

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**May 19, 2017**

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

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

**IN RE:** SB2 by Bettencourt (Relating to the administration of the ad valorem tax system.),  
**Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB2, Committee Report 2nd House, Substituted: a negative impact of (\$624,000) through the biennium ending August 31, 2019.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	(\$312,000)
2019	(\$312,000)
2020	(\$312,000)
2021	(\$312,000)
2022	(\$312,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund</b>
	<b>1</b>
2018	(\$312,000)
2019	(\$312,000)
2020	(\$312,000)
2021	(\$312,000)
2022	(\$312,000)

**Fiscal Analysis**

The bill would amend Chapter 5 of the Tax Code, regarding state property tax administration, to require the Comptroller to prescribe tax rate calculation forms to be used by the designated officer

or employee of each:

- taxing unit other than a school district to calculate and submit the no-new-revenue tax rate, and the rollback tax rate for the unit; and
- school district to calculate and submit the no-new-revenue tax rate, the rollback tax rate, and the rate to maintain the same amount of state and local revenue per weighted student that the district received in the school year beginning in the preceding tax year.

The forms would be required to be in a fillable electronic format and capable of being certified as accurately calculating the applicable tax rates using certified appraisal roll values. The Comptroller would be required to prescribe the forms as soon as practicable after January 1, 2018. The bill would make other specifications regarding the forms. The Comptroller would be required to use the forms published on the Comptroller's Internet website as of January 1, 2017, modified as necessary to comply with the new requirements. The bill would provide for the forms to be updated as necessary to reflect changes in values and to make non-substantive changes at the Comptroller's discretion. The Comptroller would be permitted to revise the forms to reflect certain statutory changes or on receipt of a request in writing if approved by the agreement of a majority of the members of a committee selected by the Comptroller. The bill would specify the makeup of the committee. The bill would provide for mediation regarding a revision if required.

The Comptroller would be required to include school district tax rates in the list of tax rates imposed by each taxing unit in this state as reported by each appraisal district, and to use the tax rates for the year in which the list is prepared (rather than for the preceding year). The Comptroller would be required to prescribe the manner in which appraisal districts submit the list and the deadline for the list, to list the tax rates according to specified criteria, and to publish the list on the Comptroller's Internet website not later than January 1 of the following year. The Comptroller would be required to comply with this provision not later than January 1, 2021.

The bill would amend Chapter 6 of the Tax Code, regarding local property tax administration, to establish special appraisal review board panels for properties appraised at \$50 million or more that are in one of the specified property categories in a county with a population of 1 million or more. The bill would prescribe the size, eligibility requirements, and other matters related to the special appraisal review board panels.

The bill would provide that an appraisal district board of directors for an appraisal district established in a county with a population of one million or more by resolution of a majority of the board's members is required to increase the size of the district's appraisal review board to the number of members the board of directors considers appropriate to manage the duties of the appraisal review board, including the established duties of special panels. In selecting individuals who are to serve as members of the appraisal review board, the local administrative district judge would be required to select an adequate number of qualified individuals to permit the chairman of the appraisal review board to fill the positions on each special panel. These provisions would apply to appraisal review board appointments for terms beginning on or after January 1, 2019.

An auxiliary board member would not be permitted to hear taxpayer protests before a special panel unless the member is eligible to be appointed to the special panel.

The bill would amend Chapter 25 of the Tax Code, regarding local property tax appraisal, to provide that, effective January 1, 2019, in an appraisal district with a population of one million or more, in addition to other required information, the chief appraiser shall state in a notice of appraised value that the property owner has the right to a protest to be heard by a special panel of the appraisal review board. Effective January 1, 2020, the bill would strike the requirement that if the appraised value is greater than it was in the preceding year, the amount of tax that would be

imposed on the property on the basis of the tax rate for the preceding year be included in a notice of appraised value. Until that date this requirement applies only to a notice of appraised value required to be delivered by the chief appraiser of an appraisal district established in a county with a population of less than 120,000.

