

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 22, 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.), **Committee Report 1st House, Substituted**

The bill's provision prohibiting a chief appraiser from separately appraising personal property that is valued as a portion of the income of the real property could create a cost to the state through the operation of the school finance formulas to the extent that chief appraisers are currently double counting the value of personal property by including it in an income appraisal of the real property and also including it by another method.

Other provisions in the bill are not estimated to create a significant fiscal impact on the state.

The bill would amend Chapter 23 of the Tax Code to prohibit an 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 unless the increase is reasonably supported by substantial, reliable evidence after considering all the evidence in the record.

The bill would limit sales that could be used as comparable sales in developing appraisals to sales that occurred within two years of the appraisal date unless insufficient comparable sales occurred within two years of the appraisal date to form a reasonable sample. The bill would require that a comparable sale price be adjusted for market changes during the period between the date of the sale and the appraisal date. The bill would include additional factors to be considered before using a sale as a comparable.

The bill would also prohibit a chief appraiser from separately appraising personal property that is valued as a portion of the income of the real property. The market value of the real property would be required to include the combined value of the real and personal property. The bill would repeal Section 23.014 of the Tax Code which requires the chief appraiser to exclude the value of any personal property from the real property.

The bill's proposed requirement for appraisers to consider proper evidence before increasing the appraised value of properties that were successfully protested in the previous year would not prevent appraisal districts from appraising the properties at market value because property tax appraisers are currently required to follow the Uniform Standards of Professional Appraisal Practice (USPAP) which requires such evidence.

The bill's requirements that appraisers select only the comparable sales that occurred within two years of the appraisal date unless a reasonable number of such sales are unavailable, that appraisers adjust sales for market changes between the sale date and the appraisal date, and that appraisers consider reasonable factors when selecting comparable sales are also in substantial accord with USPAP and International Association of Assessing Officers standards. As a result, these provisions would not create a significant fiscal impact on the state or local taxing units.

The bill's provision prohibiting a chief appraiser from separately appraising personal property that is valued as a portion of the income of the real property could create a cost to the state and to local taxing units to the extent that chief appraisers are currently double counting the value of personal property by

including it in an income appraisal of the real property and also including it by another method. Insufficient information is available about the extent of this practice. As a result the cost cannot be estimated.

The bill would take effect January 1, 2010.

Local Government Impact

The bill's provision prohibiting a chief appraiser from separately appraising personal property that is valued as a portion of the income of the real property could create a cost to local taxing units to the extent that chief appraisers are currently double counting the value of personal property by including it in an income appraisal of the real property and also including it by another method. Insufficient information is available about the extent of this practice and as a result the cost cannot be estimated.

Other provisions in the bill are not estimated to create a significant fiscal impact on local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS