

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 20, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB390 by Hegar (Relating to a temporary prohibition on increasing the appraised value of a residence homestead for ad valorem tax purposes following determination of a protest or appeal.), **As Introduced**

Passage of the bill would prohibit an increase in the appraised value of a qualified residence homestead from the preceding tax year if the property value was reduced by the appraisal review board in the preceding year and the appraisal review board determination was not overturned. As a result, taxable property values could be decreased and the related costs to the Foundation School Fund could be increased.

The bill would add Section 23.04 to the Tax Code to prohibit an increase in the appraised value of a property that qualified for a residence homestead exemption from the preceding year if the appraised value of the property, as determined by the chief appraiser, was reduced: 1) by the appraisal review board (ARB) and the ARB's determination was not overturned on appeal; or 2) as a result of the final determination of an appeal of the order of the ARB.

The bill would not prohibit an increase in appraised value of a new improvement to the property.

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 bill would prohibit an increase in the appraised value of a qualified residence homestead from the preceding tax year if the property value was reduced by the ARB in the preceding year and the ARB determination was not overturned. For the 2005 tax year, appraisal districts reported to the Comptroller a total number of 24,277 properties, constituting a value of \$5,116,547,803, that were the subjects of ARB changes. An undetermined number of those properties representing an undetermined amount of appraised value were qualified residence homesteads.

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 January 1, 2008.

Local Government Impact

Passage of the bill would result in an undetermined revenue loss to local units of government to the extent that the appraised value of certain residence homesteads would be reduced as required by this bill. Passage of the bill could encourage an increase in ARB appeals involving qualified residence

homesteads.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS