

## **BILL ANALYSIS**

C.S.H.B. 1038  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The Property Tax Relief and Appraisal Reform Select Committee heard testimony from throughout the state during the interim. One problem identified by the witnesses is the exclusion by some appraisal districts of recently foreclosed properties and properties with distressed resale values due to the declining economy located in the same neighborhood when determining the fair market value of a property. Under current law, appraisals are conducted under the cost method, the income method, or the market data comparison method. There are currently no exclusions to prevent appraisal districts from not counting the values of foreclosed properties or properties that have dropped in value.

C.S.H.B. 1038 ensures that local appraisal districts use all the available data on residential properties, regardless of the appraisal method, to determine a more accurate appraisal value.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 1038 amends the Tax Code to prohibit the chief appraiser of an appraisal district, in determining the market value of a residence homestead, from excluding from consideration the value of another residential property in the same neighborhood as the property being appraised and that would otherwise be considered in the appraisal because the other property was sold at a foreclosure sale in any of the three years preceding the tax year of the appraisal and was comparable at the time of sale based on relevant characteristics with the residence homestead or has a market value that has declined because of a declining economy. The bill establishes that this prohibition applies notwithstanding the condition in the definition of "market value" that both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

### **EFFECTIVE DATE**

January 1, 2010.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B 1038 adds language not in the original to establish that the prohibition against the chief appraiser, in determining the market value of a residence homestead, excluding from consideration the value of other residential property in the same neighborhood and that would otherwise be considered in appraising the residence homestead applies notwithstanding the condition in the definition of "market value" that both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. The substitute, in the provision prohibiting the chief appraiser from excluding, for certain reasons, the

value of residential property in the same neighborhood as the property being appraised and that would otherwise be considered, adds a condition not in the original on a residential property sold at a foreclosure sale conducted in any of the three years preceding the tax year in which a residence homestead is being appraised that the property be comparable at the time of sale based on relevant characteristics with the residence homestead being appraised.