

**SUBJECT:** Property tax appraisals, appeals, notices, and rate reporting

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 9 ayes — D. Bonnen, Bohac, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Y. Davis, E. Johnson

**WITNESSES:** No public hearing

**DIGEST:** HB 32 would amend certain provisions relating to procedures for appraisal review board (ARB) hearings, eligibility requirements for ARB members and arbitrators, notices delivered to taxpayers, and reporting requirements for appraisal districts and taxing units.

**ARB hearing procedures.** Under the bill, ARBs would be prohibited from increasing the protested valuation of a property beyond the initial appraised value. The bill also would remove the authority of taxing units to challenge the appraised value of a category of property at ARB hearings.

HB 32 would prohibit an appraisal district from introducing into an ARB hearing as evidence information requested by the taxpayer at least five days before the hearing if the information was not delivered by the appraisal district to the property owner before the hearing.

Any information requested by the property owner could be provided electronically by agreement, though a taxpayer could request a paper copy. While current law allows an appraisal district to charge for copies provided in connection with a protest, the bill would prohibit the chief appraiser from charging for paper copies of documents.

HB 32 would place limitations on certain evening and weekend hearings

held by an ARB and would require an ARB to hold at the owner's request consecutive hearings on up to 20 properties with the same property owner on a single day, subject to certain notice and procedural requirements.

The bill would provide that a determination, decision, or other action by an ARB could be made by a majority of the members present. The bill would prohibit the requirement of more than a majority of the members of the board or panel for concurrence.

**Special ARB panels.** For appraisal districts in a county with a population of at least 1 million, the ARB would be required to establish special panels to conduct protest hearings on property that the district had appraised at a value of \$50 million or more that also was:

- commercial real or personal property;
- real or personal property of a utility;
- industrial or manufacturing real or personal property; or
- multifamily residential real property.

Special panels also could hear randomly assigned protests, in addition to those that meet the above qualifications.

Special ARB panel members would be required to have at least one of several credentials, such as a law degree or accreditation in property appraisal, unless the chairman could not find enough people with such qualifications to fill the panel.

**ARB composition.** While under current law the board of directors of the appraisal district appoints, by resolution, the chairman and secretary of the ARB, the bill would provide that the local administrative judge who usually appoints ARB members would appoint those officers.

The bill also would modify certain requirements relating to eligibility to serve on an ARB, including capping the number of terms that an ARB member could serve at three.

**Education and training.** The course that currently must be completed by ARB members before participating in ARB hearings would have to consist of at least eight hours of classroom training and education. Continuing education would have to provide at least four hours of classroom training and education.

The bill would require that the training materials currently used to educate those who have agreed to serve as arbitrators under Tax Code, ch. 41A be freely available online and emphasize requirements on the equal and uniform appraisal of property. The comptroller could contract with a third party to create these materials, provided the program was not provided by an appraisal district or various related entities and did not cost more than \$50 to train each arbitrator. The comptroller also would be required to create an arbitration manual for use in training.

Under the bill, arbitrators also would be required to complete the existing course for training and education of ARB members.

**Appraisal district database.** Each appraisal district would be required to maintain a property database that was regularly updated, accessible to the public, and searchable by property address and owner. The database would be required to include certain information on each property in the taxing unit, as well as proposed tax rates, the rollback tax rate, the applicable no-new-revenue tax rate for each taxing unit, estimated tax burdens under several of those rates, and information about public hearings on a proposed tax rate.

Each taxing unit also would be required to post online certain information, such as the unit's proposed and historical budgets, historical tax rates, and the most recent financial audit.

A taxing unit other than a school district could not adopt a tax rate until the chief appraiser of each appraisal district covering the taxing district had complied with these provisions. A taxing unit also could not hold a public hearing on a proposed tax rate until the 14th day after complying with these provisions.

**Notification.** HB 32 would remove from the notice of appraised value the estimated tax due based on the previous year's tax rate. The bill also would change some required wording for notices of a public hearing on a tax increase and notices of taxpayers' right to a rollback election for various taxing units. Specifically, the bill would rename the "effective tax rate" the "no-new-revenue tax rate."

The bill would require appraisal districts to send to every property owner, by email or regular mail by August 7 or as soon as practicable thereafter, a notice containing a link to the appraisal district's online database where the estimated tax due to each taxing unit could be found. The comptroller could adopt rules on the format and delivery of the notice.

**Tax rate adoption and reporting.** The bill would require taxing units to use an electronic form, prepared by the comptroller, to calculate and report to the comptroller the no-new-revenue tax rate and the rollback tax rate. School districts also would be required to use the form to calculate and report the rate to maintain the same amount of state and local revenue per weighted student that the district received in the previous school year.

Before a taxing unit could adopt a tax rate, an officer or employee of a taxing unit would be required to certify that the tax rates reported on the form were properly calculated using values on the unit's certified tax rolls. While current law requires these rates to be either mailed to every property owner in the unit or published in a newspaper, this bill would allow the rates to also be posted prominently on the homepage of the taxing unit's website.

The bill also would amend the procedures relating to an injunction from the collection of taxes. A taxpayer would have to file for an injunction within 15 days of the adoption of the tax rate and would not be required to pay the taxes imposed while the action was pending.

**Advisory board.** The bill would create the Property Tax Administration Advisory Board, composed of members appointed by the comptroller to

advise the comptroller on state oversight of appraisal districts and make recommendations on the efficiency of the property tax system and complaint resolution procedures. Members would include representatives of property tax payers, appraisal districts and taxing units, and a person with knowledge in conducting ratio studies. The board's recommendations would be posted on the comptroller's website.

The bill would eliminate the comptroller's Property Value Study Advisory Committee.

**Effective dates.** Provisions of this bill would take effect on various dates. Except as otherwise provided, the bill would take effect January 1, 2018.

**SUPPORTERS  
SAY:**

HB 32 would improve transparency and reduce confusion among taxpayers about where their tax revenue goes and which local representatives are responsible for raising the tax burden – without imposing an undue hardship on taxing units and appraisal districts.

**ARB hearing procedures.** The bill appropriately would disallow taxing units from protesting the level of appraisal for an entire category of property because that mechanism is seldom used and rarely successful. Its elimination would not cause a significant unfair shift of the tax burden onto other property owners because it already has a limited impact. The use of this mechanism has proved onerous and impractical, making it advantageous to remove this authority.

**Special ARB panels.** The bill would provide for the creation of a special ARB panel for high-value properties in populous districts, which would have more stringent standards for its members than other ARB panels. This would ensure that any protests on properties with the greatest effect on taxing units' budgets were subject to the best possible standard of review, potentially reducing litigation as more cases would be resolved on the administrative level.

These panels would be designed to streamline protests by handling the most valuable property. Expanding eligibility for these panels to

properties worth less than \$50 million merely would reduce the effectiveness of this streamlining.

**ARB composition.** Reassigning responsibility for appointing ARB officers to a judge would ensure the most qualified individuals were appointed and would add to the ARB's credibility because a judge is a more independent source of oversight than a district's board of directors.

**Education and training.** Taxpayers sometimes question the qualifications or impartiality of ARB members, which HB 32 would address by boosting educational and training standards. Arbitrators also would be required to go through additional and more specialized training, which could reduce litigation through greater confidence in arbitration.

**Appraisal district database.** The mandates imposed by HB 32 would be slight but would provide valuable information to taxpayers in a more accessible manner. Most taxing units and appraisal districts already maintain the necessary infrastructure, including a property database, and comply with at least some part of the proposed reporting requirements, so this would not impose a substantial burden on local governments. Moreover, this database would prove invaluable to informing taxpayers, on a personalized basis, what the adoption of tax rates by specific districts means for them.

**Notification.** Under current law, appraisal districts are required to notify property owners of their estimated tax due, using the previous year's tax rates. This has proven confusing on many levels because it creates an appearance that the appraisal district is responsible for setting the tax rates. Even though the notice says it is not a tax bill, it is frequently mistaken for one. HB 32 would eliminate this confusion, instead requiring a notice that would direct the taxpayer to a database that clearly laid out which taxing units were responsible for each part of the property tax burden.

Additionally, changing the name of the effective tax rate to the "no-new-revenue" rate would more clearly convey the rate's meaning, allowing

taxpayers to more clearly see whether or not the actual property tax rates, set by the taxing districts and not the appraisal districts, had increased.

**Tax rate adoption and reporting.** HB 32 would increase local government transparency by requiring most taxing units to publish on the internet basic information about their finances and tax rates. The comptroller's form also would dictate the calculation of the no-new-revenue rate, ensuring that the calculation is properly made.

OPPONENTS  
SAY:

While HB 32 contains important changes that could improve transparency, the Legislature should be careful to maintain the independence of ARBs and avoid saddling appraisal districts with administrative and reporting burdens.

**ARB hearing procedures.** HB 32 should not prohibit taxing units from protesting categories of appraisals, which is the only safeguard that currently exists against appraisals that are too low. This could drive down values in certain categories of appraisals as property owners use low appraisals as comparables, unfairly shifting the tax burden onto other property owners.

**ARB composition.** Under the bill, ARB officers no longer would be appointed by the district's board of directors and instead would be appointed by the administrative judge responsible for the appointment of board members. However, the administrative judge might not have the necessary information to assess the officers' effectiveness. The district's board of directors is better positioned to ensure taxpayer money is used effectively.

OTHER  
OPPONENTS  
SAY:

**Special ARB panels.** The bill should be expanded to increase the types and values of property eligible for the special ARB panels to ensure that the valuations are as accurate as possible. The limit could be reduced from \$50 million, as in the current bill, to as little as \$20 million, or be amended to include protests on the valuation of mineral rights. Additionally, because of the advanced qualifications required for these special panels, ARBs might need to provide additional compensation to

attract members.

**NOTES:**

According to the Legislative Budget Board's fiscal note, the bill would have a negative impact of \$1.03 million on general revenue related funds through fiscal 2018-19.