

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 23, 2019

TO: Honorable Dennis Bonnen, Speaker of the House, House of Representatives

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB1313 by King, Phil (Relating to the authority of the chief appraiser of an appraisal district to increase the appraised value of property in the tax year following the year in which the appraised value of the property is lowered as a result of a protest or appeal.), **As Passed 2nd House**

Passage of the bill would allow the surviving spouse of a disabled person to retain the tax ceiling benefit. 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; however the provision would require authority in the Texas Constitution to take effect.

The bill would amend Tax Code Chapter 11, regarding taxable property and exemptions, to allow the surviving spouse of a disabled person with a tax ceiling to retain the tax ceiling. The tax ceiling would be calculated as if the surviving spouse was entitled to the ceiling when the individual died if the individual who was disabled died before January 1, 2020.

The bill would amend Chapter 23 of the Tax Code, regarding appraisal methods and procedures, to increase the burden of proof from substantial evidence to clear and convincing evidence if the value was lowered under Subtitle F of Chapter 23, relating to remedies, in the prior year and the chief appraiser proposes to raise the value in the next tax year in which the property is appraised.

The bill would amend Chapter 41 of the Tax Code, regarding local review of appraisal, to prohibit an appraisal district or the appraisal review board from requiring a property owner to pay a fee in connection with a protest filed by the owner with the board.

The bill's provision allowing the surviving spouse of a disabled person to retain the tax ceiling benefit would create a cost to local taxing units currently granting the tax ceiling and to the state through the school funding formulas; however the provision would require authority in the Texas Constitution to take effect.

Increasing the standard of evidence from substantial to clear and convincing on increases in the appraised value of a property if the appraised value was lowered in the preceding year would increase the burden of proof and limit increases in appraised values resulting in a cost to local taxing units, and to the state through the school funding formulas. Current law specifying the evidence required by the chief appraiser to meet the burden of proof in an appraisal review board protest or district court appeal would not be changed under the bill. Consequently, although the value of properties that would be affected is unknown, the cost is not expected to be significant.

Note: All taxable property is appraised on January 1 each year under Section 23.01 of the Tax Code. Property could be considered to be appraised, however, only in a year in which the property was reappraised as provided under Section 25.18 of the Tax Code, regarding periodic reappraisals. Consequently, some appraisal districts may interpret the bill's provision that, after an appraised value was lowered, an increased burden of proof applies in the next tax year in which the property is appraised to mean the next year only, and other appraisal districts may interpret it to mean only a year in which it is reappraised under Section 25.18.

The bill's provision prohibiting an appraisal district or the appraisal review board from requiring a property owner to pay a fee in connection with a protest filed by the owner with the board would not affect taxable property values, tax rates, collection rates, or any other variable that might affect the revenues of units of local governments or the state.

The bill would take effect January 1, 2020.

Local Government Impact

Passage of the bill would allow the surviving spouse of a disabled person to retain the tax ceiling benefit. As a result, taxable property values and the related ad valorem tax revenue for units of local government currently granting the tax ceiling could be reduced; however the provision would require authority in the Texas Constitution to take effect.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS