

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 14, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

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

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 increase in an appraisal district's burden of proof at an appraisal review board hearing proposed by the bill would likely increase the number of appraisal review board determinations in which a property owner's appraised value is reduced, thereby creating a cost to the state through the operation of the school finance formula.

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, appraisal review board appointment and removal, ex-parte communications with a local administrative district judge that appoints appraisal review board members, ex-parte communications with appraisal review board members, 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 for appraisal review boards, 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.

The bill would provide that members of the appraisal review board are independent contractors of the appraisal district and serve at the pleasure of the appraisal district board of directors, the local administrative judge, or the judge's designee, as applicable, that appointed the appraisal review board member.

The bill would provide an application process for personal property owners requesting interstate allocation.

The bill would specify that at an appraisal review board hearing on the appraised value or inequality of appraisal of a property an appraisal district has the burden of establishing the value

of the property by clear and convincing evidence, rather than a preponderance of the evidence. This increase in an appraisal district's burden of proof would apply only if the appraised value of the property was lowered because of a taxing unit challenge, clerical error, or taxpayer protest; the appraised value in the preceding year was not established by written agreement between the property owner and the appraisal district; and the property owner has timely filed certain appraisal information. If the appraisal district fails to meet its burden of proof under the bill the protest would be decided in favor of the property owner. A property owner would not be required to provide any information in a protest except as a condition to an increased appraisal district burden of proof.

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 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 contribute to the appraisal district budget. The extent of these local compliance costs are unknown and therefore cannot be estimated.

The increase in an appraisal district's burden of proof at an appraisal review board hearing proposed by the bill would likely increase the number of appraisal review board determinations in which a property owner's appraised value is reduced, thereby creating a cost for units of local government and the state through the operation of the school finance formula. The number of additional protests that would be determined in favor of a taxpayer under the bill cannot be predicted. Consequently the fiscal impact 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; and
- 4) allowing evidence, argument, or other testimony offered at appraisal review board hearing under certain circumstances.

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 the bill's fiscal impact 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.

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 increase in an appraisal district's burden of proof at an appraisal review board hearing proposed by the bill would likely increase the number of appraisal review board determinations in which a property owner's appraised value is reduced, thereby creating a cost for units of local government.

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

LBB Staff: UP, KK, SD, SJS