

BILL ANALYSIS

C.S.H.B. 2014
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Taxpayers often note ongoing issues and problems with the state's property tax system, such as inefficiencies, a lack of accountability, and inaccessible information. C.S.H.B. 2014 seeks to address these and other issues by making changes to procedures in current law regarding goods-in-transit, open-space land appraisals, the form and content of appraisal records, the notice of appraised value, refunds of overpayment as a result of a lawsuit settlement, procedures for taxpayer protests, and judicial review of a protest.

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. 2014 amends the Tax Code to set out and revise provisions relating to the system of appraising property for property tax purposes.

Goods-in-Transit Tax Exemption

C.S.H.B. 2014 authorizes the governing body of a taxing unit any part of which is located in an area designated a disaster area by a state or local disaster declaration that has not expired or otherwise been terminated to extend, in the manner provided by law for official action, the date by which goods-in-transit must be transported to another location in Texas or outside Texas to qualify for the goods-in-transit tax exemption from not later than 175 days after the date the person acquired the property in or imported the property into Texas to a date not later than the 270th day after that date. The extension applies only to that taxing unit and only in the tax year in which it is adopted.

Open-Space Land Appraisals

C.S.H.B. 2014 authorizes a property owner whose land is appraised as open-space land to request in writing that the chief appraiser determine whether a change of use of the property owner's land has occurred. The bill does the following:

- requires that the request state the manner in which the property owner is currently using the land;
- requires the chief appraiser, not later than the 90th day after the date of receipt of the request, to provide the property owner with a written determination that includes a

description of the land's current use and a statement as to whether that use has resulted in a change of land's use;

- prohibits the chief appraiser, if the chief appraiser determines that a change of use has not occurred, from later determining that a change of use has occurred on the basis of the use described in the written determination; and
- establishes that the rollback tax imposed for the change of use of open-space land is not applicable if, after the change in use, the land's physical characteristics remain consistent with its physical characteristics during the period for which the land was eligible for appraisal as open-space land.

Form and Content of Appraisal Records

C.S.H.B. 2014, with respect to the form and content of an appraisal record, requires each appraisal record to be given a unique account number and does the following:

- requires an appraisal district that changes a record's account number to provide written notice of the change to the property owner as soon as practicable after the change and in the next notice of appraised value included in the record that is delivered to the property owner;
- establishes that requirements for the form and content of an appraisal record do not apply to a record for a residential property, for an improvement only, or for a property on which a delinquent tax is due;
- requires a chief appraiser, on the written request of a property owner, to take either of the following actions, as applicable:
 - combine contiguous parcels or tracts of the owner's real property into a single appraisal record; or
 - separate identifiable segments of the owner's parcel or tract of real property into individual appraisal records;
- requires a property owner to make such a request before January 1 of the tax year for which the requested change is to be made;
- requires the request to contain a legal description as contained in a deed sufficient to describe the property subject to the request; and
- authorizes the applicable appraisal review board (ARB), if a chief appraiser refuses to combine parcels or tracts or separate a parcel or tract on request of a property owner, to order the requested change on a motion filed by the property owner or a protest filed with the ARB.

Notice of Appraised Value

C.S.H.B. 2014 prohibits a chief appraiser from delivering a corrected or amended notice of appraised value later than June 1 for property for which a person files a rendition statement or property report unless the purpose of the notice is to include omitted property or to correct a clerical error. As soon as practicable after delivering a notice of appraised value to a property owner, the chief appraiser must post the notice on the appraisal district's website, if the district maintains a website, as part of the appraisal record pertaining to the property.

Refunds of Certain Overpayments

C.S.H.B. 2014 clarifies that the exemption from provisions governing the refunds of overpayments or erroneous property tax payments for an overpayment caused by a change of exemption status or correction of a tax roll applies with respect to an overpayment received after a correction of a tax roll as a result of an appeal and judicial review.

Procedures for Taxpayer Protests

C.S.H.B. 2014 requires the form prescribed by the comptroller of public accounts, which provides for more detail about the nature of a taxpayer protest, to permit the protesting property

owner to request that the protest be heard by a single-member panel. The ARB must sit in a single-member panel to conduct a protest hearing if the owner requests that the hearing be conducted by a single-member panel in either of the following:

- in the protest notice; or
- in writing submitted to the ARB not later than the 10th day before the hearing date.

If the recommendation of a single-member panel is not accepted by the ARB as a whole, the ARB may do either of the following:

- refer the matter for rehearing to a single-member panel composed of a different ARB member who did not hear the original protest; or
- as a whole, determine the protest.

C.S.H.B. 2014 requires the order entered by an ARB hearing a protest of the determination of the appraised value of the owner's real property to state the property's appraised value listed separately as the appraised value of the land and the appraised value of any improvement to the land as allocated by the chief appraiser.

C.S.H.B. 2014 requires the chief appraiser of an appraisal district established in a county with a population of 120,000 or more, on written request submitted to the chief appraiser, to deliver by email a copy of the notice of issuance of the order and a copy of the order required if the property subject to the order is not the subject of an agreement under which property tax communications are automatically sent electronically. The bill provides the following:

- the request may be submitted only by the property owner whose property is subject to the protest for which the order is issued, an attorney representing the property owner, or the property owner's designated representative;
- a person may submit more than one request and may include in a single request more than one property owned by the same property owner or multiple properties owned by multiple property owners;
- the request must be submitted before the protest hearing relating to each property included in the request;
- the person submitting a request must indicate in the request that the chief appraiser must make the delivery to the property owner, the property owner's attorney, the property owner's designated representative, or a combination of those persons; and
- the chief appraiser must deliver a copy of the notice of issuance of the order and a copy of the order not later than the 21st day after the date the ARB issues the order.

Judicial Review of a Taxpayer Protest

C.S.H.B. 2014 prohibits a property owner from appealing separately the portion of an ARB order determining the appraised value of land or the portion of the order determining the appraised value of an improvement to the land if the order determined the appraised value of both.

C.S.H.B. 2014 entitles a person leasing property who is contractually obligated to reimburse the property owner for taxes imposed on the property to appeal an order determining a protest relating to the property brought by the property owner if the property owner does not appeal the order.

C.S.H.B. 2014 prohibits a court from entering a protective order under the Texas Rules of Civil Procedure that conflicts with provisions establishing the conditions under which each party to an appeal is considered a party seeking affirmative relief for the purpose of discovery regarding expert witnesses under the Texas Rules of Civil Procedure.

EFFECTIVE DATE

January 1, 2022.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2014 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 includes provisions not in the original regarding the following:

- the tax exemption for goods-in-transit;
- the authority of a property owner whose land is appraised as qualified open-space land to request in writing that the chief appraiser determine whether a change of use of the property owner's land has occurred and the effect of such a determination; and
- the electronic delivery of notice of a determination of a taxpayer protest and a copy of the applicable ARB order, on request, to a taxpayer in an appraisal district established in a county with a population of 120,000 or more.

The substitute does not include the original's provisions relating to the following:

- the definition of "employment" under the Texas Unemployment Compensation Act;
- the deadline for delivering a notice of the determination that a change in the use of land appraised as open-space land has occurred; and
- evidence given at a taxpayer protest hearing.

The substitute revises the original's provisions regarding unique account numbers for each appraisal record to do the following:

- specify that the notice that must be provided to a property owner of a change in the owner's account number is written notice; and
- require the notice to be provided as soon as practicable after the change and in addition to the next notice of appraised value delivered to the owner, whereas the original required delivery of the notice only in the next notice of appraised value of the applicable property.

The substitute revises the original's provisions regarding the combination or separation of parcels of land in the appraisal records to do the following:

- provide also for the combination or separation of particular tracts of property; and
- exclude from the property eligible to be combined or separated a property on which a delinquent tax is due.

The substitute does not include the original's provision allowing an ARB to propose that a protest hearing be conducted by a single-member panel.

Whereas the original removed provisions prohibiting a property owner from designating a cause of action related to both an excessive appraisal and an unequal appraisal as a basis of a judicial review, the substitute does not remove those provisions.

The original included provisions, which are not included in the substitute, regarding refunds paid to a property owner who pays the property taxes subject to an appeal before the delinquency date and is owed a refund because, not later than the fifth day after the delinquency date, the chief appraiser certifies a correction to the appraisal roll that decreases the owner's tax liability. However, the substitute includes provisions that clarify that the exemption from provisions governing the refunds of overpayments or erroneous property tax payments for an overpayment caused by a change of exemption status or correction of a tax roll applies with respect to an overpayment received after a correction of a tax roll as a result of an appeal and judicial review.