

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 13, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB669 by Nelson (Relating to the system for protesting or appealing certain ad valorem tax determinations; authorizing a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB669, As Introduced: a negative impact of (\$612,000) through the biennium ending August 31, 2019.

Additionally, passage of the bill would prohibit an appraisal review board from determining the appraised value of a protested property to be an amount greater than the appraised value of the property as shown in the appraisal records. As a result, 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 to the extent that appraisal review boards would otherwise increase a property's appraised value.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$306,000)
2019	(\$306,000)
2020	(\$306,000)
2021	(\$306,000)
2022	(\$306,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2017
2018	(\$306,000)	4.0
2019	(\$306,000)	4.0
2020	(\$306,000)	4.0
2021	(\$306,000)	4.0
2022	(\$306,000)	4.0

Fiscal Analysis

The bill would amend Chapter 5 of the Tax Code, regarding state administration of the property tax, to require that the mandatory course for members of an appraisal review board provide at least eight hours of classroom education, and that the mandatory appraisal review board continuing education course provide at least four hours of classroom education. The bill would repeal Subsection 41A.06(c) of the Tax Code, regarding arbitrator training, and replace it with more specific provisions requiring the Comptroller to:

1. approve curricula, and provide a free online manual and other materials for training and educating arbitrators;
2. establish and supervise a four hour training program on property tax law emphasizing the requirements for equal and uniform property appraisal for the training and education of arbitrators; and
3. prepare an arbitration manual to be approved by unanimous agreement of a committee selected by the Comptroller.

The bill would permit the Comptroller to assess a maximum fee of \$50 for each person trained and would make other provisions regarding the training of arbitrators. The Comptroller would be required to implement the arbitrator training provisions as soon as practicable after the bill's effective date.

The bill would repeal Subsections 5.103(e) and (f) of the Tax Code, regarding an appraisal review board survey, and replace them with more specific provisions requiring the Comptroller to prepare a survey form that allows a property owner or the owner's designated agent who files an appraisal roll correction motion or a protest to submit comments and suggestions regarding any matter addressed in the Comptroller's model appraisal review board hearing procedures or any other matter related to the fairness or efficiency of the appraisal review board. An appraisal district would be required to provide the survey to each property owner or designated agent at or before each hearing and with each order determining a motion or protest. Property owners choosing to submit the survey form would be required to submit it to the Comptroller. The Comptroller would be required to allow submission of the survey form in person, by mail, by electronic mail, or through a web page on the Comptroller's Internet website. The bill would make other provisions and requirements regarding the completion and deadline for the survey form. The Comptroller would be required to issue an annual report summarizing the survey results, to adopt rules regarding the appraisal review board surveys, and to make the survey form and instructions available as soon as practicable after the bill's effective date.

The bill would amend Chapter 6 of the Tax Code, regarding local administration of the property tax, to include an individual who is related to a member of an appraisal review board within the third degree by consanguinity or within the second degree by affinity in the list of individuals who are ineligible to serve on an appraisal review board. A person would be ineligible to serve on the appraisal review board of a county having a population of 120,000 or more (rather than more

than 100,000) if the person served for all or part of three previous terms as a board member or auxiliary board member on the appraisal review board among other existing reasons for ineligibility. The appraisal review board, rather than the board of directors of the appraisal district, would select its chairman and secretary from among its members.

The bill would amend Chapter 25 of the Tax Code, regarding local property tax appraisal, to require an appraisal review board panel, at the end of a hearing on a motion filed on or after the bill's effective date to correct an appraisal roll regarding property value, to provide the property owner or the owner's agent a document stating the panel's recommendation regarding the property's value.

The bill would amend Chapter 41 of the Tax Code, regarding local review, to prohibit an appraisal review board from determining the appraised value of a protested property to be an amount greater than the appraised value of the property as shown in the appraisal records submitted to the board by the chief appraiser. An appraisal review board would be permitted to schedule consecutive hearings on all protests filed by a property owner or the owner's agent. The bill would specify the contents of the notice of the consecutive hearings, and require that the order of the hearings listed in the notice not be changed without the agreement of the property owner (or agent), the chief appraiser, and the appraisal review board. The bill would make other provisions regarding the scheduling and notice of consecutive hearings. The bill would clarify certain matters, modify evidence exchange, adjust certain deadlines, and make conforming changes regarding appraisal review board hearings and determinations. The changes in law to Chapter 41 protest procedures would apply only to a protest for which the notice of protest was filed by a property owner or the owner's agent on or after the effective date of this bill.

The bill would amend Chapter 41A of the Tax Code, regarding property tax appeals through binding arbitration, to require an arbitrator to complete the appraisal review board and property tax law training provided by the bill in addition to their existing qualification requirements. The changes in law to Chapter 41 arbitrator qualification requirements would not affect the entitlement of a person serving as an arbitrator immediately before the effective date of the bill to continue to serve as an arbitrator and to conduct hearings on arbitrations until the person is required to renew the person's agreement with the Comptroller to serve as an arbitrator. The changes in law apply only to a person who initially qualifies to serve as an arbitrator or who renews the person's agreement with the Comptroller to serve as an arbitrator on or after the bill's effective date. The bill would not prohibit a person who is serving as an arbitrator on the effective date from renewing the person's agreement with the Comptroller to serve as an arbitrator if the person has the qualifications required for an arbitrator under the Tax Code as amended by the bill.

The bill would take effect on January 1, 2018.

Methodology

The bill's provision that would prohibit an appraisal review board from determining the appraised value of a protested property to be an amount greater than the appraised value of the property as shown in the appraisal records could create a cost to local taxing units and to the state through the school funding formulas. Currently, an appraisal review board may increase, decrease or make no change to a property's appraised value. Because information on the number of properties for which the value is increased by an appraisal review board is unknown, the cost cannot be estimated.

The administrative cost estimate for the Comptroller's Office reflects the funds that would be necessary to hire four program specialists IIIs to implement the provisions of this bill. Two FTEs

would be needed to support the arbitrator training requirements, including drafting a manual, creating training materials, and conducting the training in various locations around the state. Individuals must take this training to initially qualify as an arbitrator. Additional arbitrators qualify throughout the year and the number of new arbitrator applicants has been increasing. Current arbitrators would be required to take the training one time after the effective date of this bill when they renew their agreement to serve as an arbitrator. Arbitrators are required to renew their licenses every two years and must complete the training as close to the date they were first certified. Because arbitrators need the training to initially qualify and to remain qualified if currently an arbitrator, the training would need to be conducted on an ongoing basis to prevent removal of an arbitrator from the registry.

Two FTEs would be required to support the appraisal review board survey provisions. The bill requires an appraisal district to provide a hardcopy of the survey to every property owner or their agent who files a protest or a motion to correct the appraisal roll. Currently, the Comptroller's Office only accepts electronically submitted surveys. In 2016, 7,785 property owners electronically submitted surveys and additional surveys were submitted by agents and members of the public. While not every survey will be submitted by hardcopy under this bill, the number of hand written surveys will significantly increase. Hand entry of a survey (provided in person, mailed, or accepted by email) takes approximately 25 minutes to process which amounts to 406 days or 2 FTEs.

Passage of the bill would permit the Comptroller to assess a maximum fee of \$50 for each person trained. As a result, increased fees could partially offset administrative costs.

Local Government Impact

Passage of the bill would prohibit an appraisal review board from determining the appraised value of a protested property to be an amount greater than the appraised value of the property as shown in the appraisal records. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced to the extent that appraisal review boards would otherwise increase a property's appraised value.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS