

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 11, 2007

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

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

IN RE: HB3492 by Otto (Relating to the determination of the total taxable value of property in a school district under the property value study conducted by the comptroller of public accounts.), **Committee Report 1st House, Substituted**

The bill could help expedite the transfer of information about the number, type, and value of Appraisal Review Board-adjusted properties from appraisal districts to the Comptroller. This information would help ensure the accuracy of the Property Value Study. It is not currently known whether Property Value Study samples are unrepresentative with respect to Appraisal Review Board-adjusted properties in certain appraisal districts. As such, the fiscal impact on the state and school districts cannot be determined.

The bill would amend Chapter 403.302 of the Government Code to require the Comptroller in the annual Property Value Study to ensure that "different levels of appraisal resulting from protests under Section 41.43 of the Tax Code are appropriately adjusted in the study."

Appraisal Review Boards (ARBs) are authorized under Section 41.43 of the Tax Code to reduce any taxpayer's property value to the median level of appraisal of a reasonable number of similarly situated properties. If the resulting appraisal ratio on the properties with values reduced by the ARB is below the appraisal ratio for the bulk of properties of that kind, and the study contains more than or less than a representative number of the low ratio properties, the overall appraisal ratio (level of appraisal) estimated in the Property Value Study could be lower or higher than the true overall appraisal ratio for that kind of property. This could result in an over- or under-estimate of taxable value for that type of property.

The Property Value Study already has mechanisms that are used to correct samples for various kinds of non-representativeness if relevant information about the property population is available. The bill could help expedite the transfer of information about the number, type, and value of ARB-adjusted properties from appraisal districts to the Comptroller. This information would help ensure the accuracy of the Property Value Study.

It is not currently known whether Property Value Study samples are unrepresentative with respect to ARB-adjusted properties in certain appraisal districts. As such, the fiscal impact cannot be determined.

These proposed changes would apply to an annual study of property values for tax years that begin on or after January 1, 2007.

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

The bill could help expedite the transfer of information about the number, type, and value of Appraisal Review Board-adjusted properties from appraisal districts to the Comptroller. This information would help ensure the accuracy of the Property Value Study. It is not currently known whether Property

Value Study samples are unrepresentative with respect to Appraisal Review Board-adjusted properties in certain appraisal districts. As such, the fiscal impact on school districts cannot be determined. There would be no effect on other local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS