

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**March 22, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB1256 by Patrick (Relating to the requirements for a sale to be considered a comparable sale for ad valorem tax purposes.), **As Introduced**

**The bill would strike the exception to the prohibition on the use of a comparable sale in an appraisal by an appraisal district if the sale occurred two years or more before the appraisal's effective date. In market areas that have little market activity, sales that are more than two years old may provide the only market evidence of a property's value. In such areas, the bill's prohibition on the use of such sales would reduce the accuracy and reliability of the values on the appraisal roll. In these areas, this reduced accuracy and reliability would increase the likelihood that taxpayers would prevail in a protest before an appraisal review board or in district court. Consequently, the bill could create a fiscal cost to local taxing units and to the state through the operation of the school finance formulas.**

The bill would amend Section 23.013(b), of the Tax Code, regarding property appraisal and assessment, to strike the exception to the prohibition on the use of a comparable sale in an appraisal by an appraisal district if the sale occurred two years or more before the appraisal's effective date. The deleted language provides that such sales may be considered as comparable sales if there were not enough comparable sales within the two-year period to constitute a representative sample.

The Uniform Standards of Professional Appraisal Practice, Rule 1-5(b) requires an appraiser to analyze all sales of the subject property that occurred within the three years prior to the effective date of the appraisal when making a real property appraisal at market value. No other specific time period is required by generally accepted appraisal standards. The Appraisal of Real Estate, 13th ed., Chapter 14, indicates that appraisers should classify and weight market data for its importance, relevance, and reliability, and that changing market conditions may reduce the validity or applicability of older sales but that historical sales may be useful in some instances. The Appraisal of Real Estate does not provide any absolute limit on the age of sales to be used as comparables in an appraisal but provides for adjustments to comparable sales based on the date of sale to reflect an increasing or declining market.

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finance formulas. No information is available with which this fiscal impact can be estimated.

Note: In some areas of the state, the issues regarding the lack of comparable sales that occurred within two years of the effective date of an appraisal would affect the accuracy and reliability of the Comptroller's Property Value Study. The school district property values determined in the Property Value Study are used in the state's school funding formula.

The bill would take effect on January 1, 2014.

### **Local Government Impact**

The bill would strike the exception to the prohibition on the use of a comparable sale in an appraisal by an appraisal district if the sale occurred two years or more before the appraisal's effective date. In market areas that have little market activity, sales that are more than two years old may provide the only market evidence of a property's value. In such areas, the bill's prohibition on the use of such sales would reduce the accuracy and reliability of the values on the appraisal roll. In these areas, this reduced accuracy and reliability would increase the likelihood that taxpayers would prevail in a protest before an appraisal review board or in district court. Consequently, the bill could create a fiscal cost to local taxing units.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS