

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION
Revision 1

April 8, 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.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend Section 23.013, of the Tax Code, regarding property appraisal and assessment, to provide that for residential property in a county with a population of more than 150,000, a sale is not considered to be a comparable sale unless the sale occurred within 36 months of the date as of which the market value of the subject property is to be determined, regardless of the number of comparable properties sold during that period.

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.

In general, counties with a population of 150,000 or more have the market activity for residential property to provide market evidence of a property's value within the 36 month time period specified in the bill. Appraisers would have insufficient market activity only in limited instances, consequently, the cost of the bill is not significant.

The bill would take effect on January 1, 2014.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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