

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 2, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB329 by Bell, Cecil (Relating to a requirement that an appraisal review board rely on an appraisal of residential real property prepared by an appraiser and submitted to the board by the property owner to determine a protest regarding the value of the property.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB329, As Introduced: a negative impact of (\$81,759,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2026	(\$32,311,000)
2027	(\$49,448,000)
2028	(\$49,484,000)
2029	(\$62,290,000)
2030	(\$81,610,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from Foundation School Fund 193</i>	<i>Probable Revenue Gain/(Loss) from Recapture Payments Atten Crdts 8905</i>	<i>Probable Revenue Gain/(Loss) from School Districts Levy Loss</i>
2026	(\$32,311,000)	(\$9,158,000)	(\$38,453,000)
2027	(\$49,448,000)	(\$10,929,000)	(\$44,457,000)
2028	(\$49,484,000)	(\$9,280,000)	(\$42,730,000)
2029	(\$62,290,000)	(\$10,109,000)	(\$46,202,000)
2030	(\$81,610,000)	(\$11,001,000)	(\$54,703,000)

Fiscal Analysis

The bill would provide that if a property owner files a protest related to residential property and timely files with the appraisal review board (ARB) and chief appraiser a copy of an appraisal of the property performed by a certified appraiser that supports the appraised or market value of the property, the ARB is required to determine the protest in favor of the property owner and issue an order changing the property's appraised or market value to the value determined by the appraisal submitted by the property owner.

Methodology

The bill would direct the ARB to rule in favor of the property owner's certified appraisal of the residential real

property under protest. It is expected there could be significant variance in independent appraisals from appraisal district values as they often would not be products of the same mass appraisal methodology in use by appraisal districts, with independent appraisals both higher and lower than appraisal district values. But property owners would file for use of independent appraisals only when they are lower than appraisal district values, with the result that average appraised values determined by ARBs would be reduced. Total ARB reductions below original appraised values for residential property value protests in 2023 were \$27,551,555,447. This estimate assumes total ARB reductions of residential property appraisals would increase by twenty percent, representing a decline in total taxable value of residential property of approximately 2/10 of one percent.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is \$32.3 million in fiscal year 2026, \$49.4 million in fiscal year 2027, increasing to \$81.6 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of \$9.2 million in fiscal year 2026, \$10.9 million in fiscal year 2027, increasing to \$11.0 million in fiscal year 2030 as a result of school district tax revenue loss. The decrease in recapture is reflected as a revenue loss in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

Local Government Impact

Passage of the bill would direct an ARB to rule in favor of the property owner's certified appraisal of the residential real property under protest. As a result, taxable property values would decrease. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code would be higher as a consequence of the reduced taxable property value proposed by the bill. If cities, counties, and special districts did not adopt higher rates, local levies would be reduced by \$55.0 million in fiscal year 2026. If those jurisdictions adopted higher tax rates, the initial revenue loss would be offset by increased tax levies from owners of property that does not receive value reduction and slightly reduced tax savings from owners who receive a value reduction.

The fiscal impact to school districts is shown in the table above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI