

A BILL TO BE ENTITLED

AN ACT

relating to the appraisal of real property for ad valorem tax purposes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 23.012, Tax Code, is amended to read as follows:

Sec. 23.012. INCOME METHOD OF APPRAISAL. (a) If the ~~chief appraiser uses the~~ income method of appraisal is the most appropriate method to use to determine the market value of real property, the chief appraiser shall:

(1) analyze comparable [use] rental [income and expense] data available to the chief appraiser or the potential earnings capacity of [pertaining to] the property, or both, to estimate the gross income potential of the property [if possible and applicable];

(2) analyze comparable operating expense data available to the chief appraiser to estimate the operating [make any projections of future rental income and] expenses of the property [only from clear and appropriate evidence];

(3) analyze comparable [use] data available to the chief appraiser to estimate rates of [from generally accepted sources in determining an appropriate] capitalization or rates of discount [rate]; and

(4) base projections of future rent or income

1 potential and expenses on reasonably clear and appropriate evidence
2 [determine a capitalization rate for income-producing property
3 that includes a reasonable return on investment, taking into
4 account the risk associated with the investment].

5 (b) In developing income and expense statements and
6 cash-flow projections, the chief appraiser shall consider:

7 (1) historical information and trends;

8 (2) current supply and demand factors affecting those
9 trends; and

10 (3) anticipated events such as competition from other
11 similar properties under construction.

12 SECTION 2. Subchapter A, Chapter 23, Tax Code, is amended by
13 adding Section 23.014 to read as follows:

14 Sec. 23.014. EXCLUSION OF PROPERTY AS REAL PROPERTY. In
15 determining the market value of real property, the chief appraiser
16 shall analyze the effect on that value of, and exclude from that
17 value the value of, any:

18 (1) tangible personal property, including trade
19 fixtures;

20 (2) intangible personal property; or

21 (3) other property that is not subject to appraisal as
22 real property.

23 SECTION 3. This Act takes effect January 1, 2004, and
24 applies only to the appraisal of real property for ad valorem tax
25 purposes for a tax year that begins on or after that date.