BILL ANALYSIS

Senate Research Center
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S.B. 771
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, appraisal districts do not have a standard for setting values on properties following a year in which the property's market value was determined to be lower than the initial value through the protest process. Even though a lower value was achieved through protest, in the subsequent year, a property owner often receives an initial value that is the same or higher than the initial valuation that was the subject of the preceding year's protest, even if there has been little or no change to the property since the previous year's value had been finally established. As a result, property owners are forced to protest the value, often resulting in litigation, and each year having to present the same issues as presented the previous year with substantially the same outcome. Appraisal districts are required to consider characteristics of a property in valuing it but are not required to use property-specific data, such as income and expense statements, in establishing the value. The Tax Code provides guidance for appraising property under the income and the cost methods but provides no such guidance for using the market data comparison. The result is that appraisals vary significantly across appraisal districts and property owners are faced with an inconsistent and unpredictable system for determining their property value for property tax purposes.

As proposed, S.B. 771 provides that the appraised value of the property is considered to be the appraised value of the property for that tax year. The bill prohibits the chief appraiser, in the following tax year, from increasing the appraised value of the property by a percentage that exceeds the average percentage increase in the final appraised value of the property for the preceding five years unless the increase is reasonably supported by certain substantial evidence. The bill also requires that all available evidence specific to the value of the property be taken into account in determining its market value S.B. 771 provides that changes made by the bill only apply to the appraisal of property for a tax year beginning on or after the effective date of the bill.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.01, Tax Code, by amending Subsection (b) and adding Subsection (c), as follows:

> (b) Requires that each property be appraised based upon the individual characteristics that affect the property's market value and all available evidence that is specific to the value of a property be taken into account in determining the property's market value.
>
> (c) Provides that notwithstanding any provision of this subchapter to the contrary, if the appraised value of property in a tax year is determined under Subtitle F (Remedies), the appraised value of the property as finally determined under that subtitle is considered to be the appraised value of the property for that tax year. Prohibits the chief appraiser, in the following tax year, from increasing the appraised value of the property by a percentage that exceeds the average percentage increase in the final appraised value of the property for the preceding five years unless the increase by the chief appraiser is reasonably supported by

substantial evidence when all of the reliable and probative evidence in the record is considered as a whole.

SECTION 2. Amends Section 23.013, Tax Code, as follows:

Sec. 23.013. MARKET DATA COMPARISON METHOD OF APPRAISAL. (a) Creates this subsection from existing text.

(b) Provides that a sale of real property is not considered to be a comparable sale unless the sale occurred within six months of the date as of which the market value of the subject property is to be determined. Provides that whether a property is comparable to the subject property is required to be determined based on similarities with regard to location, square footage of the lot and improvements, property age, property condition, property access, amenities, views, and the existence of easements, deed restrictions, or other legal burdens affecting marketability.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: January 1, 2010.