

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

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

**April 17, 2013**

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

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

**IN RE:** SB1342 by Davis (Relating to evidence of inequality of appraisal in judicial appeals of appraisal review board orders.), **As Introduced**

**Passage of the bill would increase the amount of property value retained on the appraisal rolls and would create a gain to the state through the operation of the school finance formula.**

The bill would amend Section 42.26, of the Tax Code, related to district court remedies for unequal appraisal, to revise the standards under which a district court would grant relief to a property taxpayer for unequal appraisal. The bill would revise one of the unequal appraisal standards that apply to any property to specify that if the appraised value of the property exceeds the median level of appraisal (rather than appraised value) of a reasonable and representative sample (rather than number) of comparable properties appropriately adjusted the taxpayer would be granted unequal appraisal relief.

The bill would add an unequal appraisal standard for qualified residence homesteads or properties with a value of \$1 million or less to require that if the appraised value of the property exceeds the median appraised value of a reasonable sample of comparable properties appropriately adjusted the taxpayer be granted unequal appraisal relief.

The Comptroller would be required to establish by rule standards for development and calibration of adjustments for industrial, petrochemical refining and processing, and utility properties.

The bill would require that certain specified standards for determining the comparability of properties be followed in unequal appraisal appeals. The bill would also require that, for residential homesteads and properties with a value of \$1 million or less, property value adjustments be developed and calibrated in compliance with generally accepted appraisal standards.

The bill would require the court to order the property's appraised value changed to the value calculated on the basis of the median appraised value of a reasonable sample of appropriately adjusted comparable properties if the taxpayer is entitled to relief under the standard for residence homesteads or properties with a value of \$1 million or less.

The bill would require that if a taxpayer is entitled to relief under more than one unequal appraisal standard, the court shall order the property's appraised value changed to the value that in the judgment of the court, best reflects the level of appraisal of other property in the appraisal district (rather than changing the value to the lowest appraised value).

The bill's revisions to the standards under which a district court determines if a property is unequally appraised and thus entitled to a reduced property value as a remedy increase the probability that an appraisal district would be able to demonstrate in district court that a property is appraised in a substantially uniform and equal manner in comparison to comparable properties. The proposed requirements that certain samples be representative, that specified comparability standards be followed, and that property value adjustments be developed in compliance with generally accepted appraisal standards would ensure that taxpayer evidence more reliably demonstrates whether a property is unequally appraised. The requirement that a court order a property's appraised value changed to the value that in the judgment of the court, best reflects the level of appraisal of other property in the appraisal district (rather than changing the value to the lowest appraised value) would in some instances result in a higher appraised value than under current law.

These proposed revisions would create a gain to local taxing units and to the state through the operation of the school finance formula. The amount of property value retained on the appraisal rolls under the bill instead of being reduced by court order is dependent on the outcome of future district court appeals and cannot be predicted. Consequently, the fiscal gain cannot be estimated.

The bill would take effect on September 1, 2013.

### **Local Government Impact**

Passage of the bill would increase the amount of property value retained on the appraisal rolls and would create a gain to local taxing units

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

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