

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 30, 2007

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

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

IN RE: HB2286 by Puente (Relating to the authority of a chief appraiser to audit a rendition statement or property report delivered to the chief appraiser.), **As Introduced**

Passage of the bill would likely result in an appraisal roll increase from omitted and undervalued property discovered by appraisal district examinations. As a result, taxable property values would be increased and the related costs to the Foundation School Fund would be decreased.

The bill would add a new Section 22.31 to the Tax Code to allow the chief appraiser or a person authorized by the chief appraiser to examine, copy, and photograph the books, records, and papers of a person who files a rendition statement or property report to verify the accuracy of the rendition or report.

The chief appraiser would have to give the property owner 10 days written notice to produce to the chief appraiser the books, records, and papers used as a basis for the preparation of the rendition statement or property report. If the chief appraiser determined as a result of an investigation that property was omitted or undervalued in any of the five preceding years, the chief appraiser would have to add the omitted property or the portion of the value to the appraisal roll.

The chief appraiser could not conduct an investigation of a property owner more frequently than once every three years, except that if the chief appraiser took action as a result of an investigation, the chief appraiser could conduct an investigation in the following year. Copies of books, records, or papers provided to the chief appraiser would be confidential from public disclosure; and the chief appraiser would not be allowed to employ a person on a contingency fee basis to conduct an audit.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, 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 cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The taxpayer audits that would be authorized by the bill would likely result in an appraisal roll increase from omitted and undervalued property discovered by appraisal district examinations of taxpayer books, records, and papers. This would result in gains to local taxing units and to the state. Information with which to estimate the extent of the gains is unavailable.

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 a increase in state aid.

The bill would take effect January 1, 2008.

Local Government Impact

Passage of the bill would likely result in an appraisal roll increase from omitted and undervalued property discovered by appraisal district examinations. As a result, taxable property values and the related ad valorem tax revenue for units of local government would be increased.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS