

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 13, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2083 by Darby (relating to the determination of the appraised value of property for purposes of an ad valorem tax protest or appeal.), **Committee Report 1st House, Substituted**

Passage of the bill would require that generally accepted appraisal methods and techniques be used in an inequality of appraisal protest. This higher evidentiary standard could mean that fewer unequal appraisal protests or appeals would be determined in favor of the taxpayer, resulting in a gain to the state through the operation of the school funding formula.

The bill's proposed use of comparable properties in counties other than the county in which the property is located could mean, in situations in which insufficient comparable properties exist inside the county, that more unequal appraisal protests or appeals would be determined in favor of the taxpayer, resulting in a loss to local taxing units and to the state through the operation of the school funding formula.

The bill would amend Chapter 23 of the Tax Code, regarding appraisal methods and procedures, to require the selection and adjustment of comparable properties to be based on generally accepted appraisal methods and techniques in determining the appraised value of a property in certain property tax unequal appraisal protests to the appraisal review board and appeals to district court. If a sufficient number of comparable properties are not located in the county, comparable properties in other counties may be used. The bill provides that adjustments must be based on recognized methods and techniques that are necessary to produce a credible opinion.

The bill's requirement that generally accepted appraisal methods and techniques be used in an inequality of appraisal protest of the value of a property to the appraisal review board or an appeal of the value in district court provides a higher standard for evidence in the protest or appeal. This higher evidentiary standard could mean that fewer unequal appraisal protests or appeals would be determined in favor of the taxpayer, resulting in a gain to local taxing units and to the state through the operation of the school funding formula.

The bill's proposed use of comparable properties in counties other than the county in which the property is located would mean, in situations in which insufficient comparable properties exist inside the county, a protesting taxpayer could find comparable properties in any county in Texas, or even a county outside of Texas, appraised at a lower value than the property under protest and use those properties as evidence. This could mean that more unequal appraisal protests or appeals would be determined in favor of the taxpayer, resulting in a loss to local taxing units and to the state through the operation of the school funding formula.

The reduction in the number of appraisal review board protests or district court appeals that would be decided in favor of the taxpayer cannot be predicted so the gain cannot be estimated.

The bill would take effect January 1, 2016.

Local Government Impact

Passage of the bill would require that generally accepted appraisal methods and techniques be used in an inequality of appraisal protest. This higher evidentiary standard could mean that fewer unequal appraisal protests or appeals would be determined in favor of the taxpayer, resulting in a gain to local taxing units.

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Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS