

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 6, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

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

IN RE: HB133 by Villarreal (Relating to disclosure and use of sales price information for ad valorem tax purposes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB133, As Introduced: a positive impact of \$13,876,000 through the biennium ending August 31, 2009.

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
2008	\$0
2009	\$13,876,000
2010	\$117,863,000
2011	\$187,719,000
2012	\$199,287,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2008	\$0	\$0	\$0	\$0
2009	\$13,876,000	\$13,876,000	\$4,677,000	\$4,094,000
2010	\$117,863,000	\$117,863,000	\$39,745,000	\$34,571,000
2011	\$187,719,000	\$187,719,000	\$63,327,000	\$54,735,000
2012	\$199,287,000	\$199,287,000	\$67,252,000	\$57,765,000

Fiscal Analysis

The bill would add a new subchapter to Chapter 22 of the Tax Code to require the disclosure of the sales price of real property to appraisal districts.

The bill would require the purchaser or grantee of real property, within 10 days of the deed recordation, 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 require the inclusion of the property's sales price and information identifying the property, its ownership, the method of financing, any unusual or extraordinary terms of sale or transfer, and any additional information relevant to the sale or transfer. Appraisal districts

would be required to prepare and make report forms available.

The chief appraiser would be authorized to bring an action for injunction to compel a purchaser or grantee to comply with filing requirements. The court would be authorized to assess costs and reasonable attorney's fees against the purchaser or grantee.

Sales disclosure reports would be a public record and could be used by the chief appraiser to determine market value in appraising the property, but they could not be used to increase the market value of the property solely on the basis of the reported information.

This bill would take effect January 1, 2008, except for the requirement that appraisal districts prepare and report forms available, which would take effect September 1, 2007.

Methodology

This note is based upon information provided by the Comptroller's Office.

The amount of property value gain was based on a survey of large appraisal districts. 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, 2008, so the first affected tax year would be 2008; and the first effect on taxing units would be in fiscal 2009. The fiscal 2009 effect would be diminished because only a partial year's information would be available. Also, the state only requires reappraisal once every third year, so the full effect of the bill would not be realized until fiscal 2011. For this estimate, the gain was implemented in increments of one-third per year. Values and tax rates were trended through the projection period. No information was available to estimate special district gains. The appropriate county, city, and school district tax rates were applied to the value gains to project their respective revenue gains.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of increasing Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would increase, resulting in an increase in state aid.

Local Government Impact

The initial impact on school districts shown in the table above is provided for illustrative purposes only. The mechanics of the school finance system would likely transfer the initial fiscal impacts to the state, resulting in a zero or negligible fiscal impact to the school districts.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS