

## **BILL ANALYSIS**

H.B. 1716  
By: Zedler  
Business & Industry  
Committee Report (Amended)

### **BACKGROUND AND PURPOSE**

Under current law, there are instances in which builders and developers may provide an estimate of ad valorem taxes based on the value of the undeveloped land. Prospective homeowners may not be aware that once the home is complete, the ad valorem taxes will be significantly higher, in some cases adding hundreds of dollars a month to the expected mortgage.

House Bill No. 1716 reduces homeowners' confusion regarding the difference in value between estimated ad valorem taxes and the actual ad valorem taxes the homeowner will face.

### **ANALYSIS**

House Bill No. 1716 Amends Subchapter A, Chapter 5, of the Property Code by adding Section 5.0101.

This section requires that if a builder or developer provides a property tax estimate based on the undeveloped value of the land, that they must provide a disclaimer to the potential buyer. Additionally, if an estimate is provided based on the undeveloped value, then a reasonable estimate of the ad valorem taxes assessed on a similar property and the completed home will be provided.

The homeowner is entitled to recover from the builder or developer an amount equal to the difference between the ad valorem taxes estimated in the contract and the actual ad valorem taxes assessed if the estimated ad valorem taxes are more than 20 percent less than the actual ad valorem taxes. The amendment added in committee stipulates that this penalty only applies one time and only for the first year.

### **RULEMAKING AUTHORITY**

It is the opinion of the Committee on Business and Industry that this bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **EFFECTIVE DATE**

September 1, 2005.

### **IMPACT OF COMMITTEE AMENDMENT**

The committee amendment provides that a homeowner who, with a builder or developer, enters into a contract that violates Subsection (b) of the newly-added Section 5.0101, is entitled to recover from the builder or developer an amount equal to the difference between the ad valorem taxes estimated in the contract for the first tax year following the tax year in which the contract is entered into.