

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 7, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1598** by Zaffirini (Relating to the authority of the chief appraiser of an appraisal district or a representative of the chief appraiser to enter the premises of a business, trade, or profession for ad valorem tax appraisal purposes.), **As Introduced**

The bill's proposed prohibition on an appraisal district entering a business to inspect personal property without the property owner's permission would create a cost to local taxing units and to the state through the operation of the school finance formulas. The exact number of property owners who would refuse entry to appraisal districts under the bill is unknown, so the exact cost of the bill cannot be estimated.

The tables below are included as an illustrative example by the Comptroller's office showing the fiscal impact that would be created by the bill if only 10 percent of the state's personal property value was lost to taxation because of personal property owners' refusal to permit inspection by appraisal districts.

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	\$0
2015	(\$136,079,000)
2016	(\$310,569,000)
2017	(\$331,278,000)
2018	(\$353,448,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Cities
2014	\$0	\$0	\$0	\$0
2015	(\$136,079,000)	(\$216,184,000)	(\$107,398,000)	(\$118,999,000)
2016	(\$310,569,000)	(\$66,579,000)	(\$114,576,000)	(\$127,169,000)
2017	(\$331,278,000)	(\$72,579,000)	(\$122,256,000)	(\$135,925,000)
2018	(\$353,448,000)	(\$79,079,000)	(\$130,477,000)	(\$145,310,000)

Fiscal Year	Probable Revenue Gain/(Loss) from Other Special Districts
2014	\$0
2015	(\$78,502,000)
2016	(\$83,680,000)
2017	(\$89,217,000)
2018	(\$95,140,000)

Fiscal Analysis

The bill would amend Section 22.07(a) of the Tax Code, regarding property taxation and renditions, to prohibit a chief appraiser or chief appraiser's representative from entering the premises of a business and inspecting the property to determine the amount of taxable personal property unless the owner of the business has expressly consented to the entry and inspection.

The bill would take effect on September 1, 2013.

Methodology

The bill's proposed prohibition on an appraisal district entering a business to inspect personal property without the property owner's permission would create a cost to local taxing units and to the state through the operation of the school finance formulas. Some property owners have refused entry to their premises for the purpose of personal property inspection even under current law, which permits such inspection. For instance, the Harris County Appraisal District was refused entry to an Enron warehouse which contained Enron's entire broadband inventory. Over \$1 million in property tax was recovered in the subsequent court case. The exact number of property owners who would refuse entry to appraisal districts under the bill is unknown, so the exact cost of the bill cannot be estimated.

The bill would create inequity between taxpayers who deny personal property inspection and those who permit personal property inspection (or whose personal property is visible to the public). In effect, taxpayers who deny inspection would be rewarded and those that cooperate with the appraisal district would be penalized by being assessed more taxes than their competitors. The Comptroller reports that the lost property taxes would eventually be shifted to homeowners and other business taxpayers.

The tables above are included as an illustrative example showing the fiscal impact that would be created by the bill if only 10 percent of the state's personal property value was lost to taxation because of personal property owners' refusal to permit inspection by appraisal districts.

Local Government Impact

The bill's proposed prohibition on an appraisal district entering a business to inspect personal property without the property owner's permission would create a cost to local taxing units. The exact number of property owners who would refuse entry to appraisal districts under the bill is unknown, so the exact cost of the bill cannot be estimated.

The tables above are included as an illustrative example by the Comptroller's office showing the fiscal impact that would be created by the bill if only 10 percent of the state's personal property value was lost to taxation because of personal property owners' refusal to permit inspection by appraisal districts.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS