

BILL ANALYSIS

C.S.H.B. 1577
By: Davis
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been noted that redevelopment and economic development projects designed to enhance distressed neighborhoods may result in quickly rising property values. The unintended consequences of the increased property values make it difficult for low-income or working families to pay their high property taxes and maintain their home. C.S.H.B. 1577 seeks to eliminate the threat of gentrification of neighborhoods as a result of increasing property values due to economic development projects in the community by providing for a temporary limitation on the appraised value of certain property in Texas.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1577 amends the Tax Code to authorize the governing body of a municipality, county, or school district to adopt by official action a temporary limitation on the appraised value of all eligible property located in the applicable taxing unit. The bill prohibits a governing body that does so from repealing, rescinding, or taking other action to negate the adoption of the limitation and makes eligible for the limitation real property that meets the following criteria:

- the property is a residence homestead or an undeveloped lot; and
- the property is located in one of certain specified 2010 Census tracts in Dallas County and Harris County.

For a tax year to which the limitation applies, the appraised value of eligible property is, for the applicable taxing unit, the lesser of the property's appraised value as otherwise determined by law or the property's appraised value for the tax year preceding the tax year in which the limitation first applies.

C.S.H.B. 1577 sets out requirements for the chief appraiser when appraising property eligible for the limitation. The limitation applies beginning with the tax year in which the limitation was adopted, if the adoption occurred on or before April 1, or with the following tax year if the adoption occurred after April 1. The limitation ends with the 2037 tax year. The bill establishes that the limitation as applied to a vacant lot expires on the earlier of either January 1 following the end of the fifth tax year for which the limitation applies, unless a single-family residence that qualifies as a residence homestead has been constructed on the property, or January 1 of the tax year in which the vacant lot is developed for certain other purposes. The bill's provisions establishing the limitation expire January 1, 2038.

C.S.H.B. 1577 requires the chief appraiser to include in a notice of appraised value delivered to a property owner a statement of whether the property qualifies for the limitation. The bill entitles a property owner to protest before the appraisal review board a determination that the property does not qualify for the limitation. With respect to property to which the limitation applies, the bill provides the following:

- that for purposes of the median level of appraisal, the property's appraisal ratio is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law; and
- that for purposes of a suit for unequal appraisal, the property's value is the market value determined by the appraisal district.

EFFECTIVE DATE

January 1, 2022, if the constitutional amendment to authorize the legislature to permit certain political subdivisions to adopt a temporary limitation on the appraised value for taxation of certain real property located in specified areas is approved by the voters.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1577 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute does not include a residence homestead or an undeveloped lot located in Lubbock County census tract 000202 as real property eligible for the bill's temporary limitation, whereas the original included these homesteads and lots.