

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 2, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB771 by Williams (Relating to the determination of the value of property for ad valorem tax purposes.), **As Introduced**

The bill's proposed requirement to restrict value increases on properties that were successfully protested in the previous year would cause value losses to the extent that the restriction prevents appraisal districts from appraising the properties at market value. The value losses could cause a loss to the state through the operation of the school finance formulas.

Additionally, the requirement that sales not be considered as comparables unless they occur within six months of the appraisal date and meet other specified tests could cause a reduction in statewide appraisal uniformity and could result in unpredictable increases or decreases in property value which could effect the school finance formulas.

The bill would amend Chapter 23 of the Tax Code to limit the percentage increase in the appraised value of property after the value had been determined by an appeal to the appraisal review board, binding arbitration, or court decision. In the following year, the appraised value could not increase more than the average increase in value over the last five years. An exception would be provided if certain evidentiary standards were met.

The bill would limit sales that could be used as comparable sales in developing appraisals to sales that occurred within six months of the appraisal date. The bill would include additional factors to be considered before using a sale as a comparable.

The bill's proposed requirement to restrict value increases on properties that were successfully protested in the previous year would cause value losses to the extent that the restriction prevents appraisal districts from appraising the properties at market value. The value losses could cause a loss to the state through the operation of the school finance formulas. The cost cannot be estimated because it is unknown to what extent appraisal districts would be able to provide the evidence required in the bill to overcome the appraised value restriction.

The bill's proposed requirement that sales not be considered as comparables unless they occur within six months of the appraisal date and meet other specified tests could cause a reduction in statewide appraisal uniformity because of the scarcity of sales in some geographic areas. For example, appraisers in many urban or suburban school districts have enough sales that the six-month restriction would not affect them in their appraisal of property. In many rural areas, however, the scarcity of sales could leave the appraiser with insufficient comparable sales to accurately appraise many properties. This could result in less accurate appraisals in these areas—reducing the statewide equity in the property tax system. Reduced appraisal equity could be reflected in unpredictable increases or decreases in local school district tax collections and in the results of the Comptroller's Property Value Study, which in turn could affect state hold harmless, facilities, and enrichment funding. The impact of the funding effects cannot be predicted.

The bill would be effective January 1, 2010.

Local Government Impact

The bill's proposed requirement to restrict value increases on properties that were successfully protested in the previous year would cause value losses to the extent that the restriction prevents appraisal districts from appraising the properties at market value. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Additionally, the requirement that sales not be considered as comparables unless they occur within six months of the appraisal date and meet other specified tests could cause a reduction in statewide appraisal uniformity and could result in unpredictable increases or decreases in property value which could effect the related ad valorem tax revenue for units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS