

- SUBJECT:** Requiring generally accepted appraisal practices in certain appeals
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 11 ayes — D. Bonnen, Y. Davis, Bohac, Button, Darby, Martinez Fischer, Murphy, Parker, Springer, C. Turner, Wray
- 0 nays
- WITNESSES:** For — James Popp, Popp Hutcheson; Daniel Gonzalez, Texas Association of Realtors; (*Registered, but did not testify:* Seth Mitchell, Bexar County Commissioners Court; Jim Allison, County Judges and Commissioners Association of Texas; Charles Reed, Dallas County; Donna Warndorf, Harris County; Roland Altinger, Harris County Appraisal District; Todd Stewart, Harris County Appraisal District; Annie Spilman, National Federation of Independent Business; James LeBas, Texas Apartment Association, Texas Oil and Gas Association; Richard Bennett, Texas Association of Manufacturers; Ken Nolan, Texas Association of Appraisal Districts; Ned Munoz, Texas Association of Builders; Ender Reed, Texas Association of Counties; Chet Morrison, Texas Association of Property Tax Professionals; Steven Garza, Texas Association of REALTORS; Amy Beneski, Texas Association of School Administrators; Dominic Giarratani, Texas Association of School Boards; Gardner Pate, Texas Building Owners and Managers Association; Justin Bragiel, Texas Hotel and Lodging Association; Shanna Igo, Texas Municipal League; Daniel Casey, Texas School Alliance; John Kennedy, Texas Taxpayers and Research Association; Neal “Buddy” Jones, Western Refinery)
- Against — None
- On — Dick Lavine, Center for Public Policy Priorities; (*Registered, but did not testify:* Mike Esparza and Laurie Mann, Texas Comptroller of Public Accounts)
- BACKGROUND:** Texas Constitution, Art. 8, sec. 1 requires that taxation be equal and uniform.

Under Tax Code, sec. 41.43, a protest on the ground of unequal appraisal of property is determined in favor of the protester, except under certain circumstances, including if the appraisal district can demonstrate that the property's appraised value is not greater than the median appraised value of a reasonable number of comparable properties appropriately adjusted.

In providing a remedy for an unequal appraisal, Tax Code, sec. 42.26 requires the district court to grant relief if the appraised value of the property exceeds the median appraised value of a reasonable number of comparable properties appropriately adjusted.

DIGEST:

CSHB 2083 would require the use of generally accepted appraisal methods and techniques in appeals on the basis that the appraised value was higher than the median appraised value of a reasonable number of comparable properties appropriately adjusted. The bill would require that the selection of comparable properties and the application of adjustments made to the appraised value of a property be based on generally accepted appraisal methods.

The bill also would allow properties in other counties to be used in the appraisal appeal process if there were not a sufficient number of comparable properties in the county.

This bill would take effect January 1, 2016.

**SUPPORTERS
SAY:**

CSHB 2083 would be an important step toward a more consistent, fair, and transparent property appraisal appeal process. The term "generally accepted appraisal techniques" is well understood in the industry and is taught by multiple licensing and professional organizations.

In fact, the state already requires the use of generally accepted appraisal techniques in certain appeals of appraised value but not in appeals made on the basis that the property was appraised above the median value of other properties. This was an unintended oversight that is being used by property owners to appeal using comparable properties with appraised

values that are not based on generally accepted appraisal techniques, thus skewing appraisal values downward. This would be a way that the district could challenge comparable property appraisals submitted by an appellant.

Higher evidentiary standards are good for the appeals process, and they could benefit the taxpayer. The deck is already stacked against the appraisal district, which makes appraisal districts across the state lose out on millions of dollars in potential tax revenue when appeals begin to skew property values downward. The Legislature should rectify this unintended consequence and level the playing field.

OPPONENTS
SAY:

CSHB 2083 would be a step forward in some respects, but ultimately falls short and contains language that could exacerbate property undervaluation. The bill explicitly would allow appellants to base their appeals on properties outside the county. However, county appraisal districts do not have data on properties outside the county, which would create an imbalance during litigation.

The bill also would not go far enough. Several issues with the appraisal appeal process create a “race to the bottom” effect. Although not requiring appellants to adhere to generally accepted appraisal practices is one of the issues, the Legislature should address all of the relevant causes.

NOTES:

The Legislative Budget Board’s fiscal note estimates that the higher evidentiary standard that would be required in property tax appraisals could mean that fewer unequal appraisal protests or appeals would be determined in favor of the taxpayer, which could result in a gain to the state through the operation of the school funding formula. The proposed use of comparable properties in counties other than in the county in which the property was located could mean more unequal appraisal protests or appeals would be determined in favor of the taxpayer. This could result in a loss to local taxing units and to the state through the operation of the school funding formula.

The Senate companion bill, SB 773 by Hancock, was heard in the Senate Finance Committee on April 7 and left pending.