LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 24, 2007

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

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

IN RE: **HB3821** by Villarreal (Relating to the disclosure and use of sales price of real property sales; providing a civil penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3821, As Introduced: a positive impact of $11,577,000 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	$11,577,000
2010	$98,860,000
2011	$161,986,000
2012	$174,891,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *FOUNDATION SCHOOL FUND* 193	Probable Revenue Gain/(Loss) from *School Districts - Initial Impact*	Probable Revenue Gain/(Loss) from *Counties*	Probable Revenue Gain/(Loss) from *Cities*
2008	$0	$0	$0	$0
2009	$11,577,000	$13,876,000	$4,677,000	$4,094,000
2010	$98,860,000	$117,863,000	$39,745,000	$34,571,000
2011	$161,986,000	$187,719,000	$63,327,000	$54,735,000
2012	$174,891,000	$199,287,000	$67,252,000	$57,765,000

Fiscal Analysis

The bill would add Subchapter 12A to the Property Code to require the disclosure of the sales price of real property to appraisal districts.

The bill would require the purchaser of real property to file a signed report with the county clerk, attached to the instrument conveying real property, 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 have to include the property's sales price and information identifying the property, its ownership, the method of financing, any unusual or extraordinary terms of sale of transfer, and any additional information relevant to the sale of transfer. The Comptroller would prepare and make report forms available. The county clerk would be prohibited from rejecting an instrument presented for recording solely because the purchaser failed to file a sales disclosure report.

The chief appraiser would be authorized to bring an action for injunction to compel a purchaser to comply with the filing requirements. The court would be authorized to assess a penalty of five percent of the sales price of the property for failure to timely file a disclosure statement. The Attorney General or the county or district attorney would be authorized to bring suit to recover the accessed penalty against the purchaser.

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. A purchaser would be allowed to bring suit if a chief appraiser increased the market value of a property based solely on the reported information. A person who brought suit would have to pay $500 into the court registry to be distributed to the prevailing party in an action to compel the chief appraiser to follow the provisions of the bill.

The bill would take effect January 1, 2008.

Methodology

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 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.

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 fiscal impact to districts' M&O revenue to the state, resulting in a zero or negligible fiscal impact to the school districts. However, districts would experience a one-year lag between the loss of I&S revenue due to the provisions of the bill and the corresponding increase in state aid for debt service, which would occur the following year.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS