

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 29, 2007

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

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

IN RE: HB3490 by Otto (Relating to the authority of a chief appraiser to appeal from an order of an appraisal review board determining a taxpayer protest.), **As Introduced**

To the extent that limiting appraisal district lawsuits could result in a reduction of taxable value on appraisal rolls, costs related to the Foundation School Fund could increase.

The bill would amend Section 42.02 of the Tax Code to limit chief appraiser appeals of appraisal review board determinations based on the amount of property value subject to appeal.

Under the bill, the chief appraiser would not be allowed to appeal an order of the appraisal review board if: 1) the protest involved a determination of the appraised value or market value of the taxpayer's protest and that value was less than \$1 million; or 2) for any other taxpayer protest, the property to which the protest applied had an appraised value of less than \$1 million.

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.

Limiting appraisal district lawsuits as proposed could result in an undetermined reduction of the amount of taxable value on appraisal rolls in certain districts. However, the Comptroller's Property Tax Division does not receive or maintain information from appraisal districts that would be helpful in determining current levels of lawsuits by property value.

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 lessening 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 decrease, resulting in a decrease in state aid.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Local Government Impact

Limiting appraisal district lawsuits as proposed could result in an undetermined reduction of the amount of taxable value on appraisal rolls in certain districts. As a result, related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS