

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 9, 2003

**TO:** Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB396** by Mowery (Relating to appeals to small claims courts of certain ad valorem tax determinations.), **As Engrossed**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Chapters 41 and 42 of the Tax Code to grant property owners the option to appeal property tax disputes with the appraisal review board (ARB) to the county small claims court. The option would be available only if the amount of tax due on the portion of the disputed taxable property value fell within the jurisdiction of the small claims court. A property owner would be required to pay an additional \$200 fee upon filing in small claims court. If the appeal is dismissed for lack of jurisdiction, the fee would be refunded to the property owner. If the property owner prevailed, the appraisal district would refund the fee to the property owner. The final judgement of a small claims court could not be appealed to district court.

#### Local Government Impact

Passage of the bill could affect local small claims courts and result in increased costs to appraisal districts, the exact amount of which would be a function of the number of qualified property owners that choose this avenue of protest. Current law limits a property owner's judicial remedies following an appraisal review board decision to an appeal to state district court. An appeal to district court requires a formal petition, usually requiring paid legal counsel, and a \$45 filing fee. Appeal to small claims court is generally made *pro se* (without counsel) with a \$10 filing fee. The bill would require an additional \$200 fee. The fees may not be sufficient to cover additional small claims court costs.

Taxing units are responsible for the expenses incurred by the appraisal district in carrying out their appraisal district duties, based on the taxing unit's share of total tax levies raised within the appraisal district. In 2001, total appraisal district budgets amounted to \$242 million. Taxing units' levies amounted to \$25.3 billion in 2001. Appraisal district operating costs, therefore, represented less than one percent of total tax levies.

Presuming 10,000 qualified property owners take their protest to small claim's court, at a cost of \$500 per protest, appraisal districts would incur additional costs of \$5.0 million per year. This would represent a two percent increase to their 2001 operating budgets. The same amount would be passed on to the taxing units responsible for district budgets. This would represent an increased cost, as a percentage of total 2001 tax levies, of 0.02 percent.

#### Source Agencies:

**LBB Staff:** JK, DLBa, WP, DLBe