The bill would amend Chapter 26 of the Tax Code, regarding property taxation and assessment, to re-name the effective tax rate as the "no-new-revenue tax rate" and the effective maintenance and operations tax rate as the "no-new-revenue maintenance and operations tax rate". The designated officer or employee of a taxing unit other than a school district would be required to use the tax rate calculation forms prescribed by the Comptroller in calculating the no-new-revenue tax rate and the rollback tax rate. The designated officer or employee would not be permitted to submit these rates to the governing body of the taxing unit and the unit would not be permitted to adopt a tax rate until the designated officer or employee certifies on the tax rate calculation forms that the tax rate calculations are accurate and the values are the same as the values shown in the unit's certified appraisal roll.

Taxpayer notices containing specified tax bill information would be required. The bill would revise requirements for certain public tax rate hearings and for related notices.

A person who owns taxable property would be entitled to an injunction restraining the collection of taxes by a taxing unit in which the property is taxable if the taxing unit or chief appraiser has not complied with certain computation, publication, posting or other requirements (rather than has not complied and the failure to comply was not in good faith). A property owner's action to enjoin the collection of taxes would be required to be filed not later than the 15th day after the date the taxing unit adopts a tax rate. The bill would specify other matters related to the injunction including that if the property owner pays the taxes and subsequently prevails in the action, the property owner is entitled to a refund of the taxes paid, together with reasonable attorney's fees and court costs.

Each appraisal district would be required to maintain a searchable, continuously updated, and publicly accessible property tax database containing specified information regarding property values, property taxes, various kinds of tax rate, hearing dates, and other related information. A taxing unit would not be permitted to hold a public hearing on a proposed tax rate until the 14th day after the date the officer or employee designated by the taxing unit has entered certain specified information into the database and submitted the specified calculation forms to the appraisal district. A taxing unit other than a school district would not be permitted to adopt a tax rate until:

- the chief appraiser has delivered a specified notice and incorporated the tax rate calculation forms into the property tax database and made them available to the public;
- the designated officer or employee of the taxing unit has entered in the property tax database the required information for the current tax year; and
- the taxing unit has posted the required information on the Internet website used by the taxing unit for that purpose.

Each taxing unit would be required to maintain or have access to a generally accessible Internet website including specified budget, tax rate, tax revenue, and audit information in a format prescribed by the Comptroller.

The bill would amend Chapter 41 of the Tax Code, regarding local review, to strike the provision permitting a taxing unit to challenge before the appraisal review board the level of appraisals of any category of property in the district or in any territory in the district. A notice of protest would be required to permit a property owner to request that the protest be heard by a special panel if the

protest will be determined by an appraisal review board that has special panels and the property is in a category for which a special panel is provided. The bill would make other provisions for special panels.

The bill would make conforming repeals and conforming changes in various codes.

With certain specified exceptions, the bill would take effect on January 1, 2018, and apply beginning with the 2018 tax year.

### **Methodology**

The bill would not affect taxable property values, tax rates, collection rates, or any other variable which might affect the revenues of units of local governments or the state.

The administrative cost estimate includes \$312,000 to employ seasonal workers. This analysis anticipates that the Property Tax Assistance Division (PTAD) of the Comptroller's Office would become the resource for individual taxpayers and more than 4,200 taxing authorities when there are questions or issues about the calculation of a tax rate. Each year, from June 15 through September 15, the Comptroller's Office would need to contract with one property tax attorney and three Truth in Taxation subject matter experts to handle the increased number of legal and worksheet related questions during this peak period while tax rates are calculated.

### **Local Government Impact**

The bill would not affect taxable property values, tax rates, collection rates, or any other variable which might affect the revenues of units of local governments. Therefore, no significant fiscal implication to units of local government is anticipated.

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

**LBB Staff:** UP, KK, SD, SJS