

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION
Revision 1

May 19, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB2 by Bettencourt (Relating to ad valorem taxation.), **As Engrossed**

No significant fiscal implication to the state is anticipated.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Hypothetical Fiscal Impact of Lowering the Rollback Rate from 108 to 105 Percent of the No-New-Taxes Maintenance and Operations Rate Plus the Current Debt Rate:

The table below was provided by the Comptroller's office and is for illustrative purposes only. It addresses the bill's provision that would lower the rollback rate from 108 to 105 percent of the no-new-taxes maintenance and operations rate plus the current debt rate. The fiscal effects of this provision cannot be estimated; however, the table below is a hypothetical example of potential costs of the bill to counties, cities, and special districts assuming:

1. no proposed tax rate in excess of the reduced rollback rate proposed by the bill would be sustained in a rollback election;
2. future taxing unit rate setting practices would be similar to the rate setting practices demonstrated in the available historical tax rate data; and
3. the tax rate data, which is not available for all taxing units, is representative of all taxing units and is accurate.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Cities	Probable Revenue Gain/(Loss) from Other Special Districts
2018	\$0	\$0	\$0
2019	(\$108,281,000)	(\$86,048,000)	(\$104,503,000)
2020	(\$113,695,000)	(\$90,350,000)	(\$109,728,000)
2021	(\$119,380,000)	(\$94,868,000)	(\$115,214,000)
2022	(\$125,348,000)	(\$99,611,000)	(\$120,975,000)

Fiscal Analysis

The bill would amend Chapter 5 of the Tax Code, regarding state property tax administration, to require the Comptroller to appoint a property tax administration advisory board to advise the Comptroller on improving the effectiveness and efficiency of the property tax system, best practices, and complaint resolution procedures. The bill would prescribe the composition of the advisory board and require that advice from a board member be provided at a meeting called by the Comptroller. The bill would require an appraisal district to appraise property in accordance with any appraisal manuals prepared and issued by the Comptroller and require the Comptroller to review appraisal district compliance with the appraisal manuals.

The bill would amend Chapter 6 of the Tax Code, regarding local property tax administration, to provide that a member of the board of directors of an appraisal district would be permitted to transmit to the chief appraiser in writing without comment a written taxpayer or taxing unit complaint about the appraisal of a specific property without violating the prohibitions against ex parte communication.

An individual would be ineligible to serve on an appraisal district board of directors if the individual has appraised property for compensation for use in property tax proceedings, or represented property owners for compensation in property tax proceedings at any time during the preceding three (rather than five) years.

The bill would provide that the concurrence of a majority of the members of the appraisal review board or a panel of the board present at a meeting of the board or panel is sufficient for a recommendation, determination, decision, or other action by the board or panel, and the concurrence of more than a majority of the members of the board or panel may not be required. The bill would modify the size of an appraisal review board under certain circumstances and would establish special review board panels for each specified property category in counties with a population of 120,000 or more. The bill would prescribe the size, member qualifications, and other matters related to the special appraisal review board panels.

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to require the chief appraiser to accept and approve or deny a late application for freeport goods after the deadline has passed if it is filed not later than June 1.

The bill would amend Chapter 21 of the Tax Code, regarding taxable situs, to require a person claiming an interstate allocation to file a completed allocation application form before April 1 (rather than May 1). If the property was not on the appraisal roll in the preceding year, the deadline for filing the allocation application form would be extended to the 30th (rather than the 45th) day after the date of receipt of the notice of appraised value. For good cause shown, the chief appraiser would be required to extend the deadline for filing an allocation application form by written order for a period not to exceed 30 (rather than 60) days. Rendition statements and

property reports would be due not later than April 1 (rather than April 15) and the property owner would be permitted to request an extension to a date not later than May 1 (rather than May 15) that must be granted. For certain regulated properties, renditions and property reports would be required to be delivered to the chief appraiser not later than April 30, except as otherwise provided. The chief appraiser would be permitted to extend the filing deadline 15 days for good cause.

The bill would amend Chapter 26 of the Tax Code, regarding property taxation and assessment, to reduce the percentage by which the no-new-taxes maintenance and operations tax rate (formerly the effective maintenance and operations tax rate) is increased in the rollback tax rate calculation (for taxing units other than school districts) from 8 percent to 5 percent. Local officials, however, would still be permitted to use 8 percent in the rollback tax rate calculation if the taxing unit is located in a disaster area. All local taxing units would be required to hold an automatic election to ratify a tax rate that exceeds the rollback rate. Currently, only school districts must hold the automatic election, and other taxing units hold an election only if a specified percentage of registered voters petition for the election before the 90th day after the tax rate is adopted. The election would be required to be held on the uniform election date that occurs in November of the applicable tax year and the deadline for the order calling the election would be August 15. Section 26.07, regarding tax rate rollback elections by petition, would be repealed.

