

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 15, 2005

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

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

IN RE: SB243 by Wentworth (Relating to requiring disclosure of certain information about the conveyance of real property, including the purchase price of the property, for use in appraising property for taxation; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB243, As Introduced: an impact of \$0 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	\$0
2009	\$46,415,000
2010	\$97,174,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain from <i>School Districts</i>	Probable Revenue Gain from <i>Cities</i>	Probable Revenue Gain from <i>Counties</i>
2006	\$0	\$0	\$0	\$0
2007	\$0	\$0	\$0	\$0
2008	\$0	\$46,415,000	\$12,346,000	\$11,365,000
2009	\$46,415,000	\$50,759,000	\$26,403,000	\$24,182,000
2010	\$97,174,000	\$55,347,000	\$42,329,000	\$38,579,000

Fiscal Analysis

The bill would require the disclosure of the sales price of real property to appraisal districts. The bill would require the seller of real property, within 10 days of closing, to file a signed report with the chief appraiser disclosing the sales price of the property. A disclosure report would not be required for non-market sales, such as foreclosure and bankruptcy transfers. The report would be made on a Comptroller-prescribed form requiring the inclusion of the property's sales price and information identifying the property, its ownership, and taxable situs. Appraisal districts would provide to the Comptroller information from the conveyance reports in a manner and at the time specified by the Comptroller.

Failure to file the report for single-family residential property would result in a civil penalty not to exceed \$1,000 for each violation and a similar penalty of 5 percent of the appraised value for other real property.

The Comptroller could prescribe or approve different disclosure forms for different kinds of property, but a form could not require information not relevant to property appraisal or the assessment or collection of property taxes. The Comptroller, with assistance from the Texas Real Estate Commission and chief appraisers, would be required to publicize to property owners, title insurance companies, and attorneys the proposed disclosure requirements and the availability of prescribed report forms.

The bill would apply only to a conveyance of real property that occurred after January 1, 2006. As soon as practical after September 1, 2005, but before January 1, 2006, the Comptroller would have to prescribe the necessary reporting forms and begin publicizing reporting requirements.

Methodology

The Comptroller's office surveyed large appraisal districts to determine the amount of property value gain. The appraisal districts' methodology for estimating gains is unknown. The median percent increase in property value was applied to the state total property value to estimate the statewide property value gain.

The disclosure requirement would begin on January 1, 2006, which is too late to help appraisal districts with their 2006 appraisals. Consequently, the first affected tax year would be 2007, and the first effect on taxing units would be in fiscal year 2008. Also, the state only requires reappraisal once every third year, so the full effect of the bill would not be realized until fiscal year 2010. In this estimate, the gain was implemented in increments of one-third per year. Values and tax rates were trended through the projection period. A factor of 70 percent was applied to the statewide value gain to estimate the amount of gain inside cities. The appropriate county, city, and school district tax rates were applied to the value gains to project their respective revenue gains. Through the operation of the school funding formula, school district gains shift to the state after a one-year lag.

Local Government Impact

In addition to the amounts for school districts, cities and counties listed above, special districts would receive additional revenue.

Appraisal districts would incur costs to accept, process, cross-reference, file, and store the required report. There could also be costs to local district or county attorneys' offices, but these costs would depend on the number of people who do not file the required reports, which would then determine the number of suits filed by a district or county attorney.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 329 Real Estate Commission, 701 Central Education Agency

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