BILL ANALYSIS

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

It is a generally accepted standard when conducting appraisals to consider the "highest and best use" of the property to arrive at fair market value. However, this practice is not addressed in the Tax Code. Among real estate professionals, however, highest and best use is considered that which is legally permissible, physically possible, financially feasible, and maximally profitable. In practice, this formula allows for property to be valued on what it could produce rather than its current use.

H.B. 3613 requires that the market value of a residence homestead be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.01, Tax Code, by adding Subsection (c), to require that the market value of a residence homestead be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

SECTION 2. Provides that this Act takes effect only if the constitutional amendment proposed by the 81st Legislature, Regular Session, 2009, authorizing the legislature to provide for the ad valorem taxation of a residence homestead solely on the basis of the property's value as a residence homestead is approved by the voters. Provides that if the amendment is not approved by the voters, this Act has no effect.

SECTION 3. Provides that this Act applies only to an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 4. Effective date: January 1, 2010.