

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 20, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB972 by Zaffirini (relating to the reappraisal for ad valorem taxation purposes of real property on which a building completely destroyed by a casualty is located.), **Committee Report 1st House, Substituted**

Passage of the bill would require that a chief appraiser reappraise a property destroyed by casualty upon the property owner's request. 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.

The Comptroller's office reports that the cost of the bill cannot be estimated, however the Comptroller's office provided a hypothetical example of the potential losses that might be incurred in a typical year given certain assumptions. These hypothetical costs are included in the following section of this fiscal note and is for illustrative purposes only.

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to add a new section permitting a property owner to request the chief appraiser to reappraise the owner's property if a building located on the property is completely destroyed by a casualty. The owner would be required to make the request in writing not later than the 180th day after the date the casualty occurs. The chief appraiser would be required to reappraise the property if requested to do so by the property owner and if the property is not already, as a result of the same casualty, subject to reappraisal under Section 23.02 of the Tax Code, regarding reappraisal of property damaged in a disaster area. The chief appraiser would be required to complete the reappraisal as soon as practicable after a request is made. The bill would specify the content of the appraisal records regarding the reappraised property, and provide for the calculation of prorated taxes, tax roll correction, a corrected tax bill, and a refund if necessary.

The Comptroller would be required to consult with appraisal districts to develop guidelines for determining the process for reappraising property under the bill not later than September 1, 2018 and to distribute the guidelines to each appraisal district.

The bill's requirement that a chief appraiser reappraise a property destroyed by casualty upon the property owner's request would create a cost to local taxing units and the state through the school funding formula because under current law the property would only be reappraised if it is in a disaster area and reappraisal is requested at the discretion of a taxing unit. Such requests, under current law, may not be made because of the cost of reappraisal and loss to the tax base. The reduced appraised value resulting from the reappraisal would reduce the property taxes. The future frequency and associated value of property casualties that might result in reappraisal requests cannot be predicted. Consequently, the cost of the bill cannot be estimated. An

illustrative example of the losses that might be incurred in a typical year is shown in the table below.

Hypothetical Fiscal Impact of the Losses that could Occur if the Bill's Proposed Residence Homestead Casualty Reappraisal Proposal were Implemented:

The table below was provided by the Comptroller's office and is for illustrative purposes only. It is an example of the losses that could occur if the bill's proposed residence homestead casualty reappraisal proposal were implemented. The estimated losses are based on information from the Texas Department of Insurance on residential fire and windstorm insurance losses paid in 2015 (a typical year).

Assumptions: It was assumed that 50 percent of the value of reported fire losses resulted from fires in which the residence was completely destroyed and that 20 percent of the windstorm losses resulted from wind that completely destroyed the residence. The losses were prorated based on the assumptions that the losses, on average, would occur in the middle of the year and that a destroyed single family residence would take 9 months to rebuild. It was assumed that every eligible homeowner would take advantage of the new law.

Fiscal Year	Possible Savings/ (Cost) from Foundation School Fund 193	Possible Revenue Gain/(Loss) from School Districts	Possible Revenue Gain/(Loss) from Counties	Possible Revenue Gain/(Loss) from Cities	Possible Revenue Gain/(Loss) from Other Special Districts
2018	\$0	\$0	\$0	\$0	\$0
2019	(\$8,000)	(\$2,559,000)	(\$753,000)	(\$770,000)	(\$568,000)
2020	(\$2,127,000)	(\$1,871,000)	(\$1,168,000)	(\$1,182,000)	(\$880,000)
2021	(\$3,282,000)	(\$869,000)	(\$1,207,000)	(\$1,209,000)	(\$908,000)
2022	(\$3,380,000)	(\$930,000)	(\$1,248,000)	(\$1,237,000)	(\$937,000)

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 September 1, 2017. The bill would apply only to casualties occurring after the effective date.

Local Government Impact

Passage of the bill would require that a chief appraiser reappraise a property destroyed by casualty upon the property owner's request. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

The Comptroller's office reports that the cost of the bill cannot be estimated, however the Comptroller's office provided a hypothetical example of the potential losses that might be incurred in a typical year given certain assumptions. These hypothetical costs are included in the table above and is for illustrative purposes only.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS