

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 27, 2015

TO: Honorable Eddie Lucio Jr., Chair, Senate Committee on Intergovernmental Relations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1760** by Creighton (Relating to the transparent and equitable application of ad valorem taxation procedures.), **Committee Report 1st House, Substituted**

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, but the cost would commence in fiscal year 2021.

The bill would amend Chapter 1 of the Tax Code, regarding general property tax provisions, to include refunds in the list of communications related to a person's property the property owner may direct the appraisal district, appraisal review board, and each taxing unit to deliver to a specified person (who may be an agent) instead of to the property owner. The bill would require that, for purposes of property tax provisions providing for the accrual of interest, unless otherwise provided, interest accrues at an annual rate equal to the sum of two percent and the most recent prime rate quoted and published by the Federal Reserve Board as of the first day of the month in which the interest is first calculated.

The bill would amend Chapter 5 of the Tax Code, regarding state property tax administration, to require the Comptroller to prepare an annual list including the total tax rate imposed by each taxing unit in this state, other than a school district, for the year preceding the year in which the list is prepared if the tax rate is reported to the Comptroller. 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, 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, 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, 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 taxing unit describe the purpose for which the increased taxes will be used.

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 real property value, of an appraisal district employee who is authorized to appraise real estate under Section 1103.201 of the Occupations Code. The bill would strike the provision which requires a taxpayer to pay a penalty in relation to a supplemental tax bill sent after a court decision that increases the taxpayer's tax liability. After a court decision that increases a property owner's tax liability, the property owner and chief appraiser would be permitted to agree to waive the interest on the additional tax due for the period between the original delinquency date and the first day of the next month that is at least 21 days after the date the supplemental tax bill is mailed.

The bill's provisions that would generally reduce the interest rate charged on delinquent taxes from 7 percent to the prime rate plus 2 percent would create a cost to units of local government because the prime rate plus 2 percent is expected to remain less than 7 percent in the near future and a lower interest rate would reduce taxing unit revenue from interest payments. The provision that would strike the requirement that a taxpayer pay a penalty in relation to a supplemental tax bill sent after a court decision that increases the taxpayer's tax liability would create a cost to local taxing units because the taxing units would no longer receive the penalty revenue. 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. 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 reduction, deletion of a penalty provision, 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 generally reduce the interest rate charged on delinquent taxes from 7 percent to the prime rate plus 2 percent would create a cost to units of local government because the prime rate plus 2 percent is expected to remain less than 7 percent in the near future and a lower interest rate would reduce taxing unit revenue from interest payments.

The provision that would strike the requirement that a taxpayer pay a penalty in relation to a supplemental tax bill sent after a court decision that increases the taxpayer's tax liability would create a cost to local taxing units because the taxing units would no longer receive the penalty revenue.

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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