88R4336 RDS-D

By:  Creighton S.B. No. 880

A BILL TO BE ENTITLED

AN ACT

relating to the determination of the market value of property for ad valorem tax purposes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Section 23.0101, Tax Code, is amended to read as follows:

Sec. 23.0101.  CONSIDERATION OF ALTERNATE APPRAISAL METHODS. (a)  In this section, "commercial real property" means real property zoned or otherwise authorized for and actually used for a purpose other than single-family use, multifamily use, heavy industrial use, or use as a quarry.

(b) Except as provided by Subsection (c), in [~~In~~] determining the market value of property, the chief appraiser shall consider the cost, income, and market data comparison methods of appraisal and use the most appropriate method.

(c)  The chief appraiser may not use the income method of appraisal to determine the market value of commercial real property.

SECTION 2.  Section 23.012(a), Tax Code, is amended to read as follows:

(a)  If the chief appraiser uses the income method of appraisal [~~income method of appraisal is the most appropriate method to use~~] to determine the market value of real property, the chief appraiser shall:

(1)  analyze comparable rental data available to the chief appraiser or the potential earnings capacity of the property, or both, to estimate the gross income potential of the property;

(2)  analyze comparable operating expense data available to the chief appraiser to estimate the operating expenses of the property;

(3)  analyze comparable data available to the chief appraiser to estimate rates of capitalization or rates of discount; and

(4)  base projections of future rent or income potential and expenses on reasonably clear and appropriate evidence.

SECTION 3.  This Act applies only to the determination of the market value of property for ad valorem tax purposes for a tax year that begins on or after the effective date of this Act.

SECTION 4.  This Act takes effect January 1, 2024.