

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 19, 2005

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB3046 by Hill (Relating to the administration of ad valorem taxation.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend, add, and repeal various sections of the Tax Code relating to ad valorem taxation.

The bill would amend Section 1.08 to allow taxpayer mail transmittals (as evidenced by the post office cancellation mark) of property tax payments, exemption applications, and other required submissions to be made on or before the due date as with personal delivery.

The bill would re-enact Section 1.085(b), as amended by Chapters 984 and 1173, Acts of the 78th Legislature, Regular Session, relating to agreements between a chief appraiser and a property owner.

The bill would require appraisal districts to develop a biennial written reappraisal plan and hold a public hearing to consider the plan. No later than September 15 of each even-numbered year, the appraisal district board would have to finally approve the reappraisal plan and distribute copies to the taxing units and the Comptroller within 60 days of board approval.

The bill would amend Section 11.161 to allow all machinery and equipment used in the production of farm ranch, or timber products to be exempt from property taxation.

The bill would amend Section 11.26, concerning the limitation on school taxes for persons who are age 65 or older or who are disabled, to permit a surviving spouse that became 55 in the year in which the other spouse died to receive the school property tax limitation (rather than be 55 at the time of his or her death).

The bill would amend Section 11.261, concerning the local option limitation on county, municipal, and junior college taxes for persons who are age 65 or older or who are disabled, to permit a surviving spouse that became 55 in the year in which the other spouse died to receive the limitation (rather than be 55 at the time of death).

The bill would amend Section 25.18 to define "reappraisal activities" to include identification of properties and other specific matters that are listed by the International Association of Assessing Officers. A reappraisal cycle would include real and personal property; and a reappraisal plan would provide that property be physically inspected or identified.

The bill would re-enact Section 25.19(b) and delete a duplicative Subsection (b)(5).

The bill would re-enact one of two existing subsections in Section 312.204 to eliminate duplicative language.

The bill would repeal Sections 1.085(e) and (f), as added by Chapter 984, Acts of the 78th Legislature, Regular Session, to conform with the re-enactment of Section 1.085(b).

Provisions in the bill permitting a surviving spouse to qualify for property tax limitations are consistent with Section 11.42 of the Tax Code, which permits persons to receive the age 65 and over or disabled exemption in the tax year in which the person qualifies, and applies for the entire year.

The provision concerning machinery and equipment used in the production of farm ranch, or timber products, would bring the exemption of these items in line with recent court cases in East Texas and general appraisal district practice statewide. Two Attorney General opinions from the early 1980s provided that to be exempt from property taxation, an "implement of husbandry" must be primarily designed and primarily used for farming and ranching operations. This language is not contained in either the Texas Constitution or the Tax Code and is not consistent with other Tax Code provisions where primary use determines an item's tax status.

The proposed reappraisal requirements are practiced by some appraisal districts but would require some additional administrative actions by the remaining districts.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe, KJG