

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 21, 2021

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3971 by Meyer (Relating to the appraisal for ad valorem tax purposes of residential real property located in a designated historic district.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 23 of the Tax Code, regarding appraisal methods and procedures, to require a chief appraiser to consider the effect of any restriction placed by a historic district on a property owner's ability to alter, improve, or repair the property in determining market value of residential real property located in a designated historic district. The bill would define "designated historic district" as an area zoned or otherwise designated a historic district under municipal, state, or federal law.

The bill's provision requiring restrictions be considered in the appraisal of real property located in a historic district could increase or decrease the market value of certain properties depending on the restrictions and current market characteristics. Under current law, each property is already required to be appraised based upon the individual characteristics that affect the property's market value and all available evidence that is specific to the value of the property. When using the market data comparison method of appraisal to determine the market value of real property, comparable sales data is used and adjusted to the subject property. The sales data will reflect any effects (both positive and negative) of restrictions to the property. Residential real property located in a historic district is a unique market typically sought by certain property owners aware of restrictions and seeking guarantees that their property will be protected over time by design restrictions and limits on remodeling and renovations that conform with the neighborhood. Specifically requiring any restrictions be considered when determining market value in a historic district could impact the value of properties, but it is likely they are already considered and not expected to be significant.

The bill would take effect January 1, 2022.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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