

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

August 2, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB331** by Davis, Sarah (Relating to the reappraisal for ad valorem tax purposes of property damaged in a disaster.), **As Introduced**

Passage of the bill would require, rather than permit, the reappraisal of property in a disaster area at its market value immediately after the disaster. As the amount of value loss caused by future disasters is unknown, the cost of the bill cannot be determined; however, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to require a chief appraiser of an appraisal district that is in a disaster area declared by the Governor to reappraise all property that the Federal Emergency Management Agency (FEMA) or its successor agency estimates to have sustained 5 percent or greater damage as a result of the disaster at its market value immediately after the disaster. Current law permits a taxing unit in a disaster area to authorize a similar reappraisal. A property owner would be permitted to refuse to have the owner's property reappraised. The chief appraiser would be required to complete the reappraisal not later than the 45th day after the date the Governor declares the area to be a disaster area unless FEMA has not completed the damage estimates by that date. In that event, the chief appraiser would be required to reappraise the property as soon as practicable after the damage estimates are completed.

The bill would make conforming changes. The Comptroller would be permitted to adopt rules to implement and administer the bill's provisions. The reappraisal of property located in an area that was declared to be a disaster area by the Governor before the bill's effective date would be governed by the law in effect immediately before the effective date.

The bill's provision that would require, rather than permit, the reappraisal of property in a disaster area at its market value immediately after the disaster could create a cost to local taxing units and to the state through the school funding formula. The amount of value loss caused by future disasters is unknown; consequently, the cost of the bill cannot be determined.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect December 1, 2017.

Local Government Impact

Passage of the bill would require, rather than permit, the reappraisal of property in a disaster area at its market value immediately after the disaster. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS