

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 22, 2015**

**TO:** Honorable Dan Patrick, Lieutenant Governor, Senate

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

**IN RE:** **SB1760** by Creighton (Relating to the transparent and equitable application of ad valorem tax procedures. ), **As Passed 2nd House**

**The bill would allow a court to give preference to the testimony of an appraisal district employee who is authorized to appraise real estate under Section 1103.201 of the Occupations Code. If this provision resulted in fewer decisions in favor of appraisal districts, there would be a state cost through the operation of the school district funding formula. The cost would commence in fiscal year 2021.**

The bill would amend Chapter 1 of the Tax Code, regarding general property tax provisions, to provide that a lessee designated by a property owner as the owner's agent may, subject to the property owner's approval, designate a person to act as the lessee's agent for any legal purpose for which the lessee is authorized to act on behalf of the owner in connection with the owner or the owner's property. The lessee's agent would be subject to the same limitations as an agent designated by the property owner.

The bill would amend Chapter 5 of the Tax Code, regarding state property tax administration, to provide that a property tax form may be signed by means of an electronically captured handwritten signature. A property tax form would not be invalid or unenforceable solely because the form is a photocopy, facsimile, or electronic copy of the original. The Comptroller would be required to prepare an annual list including the total tax rate imposed by each taxing unit in this state, other than a school district, if the tax rate is reported to the Comptroller, for the year preceding the year in which the list is prepared. The tax rates would be listed in descending order. The Comptroller would be required to publish the list on the Comptroller's website not later than December 31st of each year.

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, and amend Chapter 26 of the Tax Code, regarding property tax assessment, to specify that a person is not required to apply for a property tax refund to receive the refund.

The bill would amend Chapter 26 of the Tax Code, regarding property tax assessment, to provide that for taxing units other than school districts at least 60 percent of the members of the governing body must vote in favor to adopt a tax rate that exceeds the effective tax rate. For a school district, a vote setting a tax rate that exceeds the sum of the effective maintenance and operations tax rate and the current debt rate must be a record vote, and at least 60 percent of the members of the governing body must vote in favor of the ordinance, resolution or order.

The bill would amend Chapter 26 of the Tax Code, Chapter 140 of the Local Government Code,

regarding miscellaneous local government financial provisions, and Chapter 49 of the Water Code, regarding provisions applicable to all districts, to require that the taxing unit describe the purpose for which the increased taxes will be used in the notice of a meeting of a governing body to vote on a proposed tax rate increase, in a school district tax rate ratification election ballot, in a county or city notice of a tax rate that exceeds the lower of the effective tax rate or the rollback tax rate, and in a water district notice of a specified tax increase.

The bill would amend Chapter 26 of the Tax Code, to provide that a property owner is not required to apply for a refund to receive the refund.

The bill would amend Chapter 42 of the Tax Code, regarding judicial review of property tax appraisals, to permit a court to give preference to testimony, regarding excessive or unequal property appraisal, of an appraisal district employee who is authorized to appraise real estate under Section 1103.201 of the Occupations Code. The bill would also amend Section 42.23 to modify the interest rate on a refund to a taxpayer after a court determination that lowers the taxpayer's tax bill to an annual rate of 9.5 percent, rather than 2 percent plus the prime rate but not more than 8 percent.

The bill would amend Chapter 140 of the Local Government Code to provide that the newspaper and internet tax rate notice for cities and counties proposing a tax rate that exceeds the lower of the effective tax rate or the rollback tax rate must be provided not later than the later of September 1 or the 30th day after the date the taxing unit received each applicable certified appraisal roll, rather than not later than September 1.

The bill's provisions that would increase the interest rate on refunds to taxpayers from 2 percent plus the prime rate (capped at 8 percent) to 9.5 percent would create a cost to units of local government because the proposed refund interest rate is higher than the current rate.

The bill's provision that would allow a court, beginning in 2020, to give preference to an appraisal district employee's testimony as to the value of real property in a district court appeal if that employee is authorized to appraise real estate under Section 1103.201 of the Occupations Code could create a training cost to units of local government because appraisal districts would be encouraged to use an appraiser authorized under that section of the Occupations Code to increase their chances of winning in court. Appraisal district appraisers are authorized to appraise property under Chapter 1151 of the Occupations Code, so their testimony would not be given preference under the bill.

Insufficient information is available to estimate the costs to local governments of the bill's proposed interest rate increase and preferential treatment of district court testimony from certain appraisal district appraisers. If the bill's provision that would allow a court to give preference to the testimony of an appraisal district employee who is authorized to appraise real estate under Section 1103.201 of the Occupations Code from appraisal district appraisers were to result in fewer decisions in favor of appraisal districts, there would be a state cost through the operation of the school district funding formula, but the cost would commence in fiscal 2021 and cannot be estimated.

The bill would take effect January 1, 2016, except that the provision related to a court's ability to give preference to certain testimony would take effect on January 1, 2020.

### **Local Government Impact**

The bill's provisions that would increase the interest rate on refunds to taxpayers from 2 percent

plus the prime rate (capped at 8 percent) to 9.5 percent would create a cost to units of local government because the proposed refund interest rate is higher than the current rate.

The bill's provision that would allow a court, beginning in 2020, to give preference to an appraisal district employee's testimony as to the value of real property in a district court appeal if the employee is authorized to appraise real estate under Section 1103.201 of the Occupations Code could create a training cost to units of local government because appraisal districts would be encouraged to use an appraiser authorized under that section of the Occupations Code to increase their chances of winning in court.

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

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