

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 21, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3173 by Bohac (Relating to the authority of the chief appraiser to increase the appraised value of certain property following an appeal in which the value of the property is lowered.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3173, As Introduced: a negative impact of (\$61,058,000) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$18,901,000)
2015	(\$42,157,000)
2016	(\$102,002,000)
2017	(\$156,427,000)
2018	(\$206,773,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2014	(\$18,901,000)	(\$29,657,000)	(\$14,821,000)	(\$16,434,000)
2015	(\$42,157,000)	(\$44,332,000)	(\$26,369,000)	(\$29,217,000)
2016	(\$102,002,000)	(\$57,445,000)	(\$48,439,000)	(\$53,763,000)
2017	(\$156,427,000)	(\$56,734,000)	(\$64,529,000)	(\$71,743,000)
2018	(\$206,773,000)	(\$74,239,000)	(\$84,771,000)	(\$94,407,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2014	(\$10,869,000)
2015	(\$19,274,000)
2016	(\$35,377,000)
2017	(\$47,090,000)
2018	(\$61,812,000)

Fiscal Analysis

The bill would amend Section 23.01, of the Tax Code, related to property tax appraisals, to require that, if the appraised value of a property in a tax year is lowered by a district court order, the appraised value of the property is considered to be the appraised value of the property for that tax year and the next three tax years.

The bill would take effect on September 1, 2013.

Note: The bill's proposed three-year freeze on the appraised value of a property which was lowered by a district court could conflict with the constitutional requirement of equal and uniform taxation, and could conflict with the constitutional prohibition on appraising property in excess of market value in years in which the value of the property declines.

Methodology

The bill's proposed three year freeze on the appraised value of a property which was lowered by a district court would create a cost to local taxing units and to the state through the operation of the school finance formula because the appraised value freeze would prevent an appraisal district from appraising such property at its market value for a period of three years. All property value growth in an increasing market would be lost to taxation during the three year period.

The fiscal cost was based on a survey of large appraisal districts to determine the typical portion of the appraisal roll that is involved in litigation in which the property value is reduced in district court. This portion would be expected to grow as an increasing number of taxpayers file suit to attempt to obtain the value freeze. The result was extrapolated statewide and reduced to account for small appraisal districts with little litigation. Projected growth rates were applied to determine the amount of lost value growth in each year. The losses are cumulative during the three year period in which property values are frozen under the bill.

The applicable projected tax rates were applied to estimate the levy loss to special districts, cities and counties, and to estimate the initial school district loss. Because of the operation of the hold harmless provisions of the Education Code, about 60 percent of the school district cost related to the compressed rate would be transferred to the state in the first year of a taxable property value loss and 100 percent in later years. Because lagged year property values are used in the enrichment formula, school district loss enrichment funding (state savings) in the first year of a taxable property value reduction. In the second and successive years the enrichment cost and a portion of the school district debt (facilities) cost are transferred to the state through the relevant funding formulas. All costs were estimated over the five year projection period.

Local Government Impact

The fiscal implication to units of local government is reflected in the table above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS