

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 25, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2489 by Cook (Relating to a restriction on the authority of an appraisal district to increase the appraised value of a residence homestead for ad valorem tax purposes for a specified period after a tax year in which the appraised value of the property is lowered as a result of an agreement, protest, or appeal.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2489, As Introduced : a negative impact of (\$20,240,494) through the biennium ending August 31, 2023.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	(\$20,240,494)
2024	(\$56,379,872)
2025	(\$92,767,904)
2026	(\$124,463,383)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from School Districts	Probable Revenue Gain/(Loss) from Cities	Probable Revenue Gain/(Loss) from Counties
2022	\$0	\$0	\$0	\$0
2023	(\$20,240,494)	(\$69,599,000)	(\$22,822,000)	(\$21,019,000)
2024	(\$56,379,872)	(\$166,648,000)	(\$54,797,000)	(\$50,619,000)
2025	(\$92,767,904)	(\$303,956,000)	(\$100,220,000)	(\$92,855,000)
2026	(\$124,463,383)	(\$400,733,000)	(\$132,477,000)	(\$123,109,000)

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from Other Special Districts
2022	\$0
2023	(\$18,239,000)
2024	(\$44,395,000)
2025	(\$82,307,000)
2026	(\$110,289,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to limit an appraised value increase for a residence homestead for which the value was reduced by agreement between the property owner and the appraisal district or as a result of a protest or appeal. The bill would limit any increase to the appraised value for the property for the three tax years following the tax year the value was lowered to the lesser of market value of the property or the sum of the appraised value of the property for the tax year it was lowered plus the market value of each new improvement made to the property in any of those three tax years, as determined for the tax year in which the improvement is made.

The limitation on appraised value increase would expire if the residence homestead appraisal cap applicable to the property when the limitation took effect expires.

The bill's proposed freeze on the appraised value of a property which was lowered through agreement, protest, or appeal, could conflict with the constitutional requirement of equal and uniform taxation.

The bill would take effect on January 1, 2022.

Methodology

The bill's proposed three year freeze on increases in the appraised value of a property if the appraised value was lowered in the preceding year by agreement, protest or appeal would result in a cost to local taxing units and to the state through operation of the school funding formula. Because the appraised value freeze would prevent an appraisal district from appraising such property at its market value for a period of three years, all property value growth in an increasing market would be lost from taxation during the three-year period.

The taxable value loss was based on information from appraisal districts regarding the number of protests and appeals and associated value reduction. The number of protests is expected to grow as an increasing number of taxpayers protest in attempt to obtain the value freeze. Projected tax rates were applied to the taxable value losses through the five-year projection period to estimate tax revenue losses to school districts, special districts, cities and counties. The losses are cumulative during the three-year period. For informational purposes the initial loss to school districts is shown. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state.

The estimated cost to the Foundation School Program is \$20.2 million in fiscal year 2023, \$56.4 million in fiscal year 2024, \$92.8 million in fiscal year 2025, and \$124.5 million in fiscal year 2026.

Local Government Impact

The fiscal impact to units of local government is shown in the table above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI