

## **BILL ANALYSIS**

H.B. 3613  
By: Otto  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

It is a generally accepted standard when conducting appraisals to consider the "highest and best use" of the property to arrive at fair market value. However, this practice is not addressed in the Tax Code. Among real estate professionals, however, highest and best use is considered that which is legally permissible, physically possible, financially feasible, and maximally profitable. In practice, this formula allows for property to be valued on what it could produce rather than its current use.

H.B. 3613 requires the market value of a residence homestead to be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

### **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**

H.B. 3613 amends the Tax Code to require the market value of a residence homestead to be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

### **EFFECTIVE DATE**

January 1, 2010, if the constitutional amendment authorizing the legislature to provide for the property taxation of a residence homestead solely on the basis property's value as a residence homestead is approved by the voters.