

1-1 By: Eiland, et al. (Senate Sponsor - Jackson) H.B. No. 1460
1-2 (In the Senate - Received from the House May 7, 2003;
1-3 May 9, 2003, read first time and referred to Committee on
1-4 Intergovernmental Relations; May 16, 2003, reported favorably by
1-5 the following vote: Yeas 4, Nays 0; May 16, 2003, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the appraisal of real property for ad valorem tax
1-9 purposes.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. Section 23.012, Tax Code, is amended to read as
1-12 follows:

1-13 Sec. 23.012. INCOME METHOD OF APPRAISAL. (a) If the ~~[chief~~
1-14 ~~appraiser uses the]~~ income method of appraisal is the most
1-15 appropriate method to use to determine the market value of real
1-16 property, the chief appraiser shall:

1-17 (1) analyze comparable [use] rental [income and
1-18 expense] data available to the chief appraiser or the potential
1-19 earnings capacity of [pertaining to] the property, or both, to
1-20 estimate the gross income potential of the property [if possible
1-21 and applicable];

1-22 (2) analyze comparable operating expense data
1-23 available to the chief appraiser to estimate the operating [make
1-24 any projections of future rental income and] expenses of the
1-25 property [only from clear and appropriate evidence];

1-26 (3) analyze comparable [use] data available to the
1-27 chief appraiser to estimate rates of [from generally accepted
1-28 sources in determining an appropriate] capitalization or rates of
1-29 discount [rate]; and

1-30 (4) base projections of future rent or income
1-31 potential and expenses on reasonably clear and appropriate evidence
1-32 [determine a capitalization rate for income-producing property
1-33 that includes a reasonable return on investment, taking into
1-34 account the risk associated with the investment].

1-35 (b) In developing income and expense statements and
1-36 cash-flow projections, the chief appraiser shall consider:

1-37 (1) historical information and trends;

1-38 (2) current supply and demand factors affecting those
1-39 trends; and

1-40 (3) anticipated events such as competition from other
1-41 similar properties under construction.

1-42 SECTION 2. Subchapter A, Chapter 23, Tax Code, is amended by
1-43 adding Section 23.014 to read as follows:

1-44 Sec. 23.014. EXCLUSION OF PROPERTY AS REAL PROPERTY. In
1-45 determining the market value of real property, the chief appraiser
1-46 shall analyze the effect on that value of, and exclude from that
1-47 value the value of, any:

1-48 (1) tangible personal property, including trade
1-49 fixtures;

1-50 (2) intangible personal property; or

1-51 (3) other property that is not subject to appraisal as
1-52 real property.

1-53 SECTION 3. This Act takes effect January 1, 2004, and
1-54 applies only to the appraisal of real property for ad valorem tax
1-55 purposes for a tax year that begins on or after that date.

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