LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 7, 2009

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

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

IN RE: **HB3454** by Otto (Relating to the determination of the value of property for ad valorem tax purposes.), **Committee Report 1st House, As Amended**

> The bill could reduce the amount of market data available for certain kinds of property.
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> Because it is unknown whether the resulting appraisals would result in higher or lower appraised values statewide than under current law, there could be an indeterminate fiscal impact to the state.

The bill would amend Chapter 23 of the Tax Code to require that property tax appraisers take into account all the available evidence regarding the value of the property.

The bill would prohibit consideration of comparable sales that occur more than two years before or after the appraisal date and to require that appropriate adjustments be made to each sale for changes in market value over the time period between the sale date and the appraisal date. The bill would require a property tax appraiser to base a determination of whether a property is comparable to another property subject to appraisal on the similarities with regard to location, square footage, property age, property condition, property access, amenities, views, income operating expenses, occupancy, and the existence of legal burdens affecting marketability.

In addition, the bill would add clarifying language instructing chief appraisers not to add the value of personal property to an appraisal based on the income method.

The bill prohibition of the use of sales that occur outside of 2 years of the appraisal date could reduce the amount of market data available in rural areas where sales are scarce. It could also reduce the amount of market data available for certain kinds of property that do not sell frequently. This reduction in market information could cause less accurate and less equitable appraisals for these geographic areas and property categories. Whether the resulting appraisals would result in higher or lower appraised values statewide than under current law is unknown. As a result, the fiscal impact cannot be determined.

The bill's provisions requiring the use of all available market evidence and specifying the property features to be considered, in determining whether one property is comparable to another, are in line with standard appraisal practice and would not result in any fiscal impact to the state or local taxing units.

The provision clarifying the treatment of personal property with an income approach appraisal is likewise in line with standard appraisal practice and would not result in any fiscal impact to the state or local taxing units.

The bill would take effect January 1, 2010, and would only apply to the appraisal of property for a tax year beginning on or after that date.

Local Government Impact

The bill could reduce the amount of market data available for certain kinds of property. According to the Comptroller of Public Accounts, the fiscal impact on units of local government cannot be determined because it is unknown whether the resulting appraisals would result in higher or lower appraised values statewide than under current law.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS