

BILL ANALYSIS

C.S.H.B. 3492

By: Otto

Local Government Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Comptroller of Public Accounts conducts an annual property value study using comparable sales and generally accepted auditing and sampling techniques to determine the total taxable value of all property in each school district. The property value study is used in school finance to determine the amount of funding to which a school district is entitled. If a school district's appraised taxable value, as determined by an appraisal district or districts, is less than the taxable value in the Comptroller's property value study, the Comptroller's "state values" can be used to determine the amount of state funding to which a school district is entitled or the amount of recapture that it owes.

When property is appraised, the property owner is entitled to protest the appraisal on the grounds of unequal appraisal of property. Section 41.43, Tax Code, puts the burden of proof on the appraisal district. The protest is determined in favor of the property owner unless the appraisal district shows by a preponderance of evidence that the appraisal ratio of the property is equal to or less than the median level of appraisal of a reasonable and representative sample of other properties in the appraisal district; the appraisal ratio of the property is equal to or less than the median level of appraisal of a sample of properties in the appraisal district consisting of a reasonable number of other properties similarly situated to, or of the same general kind or character as, the property subject to the protest; or the appraised value of the property is equal to or less than the median appraised value of a reasonable number of comparable properties appropriately adjusted. The overwhelming preponderance of these appeals are determined in favor of the property owner.

This bill would require that, in conducting the property value study, the Comptroller ensure that different levels of appraisal resulting from protests determined under Section 41.43, Tax Code, are appropriately adjusted in the study. This would ensure that a school district's funding is not adversely impacted if a high number of property owners successfully protest their appraised values on the grounds of unequal appraisal.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3492 amends Section 403.302(b), Government Code, to require the Comptroller, in conducting the annual property value study, to ensure that different levels of appraisal resulting from protests determined under Section 41.43, Tax Code, are appropriately adjusted in the study.

C.S.H.B. 3492 provides that the change in law made by this Act applies only to the annual property value study to determine taxable value for a tax year that begins on or after January 1, 2007. The annual study to determine taxable value for a tax year that begins before that date is covered by law in effect immediately before the Act's effective date, and the prior law is continued in effect for that purpose.

The effective date is upon passage or September 1, 2007.

EFFECTIVE DATE

C.S.H.B. 3492 80(R)

Upon passage, or if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF THE ORIGINAL TO THE SUBSTITUTE

The substitute clarifies that the adjustments apply to protests “determined” under Section 41.43, Tax Code. The bill as filed did not specify the word “determined.”

The substitute also adds that the change in law made by this Act applies only to the annual property value study to determine taxable value for a tax year that begins on or after January 1, 2007. The annual study to determine taxable value for a tax year that begins before that date is covered by law in effect immediately before the Act’s effective date, and the prior law is continued in effect for that purpose. This provision was not in the bill as filed.