

SUBJECT: Unequal property appraisal protests

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 10 ayes — Oliveira, McCall, Bonnen, Craddick, Y. Davis, Heflin, Hilbert,  
Keffer, T. King, Ramsay

0 nays

1 absent — Sadler

SENATE VOTE: On final passage, April 21 — voice vote

WITNESSES: For — Breck Bostwick, Texas Association of Property Tax Professionals

Against — None

BACKGROUND: The Tax Code allows three levels of appeal for people protesting property appraisals for tax purposes. If the appraised value of property is considered too high, protesting parties can appeal to the appraisal district, the appraisal review board, and, ultimately, a district court.

Traditionally, these unequal appraisal reviews have been based on appraisal ratio studies. These studies are done by comparing the appraised value of property in the area with the appraised value of the property that is being contested. These studies require a market analyst and are too expensive for most property owners.

The 75th Legislature enacted SB 841 by Cain changing the unequal appraisal review process at the district court level to allow a protesting party to argue that the appraisal exceeds the median appraised value of a reasonable number of comparable properties appropriately adjusted. This type of unequal appraisal argument does not require an appraisal ratio study.

The unequal appraisal argument based on median value is not currently available at the appraisal review board level. The appraisal review board level also places the burden of proof on the appraisal district to prove that the

appraised value is not unequal rather than on the protesting party to prove that the appraised value is unequal.

The Tax Code limits increases to the appraised value of residence homestead property to 10 percent annually. Current law does not require parties protesting unequal appraisal values to take this limitation into account when using residence homestead property as evidence of comparable property in their unequal appraisal arguments.

**DIGEST:**

CSSB 1401 would allow protesting parties to argue at the appraisal review board level that the appraised value of their property was greater than the median value of a reasonable number of comparable properties appropriately adjusted. The burden of proof at the appraisal review board level would be shifted from the appraisal district to the protesting party, who would have to establish that the appraised value of their property was too high.

The bill would revise the unequal appraisal review process at the district court level. If a protesting party successfully argued that the appraised value of the party's property exceeded the median value of comparable property, then the court would order the appraised value to be changed to the value calculated on the basis of that median value. The median value argument added in the last legislative session would be moved to the list of other available arguments.

If residence homestead property was used as evidence of comparable property at either the appraisal review board or the district court level, then the value of the residence homestead property would have to be calculated based on the homestead property's actual market value rather than the limited appraisal value determined by the special rules for residence homesteads.

CSSB 1401 would take effect September 1, 1999, and apply to appraisal reviews based on a notice of protest filed with an appraisal review board on or after that date.

**SUPPORTERS  
SAY:**

CSSB 1401 would free property owners from the burden of having to conduct an appraisal ratio study at the appraisal review board level. The burden would be shifted from the appraisal district to the protesting party so that the protesting party could select which standard would be used to determine whether the appraisal was too high. The bill would make the standards for

unequal appraisal arguments the same at both the appraisal review board level and the district court level.

The provision for calculating the value of residence homestead property that is used as comparable property is necessary because residence homestead property can be undervalued if the property's appraisal value is used since appraisal increases to residence homestead property are limited to 10 percent per year. This would limit the use of residence homestead property as the basis for frivolous unequal appraisal arguments.

**OPPONENTS  
SAY:**

No apparent opposition.

**NOTES:**

The committee substitute made nonsubstantive changes to the Senate-passed version of the bill.