

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 16, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4130 by Hefner (Relating to the appraisal for ad valorem tax purposes of property owned by certain electric cooperatives.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 23 of the Tax Code, relating to Appraisal Methods and Procedures, to provide that an electric cooperative (coop) that owns taxable real or personal property in more than one appraisal district may elect to have the property appraised for a tax year at its presumptive appraised value by submitting a written request to the chief appraiser before the deadline. The bill would provide definitions and requirements and provide the chief appraiser may increase the appraised value above presumptive value if supported by clear and convincing evidence.

The bill would allow certain electric cooperatives to elect to be appraised at the presumptive appraised value, which is defined as 20 percent of net book value (NBV) of taxable property. NBV would reflect the original cost of an asset minus its depreciation, while the appraised value typically reflects the market value – that is the value at which the property could be sold on the open market. These two values can deviate greatly. Currently, while the taxable value of property of some electric cooperative approximates 20 percent of NBV, appraised values in the range of 30 to 35 percent of NBV are more typical. The option to elect appraisal at presumptive appraised value would result in reductions in taxable property value. Under provisions of the Education Code, the school district revenue loss would be partially transferred to the state. However, the cost is not anticipated to be significant.

Local Government Impact

Passage of the bill would result in decreased appraised property value. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code could be higher as a consequence of the reduction in taxable property value proposed by the bill.

Under provisions of the Education Code, the school district revenue loss would be partially transferred to the state.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI