this Act prospective.