

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: HB3820 by Villarreal (Relating to the disclosure and use of sales price of real property sales; providing a civil penalty.), **As Introduced**

No significant fiscal implication to the State is anticipated; however, there could be an impact on the state school funding formula, depending on potential changes to local property taxes.

The bill would add a new Chapter 12A to Title 3 of the Property Code to authorize the commissioners court of a county to call an election to permit voters to determine whether purchasers must disclose the sales price of real property.

The bill would require the purchaser of real property to file with the deed recordation a disclosure report on a form adopted by the Comptroller of Public Accounts. A disclosure report would not be required for non-market sales, such as foreclosure and bankruptcy transfers. The county clerk could not reject an instrument presented for recording solely because the instrument fails to be accompanied by a disclosure statement.

The chief appraiser would be authorized, following notice to the purchaser, to bring an action through the Office of the Attorney General (OAG) or the county or district attorney to levy a civil penalty against the purchaser equal to 5 percent of the sales price of the property.

Sales disclosure reports could not be used by the chief appraiser as the sole basis to determine market value in appraising the property. A person could sue the appraisal district or appraisal review board to comply with the prohibition against using disclosed information as the sole basis for increasing market value on the person's property. A person who brought suit would have to pay \$500 into the court registry for distribution to the prevailing party.

The bill would take effect January 1, 2008.

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 the bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Administrative duties for the Comptroller and any increase caseload for the OAG as a result of passage of the bill could be implemented using existing resources.

Local Government Impact

The fiscal impact to counties would vary depending on what changes in property value assessments may occur, how many property filings may not be in compliance and require additional actions by the chief appraiser, and how many appraisals may be challenged with a suit. In addition, counties, depending on when an election is scheduled, could incur election costs.

It is assumed, based on comments from various counties, that additional activities that would be required of county clerks, county or district attorneys, and appraisal districts could be absorbed utilizing existing resources. It is also assumed that counties would see an increase in revenue; Bexar County, for example, estimates that the county may have underestimated property values by as much as \$18.9 billion because of nondisclosure of sales prices, which if more accurately appraised, would have resulted in an additional \$61.9 million collected in property taxes for the county.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, DB