

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 19, 2021

TO: Honorable Chris Turner, Chair, House Committee on Business & Industry

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1101 by Beckley (Relating to mandatory sales price disclosure in real property sales; providing a civil penalty.), **As Introduced**

Passage of the bill would require an instrument conveying real property under a contract for sale to disclose the sales price as a condition for recording in the county clerk's office. In the current period of increasing property values, which is expected to continue over the next few years, the availability of sales prices that would be provided under the bill would likely create an indeterminate gain to the state through the school funding formulas.

The bill would amend Chapter 12 of the Property Code, regarding the recording of instruments, to provide for mandatory sales price disclosure in real property sales.

The bill would require an instrument conveying real property under a contract for sale to disclose the sales price as a condition for recording in the county clerk's office. A purchaser would be liable for a penalty of 5 percent of the sales price of the property for a violation. Conveyances of mineral interests only would be exempt from disclosure.

Requiring that the sales price of property be disclosed would create more available data about property transactions in the state. This could increase the taxable property values on which property tax levies are based as more information would be known about property sales prices which are an important determinant in the appraisal process for many kinds of property. In today's market, in which property values are generally increasing, the lack of accurate and current sales information could be causing under-appraisal for some types of property. Conversely, in a declining market, the availability of accurate and current sales information could enable appraisers to avoid over-appraisal.

In the current period of increasing property values, which is expected to continue over the next few years, the availability of sales prices that would be provided under the bill would likely create a gain to local taxing units and to the state through the school funding formulas. The amount of under-appraisal that would be corrected by the bill's provision making sales prices universally available is unknown. Consequently the gain cannot be estimated.

The amount and timing of any penalty revenue that might be received is unknown.

The bill would take effect September 1, 2021.

Local Government Impact

Passage of the bill would require an instrument conveying real property under a contract for sale to disclose the sales price as a condition for recording in the county clerk's office. In the current period of increasing property values, which is expected to continue over the next few years, the availability of sales prices that would be provided under the bill would likely create a gain to local taxing units.

Source Agencies: 212 Office of Court Admin, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 329 Real Estate Commission

LBB Staff: JMc, SZ, SD, BRI, AF