

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: SB282 by Madla (Relating to disclosure and use of sales price information for ad valorem tax purposes; creating an offense.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB282, 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	\$37,132,000
2010	\$77,739,000

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	\$37,132,000	\$9,876,000	\$9,092,000
2009	\$37,132,000	\$40,608,000	\$21,123,000	\$19,346,000
2010	\$77,739,000	\$44,277,000	\$33,863,000	\$30,863,000

Fiscal Analysis

The bill would require the disclosure of the sales price of real property to appraisal districts. The bill would require the purchaser of real property to file a signed report with the chief appraiser disclosing the sales price of the property and other sales and value related information. Specific information would have to be included, and no additional information could be required on an appraisal district form. A disclosure report would not be required for non-market sales, such as foreclosure and bankruptcy transfers. The chief appraiser would have to provide the purchaser with a certificate stating that the report had been received. Each appraisal district would prepare, and make available, report forms conforming to statutory requirements. The chief appraiser could bring an action for injunction to compel a person to comply with the mandatory disclosure requirements.

The bill would make sales price disclosure reports confidential other than: 1) to the appraisal district and collecting taxing units; 2) to the Comptroller; 3) in a judicial or administrative proceeding; or 4) for non-property specific statistical purposes. A person who knowingly disclosed confidential sales disclosure information would be subject to a Class B misdemeanor.

The bill would prohibit a chief appraiser from increasing the market value of real property solely on the basis of information in a disclosure report.

The bill would apply only to a conveyance of real property that occurred after January 1, 2006. As soon as practicable after September 1, 2005, but before January 1, 2006, appraisal districts would have to prepare and make available sales price disclosure report forms.

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. The gain was reduced because certain sales information required in the appraisal process was not included in the prescribed disclosure form. 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.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: JOB, DLBa, WP, DLBe