

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**May 26, 2021**

**TO:** Honorable Dan Patrick, Lieutenant Governor, Senate

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: SB63** by Nelson (Relating to the system for appraising property for ad valorem tax purposes.), **As Passed 2nd House**

**No fiscal implication to the State is anticipated as a result of implementing the provisions of the bill related to state and local administration of the property tax.**

**Passage of the bill would clarify that the appraised value of a solar or wind-powered energy device that is primarily used for production and distribution of energy for onsite use is exempt from the property tax. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.**

The bill would amend Chapter 5 of the Tax Code, regarding state administration of property tax, to allow the Comptroller, after giving notice, to send and require submission of documents, payments, notices, reports or other items electronically. The bill would allow the Comptroller to adopt rules to administer electronic submission and delivery, including rules specifying format.

The bill would amend Chapter 5 of the Tax Code, regarding state administration of property tax, to allow the Comptroller to conduct an appraisal review board (ARB) training course through distance training and education. The bill allows the Comptroller to adopt rules, including rules establishing criteria for course availability and for demonstrating course completion.

The bill would amend Chapter 6 of the Tax Code, regarding local administration of property tax, to provide term limits for an appraisal district's board of directors of all or part of five terms, unless the individual was the county assessor-collector at the time the individual served as a board member or the appraisal district is located in a county with a population of less than 120,000. The bill modifies eligibility criteria for board of directors' members who appraise property for compensation for use in property tax proceedings and would prohibit employees of the appraisal district any time during the preceding three years from serving on the board. The bill would prohibit members of an ARB for an appraisal district from employment by the appraisal district for 2 years after serving on the ARB.

The bill amends Tax Code Section 6.41(f) to provide that if the board of directors, local administrative district judge, or judge's designee that appointed a member of the ARB learns of potential grounds for removal, they should remove the member or find by official action that the member's removal is not warranted before the 90th day.

The bill would amend Chapters 11 and 23 of the Tax Code, regarding taxable property and exemptions and appraisal methods and procedures, to require the chief appraiser to act on an exemption or special appraisal application within 90 days after the later of the date the applicant first qualified or the date the applicant provides information necessary for the chief appraiser to determine the applicant's right to the exemption. The bill would require the chief appraiser to request additional information if needed within 30 days after the application is filed. The chief appraiser would be required to include a full explanation for any denials or modifications in the written notice.

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to clarify a person is entitled to an exemption of the amount of appraised value of real property owned by the person attributed to the installation or construction of a solar or wind-powered energy device on the property used primarily for energy production for on-site use. The bill would specify a person is entitled to an exemption from taxation of the appraised value of a solar or wind-powered energy device owned by the person regardless of whether the person owns the real property on which the device is installed or constructed.

Current law regarding the exemption does not differentiate between real property and ownership to qualify and whether the value of the device itself is included in “value that arises from the installation or construction” of the device. To the extent that exemptions are currently being denied or do not include all eligible value and more would be granted under the bill's provisions, further reducing taxable values, there would be a cost to local taxing units and to the state through operation of the school funding formulas. The number and value of additional exemptions that might be granted under the bill's provisions is unknown. Consequently, any fiscal impact on units of local government cannot be estimated.

The bill would amend Chapter 25 of the Tax Code, regarding local property tax appraisal, to require an ARB schedule a protest hearing on an error motion to correct the appraisal roll within a specified timeframe.

The bill would amend Chapter 41 of the Tax Code, regarding local appraisal review, to add additional requirements to the Comptroller's notice of protest form. The bill would require an ARB to schedule a protest hearing to be held as soon as practicable but not later than the 90th day after approval of the appraisal records. The bill would provide upon written request of a property owner that the ARB send an electronic reminder stating the date, time, and place of a protest hearing in counties with a population of 120,000 or more. The bill would prohibit chief appraisers from offering evidence or argument in support of a reason for modifying or denying an exemption or special appraisal application other than a reason stated in the notice delivered to the applicant unless certain criteria are met.

The bill would take effect September 1, 2021.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated as a result of implementing the provisions of the bill related to state and local administration of the property tax.

Passage of the bill would clarify that the appraised value of a solar or wind-powered energy device that is primarily used for production and distribution of energy for onsite use is exempt from the property tax. As a result, taxable property values and related ad valorem tax revenue for units of local government could be reduced.

**Source Agencies:** 304 Comptroller of Public Accounts

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