

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

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**March 19, 2023**

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

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

**IN RE: HB1417** by King, Tracy O. (Relating to the appraisal for ad valorem tax purposes of property owned by certain telecommunications providers.), **As Introduced**

**Passage of the bill would authorize certain small telecommunications utility providers to select an alternative method of appraisal. 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 23 of the Tax Code, relating to Appraisal Methods and Procedures, to add Section 23.1212, regarding the appraisal of property owned by a small telecommunications utility provider. A small provider, defined as an incumbent local exchange company together with all local exchange company affiliates that served 31,000 or fewer access lines in this state on September 1, 2013, would be authorized to elect appraisal of property by stating the presumptive value (20 percent of the net book value of taxable property on Jan. 1) by March 1 of the tax year to the chief appraiser of each county for which the appraisal method is elected.

Also eligible for this appraisal treatment as a small provider would be a company or cooperative that is the successor to a small provider, as defined existing by the bill on September 1, 2013.

The bill would require accounting reports that demonstrate the net book value of the small provider's taxable property that are prepared and certified by an independent, certified or licensed public accountant. The bill would allow a chief appraiser to increase the presumptive appraised value as warranted by a preponderance of the evidence.

The method of appraisal proposed by the bill would allow a small telecommunications provider – or a company that is the successor to such a company that met the bill's definition of small provider – that owns taxable property in more than one appraisal district to elect to have taxable property appraised based on 20 percent of net book value.

Allowing a property owner an alternative method of appraisal, would be a cost to local taxing units and to the state through the operation of the school funding formula. A property owner would only elect this method of appraisal when it provides a lower market value than established in current law.

In addition, by allowing large telecommunications firms to potentially qualify as small providers (as successors to small providers) and qualify for this alternate method of appraisal could lead to large reductions in taxable value. The number and amounts of taxable property of property owners that would elect appraisal under the proposed section is unknown; consequently, the cost of this provision cannot be estimated.

**Local Government Impact**

Passage of the bill would authorize certain small telecommunications utility providers to select an alternative method of appraisal. 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, KK, SD, BRI