

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**April 25, 2021**

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

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

**IN RE: SB1854** by Powell (Relating to an appeal through binding arbitration of an appraisal review board order determining a protest concerning a residence homestead for which the property owner has elected to defer the collection of ad valorem taxes.), **As Introduced**

**Passage of the bill would provide that in the case of binding arbitration, property owners deferring taxes under Section 33.06 or 33.065 on a property subject to the appeal are not required to pay taxes on the value not in dispute. This could result in more property owners who have elected to defer the collection of taxes on the property under Section 33.06 or 33.065 electing to appeal an appraisal board determination. 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 41A of the Tax Code, regarding appeals through binding arbitration, to exclude property owners deferring taxes under Section 33.06 or 33.065 on a property subject to the appeal from having to pay taxes on the value not in dispute. The bill would provide that taxes are not considered delinquent for purposes of filing for binding arbitration if the owner has deferred the payment of taxes.

Under current law, a property owner is required to pay the amount of taxes due on the portion of taxable value of the property that is not in dispute. A property owner is prohibited from filing an appeal under binding arbitration if the taxes on the property subject to the appeal are delinquent. Removing this restriction for property owners who have elected to defer the collection of taxes on the property under Section 33.06 or 33.065 could allow for more property owners to appeal an appraisal review board determination. The increase in property owners that would appeal through binding arbitration, the value disputed, and outcome of any determination is unknown; consequently, the fiscal impact of this provision cannot be determined.

The fiscal impact on the state and units of local government cannot be estimated.

The bill would take effect September 1, 2021.

**Local Government Impact**

Passage of the bill would provide that in the case of binding arbitration, property owners deferring taxes under Section 33.06 or 33.065 on a property subject to the appeal are not required to pay taxes on the value not in dispute. This could result in more property owners who have elected to defer the collection of taxes on the property under Section 33.06 or 33.065 electing to appeal an appraisal board determination. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

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

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