

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 31, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB133 by Villarreal (Relating to mandatory sales price disclosure in real property sales; providing a civil penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB133, As Introduced: a positive impact of \$9,647,000 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2010 | \$0 |
| 2011 | \$9,647,000 |
| 2012 | \$82,127,000 |
| 2013 | \$138,843,000 |
| 2014 | \$153,786,000 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/ (Cost) from <i>Foundation School Fund 193</i> | Probable Revenue Gain/(Loss) from <i>School Districts</i> | Probable Revenue Gain/(Loss) from <i>Counties</i> | Probable Revenue Gain/(Loss) from <i>Cities</i> |
|-------------|---|---|---|---|
| 2010 | \$0 | \$0 | \$0 | \$0 |
| 2011 | \$9,647,000 | \$3,210,000 | \$3,773,000 | \$3,619,000 |
| 2012 | \$82,127,000 | \$27,552,000 | \$31,939,000 | \$30,553,000 |
| 2013 | \$138,843,000 | \$38,192,000 | \$51,181,000 | \$48,831,000 |
| 2014 | \$153,786,000 | \$36,766,000 | \$54,668,000 | \$52,023,000 |

Fiscal Analysis

The bill would require mandatory sales price disclosure on real estate.

The bill would require the purchaser of real property to file a sales price disclosure form with the county clerk at the time the conveyance is filed for record. The bill would allow sales price disclosure forms for property sales involving property other than real property to be filed within 30 days. The bill would exempt timeshare interests from the requirement.

Under the bill, a filed sales price disclosure form would include the sales price of the property and the date of sale. The bill would also allow eight specified statements to be added by purchasers to provide additional information about the transaction. Purchasers could claim, for specified reasons, an exemption from disclosing a sales price. Appraisal districts would be prohibited from using the disclosure as the sole basis for increasing an appraisal and purchasers could file suit to enforce this

provision.

The Comptroller would be responsible for adopting the form and making it electronically available. The bill would establish a civil penalty for failure to file the form after receiving notice. The bill would be effective January 1, 2010.

Methodology

The comptroller estimated the property value gain based on a survey of large appraisal districts. The median percent increase in property value estimated by the appraisal districts was applied to the state total property value to estimate the statewide property value gain.

The disclosure requirement would begin on January 1, 2010. The first affected tax year would be 2010, and the first effect on taxing units would be in fiscal year 2011. The state only requires reappraisal once every third year, so the full effect of the bill would not be realized until fiscal year 2013. In the estimate, the gain was implemented in increments of one third per year. The gain was reduced because certain sales information required in the appraisal process could be listed on the required disclosure form but would be optional. Values and tax rates were trended through the projection period. The appropriate county, city, and school district tax rates were applied to the value gains to project their respective revenue gains.

Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), the portion of the gain related to school district compressed rates results in savings to the state. A portion of the school district debt and enrichment gain also results in a savings to the state after a one-year lag.

Local Government Impact

The fiscal implication to units of local governments is reflected in the table above.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, JI, DB, RS