The bill would rename the effective tax rate the "no-new-taxes" tax rate and specify requirements regarding the submission of worksheets used in calculating the no-new-taxes tax rate and the rollback tax rate to the county assessor-collector. The county assessor-collector would be required to determine whether the values used in the calculation of the tax rates are the same as the values shown in the appraisal roll and the tax rates have been calculated correctly. If the county assessor-collector makes that determination, the county assessor-collector would be required to certify that the values and calculations are correct, submit the worksheets to the governing body of the unit, and notify the unit of the submission with the attached certification. The governing body of a taxing unit would not be permitted to adopt a tax rate until the county assessor-collector for each county in which the unit is located submits to the governing body of the unit the worksheets used to calculate each tax rate with the certification. The Comptroller would be required to adopt rules governing the form of the certifications and the manner in which they are required to be submitted.

Each county would be required to maintain an internet website and to post on that website the tax rate worksheets used to calculate the no-new-taxes and rollback tax rates of the unit for the most recent five tax years beginning with the 2018 tax year, as certified by the county assessor-collector, and other specified information.

The bill would add a public meeting regarding tax rate adoption and revise the required language in the notices of the mandatory tax rate adoption hearings.

The bill would amend Chapter 41 of the Tax Code, regarding local review, to strike the provision permitting a taxing unit to challenge before the appraisal review board the level of appraisals of any category of property in the district or in any territory in the district.

The bill would amend Chapter 41A of the Tax Code, regarding property tax appeal through binding arbitration, to increase the appraised or market value, as applicable, of a property for which the owner is entitled to appeal through binding arbitration from \$3 million or less to \$5 million or less. The arbitration deposit would be \$1,250 and the arbitration fee would be \$1,200 for a non-residence homestead property valued at more than \$3 million but not more than \$5 million.

If new improvements are included in the appraisal roll for a water district in a current tax year and the water district board adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.05 (except in a disaster area, in which case the factor would be 1.08) times the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a homestead in the district, the qualified voters by petition would be permitted to require that a tax rate ratification election be held. The bill would provide petition validity requirements, and if the water district board determines that the petition is valid it would be required to order an election within a specified range of dates.

The bill would repeal a proposed tax rate notice, adjust several deadlines, adjust the scheduling of appraisal review board hearings, and make conforming repeals and conforming changes in various sections of the Tax Code, Education Code, Government Code, Health and Safety Code, Local Government Code, Special District Local Laws Code, and Water Code.

With certain specified exceptions, the bill would take effect on January 1, 2018 and apply beginning with the 2018 tax year.

Methodology

The bill's provision that would lower the rollback rate from 108 to 105 percent of the no-new-taxes maintenance and operations rate (currently known as the effective maintenance and operations rate) plus the current debt rate could create a cost to taxing units (other than school districts) by making it more difficult to increase maintenance and operations tax rates by more than 105 percent of the no-new-taxes maintenance and operations rates. If these taxing units propose a tax rate higher than the rollback rate, the automatic rollback election might result in reducing the proposed rate to 105 percent of the no-new-taxes maintenance and operations rate plus the current debt rate. Future proposed tax rates and the outcome of any elections cannot be predicted and the increase in cost to units of local government attributable to the proposed provision cannot be estimated. There would be no cost to school districts or to the state through the school funding formula.

Local Government Impact

The bill's provision that would lower the rollback rate from 108 to 105 percent of the no-new-taxes maintenance and operations rate (currently known as the effective maintenance and operations rate) plus the current debt rate could create a cost to taxing units (other than school districts) by making it more difficult to increase maintenance and operations tax rates by more than 105 percent of the no-new-taxes maintenance and operations rates. If these taxing units propose a tax rate higher than the rollback rate, the automatic rollback election might result in reducing the proposed rate to 105 percent of the no-new-taxes maintenance and operations rate plus the current debt rate. Future proposed tax rates and the outcome of any elections cannot be predicted and the increase in cost to units of local government attributable to the proposed provision cannot be estimated. There would be no cost to school districts or to the state through the school funding formula.

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Source Agencies: 304 Comptroller of Public Accounts

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