BILL ANALYSIS

Senate Research Center   C.S.S.B. 700
81R23440 UM-D   By: Patrick, Dan
                                                      Finance
                                                      4/20/2009
                                   Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Despite spending billions of dollars on property tax relief in 2007, Texans across the state have failed to realize measurable property tax reductions.

Homeowners are liable for previous years' property taxes if they fail to file but are given an exemption unintentionally. Appraisal districts can base the appraisal of property upon the highest and best use of the property, regardless of the property's actual use. The current rollback rate for county and cities is eight percent and residents are required to petition for a hearing to initiate the process. Counties have not widely adopted electronic appraisal protest or settlement systems. Currently, appraisal protests can only be heard in district court.

C.S.S.B. 700 relates to increased transparency regarding appraisals for ad valorem tax purposes and increased tax rates.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

ARTICLE 1. NOTICE OF APPRAISAL

SECTION 1.01. Amends Section 25.19, Tax Code, by adding Subsection (b-3), to require the chief appraiser, for real property, in addition to the information required by Subsection (b) (relating to requiring the chief appraiser to separate real from personal property and include in the notice for each certain items), to state in a notice required to be delivered under Subsection (a) (relating to requiring the chief appraiser, by a certain date to deliver a clear and understandable written notice to a property owner of the appraised value of the property owner's property under certain criteria) for the current tax year and each of the preceding five tax years the appraised value of the property, and the difference, expressed as a percent increase or decrease, as applicable, in the appraised value of the property compared to the appraised value of the property for the preceding tax year.

ARTICLE 2. REQUIRED ELECTION TO RATIFY TAX RATE INCREASE

SECTION 2.01. Amends Section 26.07, Tax Code, as follows:

> Sec. 26.07. New heading: ELECTION TO RATIFY TAX INCREASE OF TAXING UNIT OTHER THAN SCHOOL DISTRICT. (a) Prohibits the governing body of a taxing unit other than a school district from adopting a tax rate that exceeds the rollback tax rate calculated as provided by this chapter without voter approval as provided by this section. Requires the governing body, to adopt a tax rate that exceeds the rollback tax rate, to adopt the rate as a proposed tax rate and call an election to permit the qualified voters of the taxing unit to approve or disapprove the proposed tax rate. Deletes existing text providing that if the governing body of a taxing unit other than a school district adopts a tax rate that exceeds the rollback tax rate calculated as provided by this chapter, the qualified voters of the taxing unit by petition are authorized to require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate calculated as provided by this chapter.

(b) Requires the governing body to order that the election be held in the taxing unit on a date not less than 30 or more than 90 days after the day on which the governing body adopted the proposed tax rate. Provides that Section 41.001 (Uniform Election Dates), Election Code, does not apply to the election unless a date specified by that section falls within the time permitted by this section. Sets forth the required language of the election ballot.   Requires that the ballot proposition include the proposed tax rate and the difference between that rate and the rollback tax rate in the appropriate places.   Deletes existing text of Subsections (b) and (c). Deletes existing text requiring the governing body, if it finds that the petition is valid (or fails to act within the time allowed), to order that an election be held in the taxing unit on the date or a date not less than 30 or more than 90 days after the last day on which it could have acted to approve or disapprove the petition. Deletes existing text providing that a state law requiring local elections to be held on a specified date does not apply to the election unless a specified date falls within the time permitted by this section. Deletes existing text requiring certain ballot language. Makes a nonsubstantive change.

(c) Redesignates Subsection (e) as Subsection (c). Provides that if a majority of the votes cast in the election favor the proposition, the proposition is approved and the tax rate for the current year is the proposed tax rate that was adopted by the governing body. Deletes existing text providing that if a majority of the qualified voters voting on the question in the election favor the proposition, the tax rate for the taxing unit for the current year is the rollback tax rate [calculated as provided by this chapter, otherwise, the tax rate for the current year is the one] adopted by the governing body.

(d) Redesignates Subsection (f) as Subsection (d). Prohibits the governing body, if the proposition is not approved as provided by Subsection (c), from adopting a tax rate for the taxing unit for the current year that exceeds the taxing unit's rollback tax rate. Deletes existing text requiring the assessor for the unit, if the tax rate is reduced by an election called under this section after tax bills for the unit are mailed, to prepare and mail corrected tax bills; requiring that he include with the bill a brief explanation of the reason for and effect of the corrected bill; and providing that the date on which the taxes become delinquent for the year is extended by a number of days equal to the number of days between the date the first tax bills were sent and the date the corrected tax bills were sent. Deletes text of existing Subsection (g).

SECTION 2.02. Amends Sections 31.12(a) and (b), Tax Code, as follows:

(a) Provides that if a refund of a tax provided by Section 11.431(b) (relating to the chief appraiser notifying the collect if a late application is approved and collected deduction of tax imposed on the exempted amount), rather than Section 26.07(g) (regarding property tax calculations for refunds to property), is paid on or before the 60th day after the date the liability for the refund arises, no interest is due on the amount refunded.

(b) Deletes existing text providing that for purposes of this section, liability for a refund arises if the refund is required by Section 26.07(g), on the date the results of the election to reduce the tax rate are certified. Makes nonsubstantive changes.

SECTION 2.03. Amends Section 33.08(b), Tax Code, to delete existing text providing that of the governing body of the taxing unit or appraisal district, in the manner required by law for official action, is authorized to provide that taxes that become delinquent on or after June 1 under Section 26.07(f) (relating to requirements of the assessor if the tax rate is reduced by an election called under this section after tax bills for the unit are mailed) incur an additional penalty to defray costs of collection.

SECTION 2.04. Reenacts Section 49.236, Water Code, as added by Chapters 248 (H.B. 1541) and 335 (S.B. 392), Acts of the 78th Legislature, Regular Session, 2003, and amends it as follows:

Sec. 49.236. NOTICE OF TAX HEARING. (a) Requires the notice of each meeting of the board at which adoption of a tax rate will be considered to contain a statement in substantially a certain form.

(b) Makes no changes to this subsection.

(c) Makes no changes to this subsection.

(d) Provides that if the governing body of a district adopts a combined debt service, operation and maintenance and, contract tax rate that would impose more than 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 residence homestead in the district in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older, an election is required to be held to determine whether to ratify the tax rate adopted for the current year in accordance with the procedures provided by Section 26.07 (Election to Repeal Increase), Tax Code, rather than the qualified voters of the district by petition are authorized to require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate in accordance with procedures provided by Sections 26.07 (b)-(g) (relating to elections to repeal tax rate increases) and 26.081 (Petition Signatures). Makes conforming changes.

SECTION 2.05. (a) Provides that the change in law made by this Article applies to the ad valorem tax rate of a taxing unit beginning with the 2009 tax year, except as provided by Subsection (b) of this section.

(b) Provides that if the governing body of a taxing unit adopted an ad valorem tax rate for the taxing unit for the 2009 tax year before the effective date of this article, the change in law made by this article applies to the ad valorem tax rate of that taxing unit beginning with the 2010 tax year, and the law in effect when the tax rate was adopted applies to the 2009 tax year with respect to that taxing unit.

SECTION 2.06. Effective date, this article: upon passage or on the 91st day after the last day of the legislative session.

ARTICLE 3. ELECTRONIC PROTEST PROCEDURE

SECTION 3.01. Amends Subchapter C, Chapter 41, Tax Code, by adding Section 41.415, as follows:

Sec. 41.415. ELECTRONIC FILING OF NOTICE OF PROTEST. (a) Provides that this section applies only to an appraisal district established for a county having a population of 500,000 more.

(b) Requires the appraisal district to implement a system that allows the owner of a property that for the current tax year has been granted a residence homestead exemption under Section 11.13 (Residence Homestead), in connection with the property, to electronically file a notice of protest under Section 41.41(a)(1) (regarding a property owners entitlement to protest before the appraisal review board following a determination of the appraised value of the owner's property, or its appraised or market value) or (2)(regarding a property owners entitlement to protest before the appraisal review board following unequal appraisal of the owner's property) with the appraisal review board; receive and review comparable sales data and other evidence that the chief appraiser intends to use at the protest hearing before the board; receive, as applicable, a settlement offer from the district to correct the appraisal records by changing the appraised value of the property to the value as redetermined by the district, or a notice from the district that a settlement offer will not be made; and accept or reject a settlement offer received from the appraisal district under Subdivision (3)(A) (relating to receiving

a settlement offer from the district to correct the appraisal records by changing the appraised value of the property to the value as redetermined by the district).

(c) Requires the chief appraiser, with each notice sent under Section 25.19 (Notice of Appraised Value) to an eligible property owner, to include information about the system required by this section, including instructions for accessing and using the system.

(d) Requires that a notice of protest filed electronically under this section include, at a minimum, a statement as to whether the protest is brought under Section 41.41 (a)(1) or under Section 41.41(a)(2), a statement of the property owner's good faith estimate of the value of the property, and an electronic mail address that the district is authorized to use to communicate electronically with the property owner in connection with the protest.

(e) Requires the chief appraiser, if the property owner accepts a settlement offer made by the appraisal district, to notify the appraisal review board. Requires the appraisal review board to determine the protest accordingly and otherwise comply with Section 41.47 (Determination of Protest).

(f) Requires the appraisal review board, if the property owner rejects a settlement offer, to hear and determine the property owner's protest in the manner otherwise provided by this subchapter and Subchapter D (Administrative Provisions).

(g) Provides that an appraisal district is not required to make the system required by this section available to an owner of a residence homestead located in an area in which the chief appraiser determines that the factors affecting the market value of real property are unusually complex.

(h) Provides that an electronic mail address provided by a property owner to an appraisal district under Subsection (d)(3) (regarding an electronic mail address that the district may use to communicate electronically with the property owner in connection with the protest) is confidential and may not be disclosed by the district.

(i) Requires the comptroller of public accounts to encourage appraisal districts to which this section does not apply to voluntarily implement an electronic system for filing protests.

SECTION 3.02. Makes application of Section 41.415, Tax Code, as added by this Article, prospective.

<div align="center">ARTICLE 4. EFFECTIVE DATE</div>

SECTION 4.01. Effective date, except as provided by this Act: January 1, 2010.