

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 23, 2013

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB585** by Villarreal (Relating to ad valorem taxation; creating an offense.), **As Passed 2nd House**

The bill contains several provisions related to district court procedures. To the extent that taxable values would be reduced pursuant to these provisions, the bill would create a cost to the state through the operation of the school funding formulas.

In addition, the bill's expansion of natural disaster reappraisals to include reappraisal in any disaster area declared by the governor, application of the 10 percent limitation on homestead appraised value increases to certain damaged homesteads, and higher appraisal district burden of proof in certain instances, would create a cost to the state through the operation of the school finance formula to the extent that they are applied.

This bill would amend various chapters of the Tax Code, with regard to property taxes, to implement procedural changes related to appraisal review board education, Comptroller communications on matters before the appraisal review board, local administrative district judges appointing appraisal review board members in counties with a population of 120,000 or more, taxpayer liaison officers providing clerical assistance to these judges, appraisal review board removal, ex-parte communications, appealing the denial of refund applications for the overpayment or erroneous payment of property taxes, recouping of electronic filing fees in delinquent tax suits, and related matters.

The Comptroller would be required to prepare model hearing procedures that appraisal review boards would have to follow when establishing hearing procedures, prescribe a survey form for the public to provide comments and suggestions regarding appraisal review boards, and compile those surveys into annual reports. An appraisal district's taxpayer liaison officer would be responsible for receiving and compiling a list of comments and suggestions related to appraisal review boards filed by the chief appraiser, property owner, or agent and the liaison officer would have to forward the information to the Comptroller.

A chief appraiser would be required to attend specified training including ethics training and the Texas Commission of Licensing and Regulation would be required to adopt rules related to the training.

The bill would provide that an individual is ineligible to serve on an appraisal district board of

directors if the individual has either appraised property or represented property owners for compensation in Property Tax Code proceedings in the appraisal district at any time during the preceding five years.

The bill would specify professional appraisal designation and certification requirements for chief appraisers and would direct the Comptroller to appoint a new chief appraiser if a chief appraiser becomes ineligible to serve. If the Comptroller appoints a new chief appraiser under the bill the Comptroller would determine the new chief appraiser's compensation and would approve the new appraisal district budget. The bill would provide for other matters related to the appointment of a chief appraiser.

Under current law, a taxing unit has the authority to require an appraisal district to reappraise damaged property in that taxing unit that is also in an area declared to be a natural disaster area by the governor at its value immediately after the disaster. The bill would expand the scope of this authority to include property in any disaster area declared by the governor rather than just a natural disaster area. The bill would define "disaster recovery program" as a specific disaster recovery program administered by the General Land Office. The bill would specify that a replacement structure described by that program is not considered a new improvement if, only to the extent necessary to satisfy the requirements of the program: (1) the square footage of the replacement structure exceeds that of the replaced structure; or (2) the exterior of the replacement structure is of higher quality construction and composition than that of the replaced structure. Such structures would be subject to the 10 percent limitation on homestead appraised value increases

The bill would provide an application process for personal property owners requesting interstate allocation. The bill would provide that a secured party, with the property owner's consent, may render for property taxation any property of the owner in which the secured party has a security interest even though the secured party is not required to render the property under existing law. This would apply only to property that had a cost when new of more than \$50,000.

The bill would make procedural changes regarding taxpayer rights at an appraisal review board hearing, scheduling of hearings, other appraisal review board hearing matters, and appeals from appraisal review board orders to district court. The bill would require a higher burden of proof for an appraisal district in an appraisal review board hearing under certain circumstances if the protesting taxpayer provides certain appraisal information.

The bill would repeal Section 41A.031, which provides an expedited binding arbitration process for appeals from appraisal review board orders.

The bill's provisions, including a provision requiring certain appraisal review board hearings to be set for a time and date certain, appraisal review board hearing postponements under certain circumstances, same-day hearing scheduling requirements, and limitations on hearing panel assignments, could create local compliance costs for the taxing units that increase the appraisal district budget. The extent of these local compliance costs are unknown and therefore cannot be estimated.

The bill's expansion of natural disaster reappraisals to include reappraisal in any disaster area declared by the governor, application of the 10 percent limitation on homestead appraised value increases to certain damaged homesteads, and higher appraisal district burden of proof in certain instances, would create a cost to local governments and to the state through the operation of the school finance formula to the extent that they are applied. The extent of such authorized reappraisals, replacement homestead appraised value limitations, and applications of a higher

appraisal district burden of proof in the future is unknown. Consequently, the fiscal impact of these provisions of the bill cannot be estimated.

The bill contains several provisions related to district court procedures. These provisions include:

- 1) allowing multiple plaintiffs;
- 2) allowing the amendment of an appeal to include additional properties in the same county that are owned or leased by the same person;
- 3) allowing court jurisdiction over an appeal regardless of the plaintiff identified in the petition under certain circumstances;
- 4) allowing evidence, argument, or other testimony offered at appraisal review board hearing under certain circumstances; and
- 5) allowing property owners to be awarded attorney fees for district court determinations of exemption appeals related to Tax Code Sections 11.17, 11.22, 11.23, 11.231, or 11.24.

To the extent that taxable values would be reduced pursuant to these provisions, the bill would create a cost to units of local government and to the state through the operation of the school funding formulas. Taxable value reductions would be dependent on the outcome of future taxable value appeals in district court and the outcome of such appeals cannot be predicted. Consequently fiscal impact of these provisions cannot be estimated.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013. Certain specified provisions would take effect January 1, 2014. The bill's provisions related to reappraisal in a disaster area would apply as of January 1, 2013. The bill's provisions related to a higher appraisal district burden of proof would take effect on September 1, 2013.

Local Government Impact

The bill's provisions, including a provision requiring certain appraisal review board hearings to be set for a time and date certain, appraisal review board hearing postponements under certain circumstances, same-day hearing scheduling requirements, and limitations on hearing panel assignments, could create local compliance costs for the taxing units that contribute to the appraisal district budget.

In addition, the bill's expansion of natural disaster reappraisals to include reappraisal in any disaster area declared by the governor, application of the 10 percent limitation on homestead appraised value increases to certain damaged homesteads, and higher appraisal district burden of proof in certain instances, would create a cost to local governments to the extent that they are applied.

In addition, the bill contains several provisions related to district court procedures. To the extent that taxable values would be reduced pursuant to these provisions, the bill would create a cost to units of local government.

Source Agencies: 304 Comptroller of Public Accounts

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