

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

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**April 12, 2025**

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

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

**IN RE: SB2063** by Parker (Relating to ad valorem tax protests and appeals on the ground of the unequal appraisal of property.), **As Introduced**

**Passage of the bill would prohibit an appraisal district from presenting evidence related to the market value of a property subject to a protest or appeal on the grounds of unequal appraisal. As a result taxable values would be reduced and the associated costs to the Foundation School Fund increased through the operation of the school finance formulas.**

The bill would prohibit an appraisal district from presenting, and an appraisal review board from considering, evidence relating to the market value of a property subject to a protest on the grounds of unequal appraisal.

The bill would prohibit an appraisal district from presenting, and a court from considering, evidence relating to the market value of a property subject to an appeal of an appraisal review board determination on unequal appraisal.

The bill would disallow evidence related to the market value from being considered in certain protests or appeals concerning unequal appraisal. In an unequal protest, the Tax Code provides three formulas for determining whether an appraisal is equal and uniform: two compare the appraisal ratio of the subject property to the median level of appraisal of comparable properties, and one compares the appraised value of the property to the median level of appraised value of comparable properties appropriately adjusted. In *Tex. Disposal Sys. Landfill, Inc. v. Travis Cent. Appraisal Dist.*, 694 S.W.3d 752 (Tex. 2024), the court determined that evidence of a subject property's fair market value is relevant to the duty to set the subject property's appraised value at an equal and uniform amount, which should approach market value. Additionally, the ability to appropriately adjust the market value of comparable properties to the subject property requires the use of market value information, including that of the subject property, to support the appropriateness of comparable properties and the adjustments made in determining whether the appraised value is equal and uniform.

An appraisal district must establish the value of the property by a preponderance of the evidence presented and, for a protest on the ground of unequal appraisal, the appraisal review board must determine the protest in favor of the property owner if the appraisal district is unable to establish that the appraised value of the property is equal to or less than the median appraised value of a reasonable number of comparable properties appropriately adjusted. Prohibiting evidence of market value from being presented to support the appropriateness of adjustments to comparable properties would preclude the appraisal district from providing evidence to substantiate the appraised value of the property. The inability of the appraisal review board or the court to consider market value evidence could result in the use of comparable properties that have not been appropriately adjusted or should not otherwise be considered comparable. This may produce determinations of value that are not at the statutorily required level of market value. As a result, taxable property values would be reduced, possibly substantially. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state.

**Local Government Impact**

Passage of the bill would prohibit an appraisal district from presenting evidence related to the market value of a property subject to a protest or appeal on the grounds of unequal appraisal. As a result taxable values would be reduced. 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. If those jurisdictions adopted higher tax rates, the initial revenue loss would be offset by increased tax levies from owners of property that did not protest on the grounds of unequal appraisal and slightly reduced tax savings from owners of the successfully protested property as proposed by the bill.

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

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