

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 5, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB988 by Shine (relating to the administration of the system for appraising property for ad valorem tax purposes.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB988, Committee Report 1st House, Substituted : a negative impact of (\$486,000) through the biennium ending August 31, 2023.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$333,000)
2023	(\$153,000)
2024	(\$153,000)
2025	(\$153,000)
2026	(\$153,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$333,000)	2.0
2023	(\$153,000)	2.0
2024	(\$153,000)	2.0
2025	(\$153,000)	2.0
2026	(\$153,000)	2.0

Fiscal Analysis

The bill would amend Chapter 5 of the Tax Code, regarding state administration of property tax to require an appraisal review board (ARB) to incorporate model hearing procedures prepared by the Comptroller when adopting hearing procedures. The bill would allow an ARB to adopt procedures that supplement the model hearing procedures, provided they do not contradict or circumvent the model hearing procedures. The bill would require the Comptroller to review the hearing procedures adopted by each ARB.

The bill would require the ARB Survey report issued by the Comptroller to include a summary of comments, complaints, and suggestions forwarded by taxpayer liaison officers, the results of the Comptroller's review of ARB hearing procedures, and the results of requests for limited binding arbitration.

The bill would require the appointment of a taxpayer liaison office for all counties, regardless of size. The bill

provides for counties with a population less than 120,000, a taxpayer liaison officer can serve for more than one appraisal district. The bill would allow a person who owns property in an appraisal district or the chief appraiser to file a complaint with the taxpayer liaison officer alleging ARB adopted or is implementing hearing procedures that are not in compliance with the model hearing procedures prepared by the Comptroller. The bill would require the taxpayer liaison officer to investigate the complaint and report to the board of directors. If the board of directors determines that the allegations are true, the board of directors is required to direct the chairman of the ARB to take remedial action. The board may remove the chairman if the board determines the chairman failed to act.

The bill would amend Chapter 41A of the Tax Code regarding appeals through binding arbitration, to authorize a property owner who has filed a notice of protest to file a request for limited binding arbitration to compel the ARB or chief appraiser take certain action specified in the bill. A property owner would be prohibited from filing a request for binding arbitration unless the property owner delivered written notice to the chairman of the ARB, the chief appraiser, and the taxpayer liaison officer for the applicable appraisal district and the chairman of the ARB or chief appraiser fail to agree to comply with the procedural requirement on or before the 10th day after the date the notice is delivered.

The bill would require a request for limited binding arbitration be in a form prescribed by the Comptroller and be accompanied by an arbitration deposit. The bill would establish arbitration deposit amounts, fees, and payment requirements upon result of the arbitration.

If an arbitrator determines that ARB is not in compliance with procedural requirements, the bill requires the ARB to come into compliance or, if an ARB order was already issued, rescind the order and hold a new hearing.

Methodology

The bill would require the Comptroller's Property Tax Assistance Division (PTAD) to receive and review each ARB's hearing procedures and receive and compile data from every County Appraisal District's taxpayer liaison officer annually. The bill would expand PTAD's reporting to include data and analysis on the ARB hearing procedures review, taxpayer liaison reporting, and limited arbitrations. The Comptroller's office indicates that implementing the provisions of the bill will require hiring one Program Specialist III to complete these additional data collection, analysis, and reporting duties. The bill would establish a new type of limited arbitration, which the Comptroller's office expects would require hiring one Program Specialist IV to provide support. The Comptroller's office expects annual costs of \$333,000 in fiscal year 2022 and \$153,000 in each subsequent year. The cost estimate includes a one-time technology cost of \$180,000 for updating and enhancing the arbitration system and \$153,000 per year for staffing-related costs.

Technology

The Comptroller's office estimates that implementing the provisions of the bill will result in a one-time technology cost of \$180,000 in fiscal year 2022. The costs are for an estimated 1,200 programming hours to update and enhance the arbitration system to support the new duties of the Property Tax Assistance Division required by the bill.

Local Government Impact

Passage of the bill would modify requirements for the operation of Appraisal Review Board hearings, add a new option for binding arbitration, and require all appraisal districts to appoint a taxpayer liaison office, which could increase costs for local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI, MBO