

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 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: SB1652** by Staples (Relating to the administration of ad valorem taxation and to certain measures involving school district property values.), **Committee Report 2nd House, As Amended**

Taxing units that currently tax motor vehicles after an appraisal district determination that those vehicles have taxable situs in the taxing unit could experience a loss of revenue as a result of passage of the bill.

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

The bill would require that the Comptroller of Public Accounts annual property value study findings reflect changes created by protests only for the applicable school district.

The bill would 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 modify the appraisal publication requirements for the Comptroller's office.

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

The bill would allow all machinery and equipment used in the production of farm ranch, or timber products to be exempt from property taxation. This provision 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 bill would change the application deadline for disabled veteran residence homestead exemptions to one year after the delinquency date for the taxes on the property.

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 extend tax limitation notification requirements to persons with a disabled resident homestead exemption.

The bill would modify the definition of school district tax rate that must be approved by the school board.

The bill would provide that tax refunds for economic development under Chapter 111 would not be available to taxpayers whose property was subject to appraised value limitations for schools under Chapter 313 of the Tax Code.

The bill would provide for a biennial economic development refund report to the Legislature; current law requires the Comptroller to file an annual report of refunds paid under Chapter 111 of the Tax Code.

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).

The bill would amend Section 39.903 and repeal Section 39.901 of the Utilities Code to remove language requiring the Comptroller to calculate and report to TEA the net loss in electric generating property value caused by electric utility restructuring. Utilities Code Section 39.901 was added in 1999 in conjunction with electric deregulation and its provisions are no longer necessary.

The bill would provide that a motor vehicle held by qualified motor vehicle auction dealers on January 1 would not have taxable situs, if the vehicle had been located at the dealer's place of business for less than 60 days and is offered for resale. The bill would waive rendition requirements for a person holding a qualified wholesale motor vehicle auction under certain conditions.

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

Taxing units that currently tax motor vehicles after an appraisal district determination that those vehicles have taxable situs in the taxing unit could experience a loss of revenue as a result of passage of the bill. Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could reduce school district taxable values reported to the Commissioner of Education by the Comptroller.

### **Local Government Impact**

Taxing units that currently tax motor vehicles after an appraisal district determination that those vehicles have taxable situs in the taxing unit could experience a loss of revenue as a result of passage of the bill.

**Source Agencies:** 304 Comptroller of Public Accounts

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