

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: SB1497 by Williams (Relating to binding arbitration of certain appraisal review board orders.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 41A of the Tax Code regarding the appeal of an appraisal through binding arbitration. The bill would allow binding arbitration for property owners that protested on the basis of equity, but would prohibit binding arbitration for these property owners if they were represented by an agent and did not provide the chief appraiser copies of the evidence used at the hearing at least seven days in advance of the hearing. The bill would also allow owners of homesteads appraised at greater than \$1 million to proceed to binding arbitration.

The bill would clarify the requirement for specifying on the arbitration request form the appraised or market value of the property depending on the kind of property subject to arbitration. The bill would increase the percentage of the property owner's deposit that the Comptroller may retain to cover administrative costs from 10 percent to 15 percent.

The bill would add a continuing education requirement for arbitrators and would require them to renew their arbitration service agreement with the Comptroller on or as near as possible to the date on which the person's license or certification issued under Chapters 1101 or 1103 of the Occupations Code, is renewed. If the arbitrator fails to renew the agreement, the Comptroller would be required to remove the person from the arbitration registry. The bill would add licensed certified accountants to the list of occupations permitted to represent parties to an arbitration proceeding.

The bill would specify the circumstances under which an arbitrator would determine an equity appeal in favor of the property owner and would specify how the equalized appraised value stated in the award would be calculated. The bill would also allow use of the Comptroller's determination of the median level of appraisal under Section 5.10 of the Tax Code as evidence for the year of the Comptroller's determination.

Based on the analysis by the Comptroller of Public Accounts, the impact to the agency and state government would not be significant. The bill would take effect immediately if it were to receive the required two-thirds vote in each house; otherwise, it would take effect September 1, 2009.

Local Government Impact

Based on analysis from the Texas Association of Appraisal Districts, adding "unequal appraisal" to the list of causes that may undergo arbitration is anticipated to increase the number of cases likely to be filed, creating more costs. The fiscal impact would vary by appraisal district, depending on the number of properties contained within the district.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, DB