

BILL ANALYSIS

Senate Research Center

S.B. 1342
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The philosophy underlying the appraisal district system is that equity in taxation can best be achieved by ensuring that all appraisals are as close to 100 percent of market value as possible. The most commonly used remedy for inequity, Section 42.26(a)(3), Tax Code, creates problems because it rejects the principle that equity is best measured with reference to market value. In addition, it effectively prevents a court from considering equity studies that do consider closeness to 100 percent of market value. This creates problems for appraisal districts and local taxing units such as unpredictable appeals results, shifting of tax burdens to small business owners and homeowners, and not expressly limiting the plaintiff to comparisons of property within the appraisal district.

S.B. 1342 amends existing statute to require that owners of non-homestead property valued at more than \$1 million present evidence that the property is appraised at a percentage of its true market value that is at least 10 percent higher than is the case for a sample of comparable properties, while allowing homeowners and owners of properties valued at less than \$1 million to continue to use the existing statutory remedy.

The bill also adds language to better delineate what constitutes an acceptable analysis under Section 42.26(a)(3). This includes defining what a comparable property is and authorizing the comptroller of public accounts of the State of Texas by rule to adopt procedures for adjusting comparables with industrial, oil and gas, and energy properties.

S.B. 1342 also amends statute to allow appraisal districts to provide evidence regarding level of appraisal, and to allow a court to make its determination on the best evidence provided.

As proposed, S.B. 1342 amends current law relating to evidence of inequality of appraisal in judicial appeals of appraisal review board orders.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the comptroller of public accounts of the State of Texas in SECTION 1 (Section 42.26, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 42.26, Tax Code, by amending Subsections (a) and (b) and adding Subsections (a-1) and (a-2), as follows:

(a) Requires the district court to grant relief on the ground that a property is appraised unequally if:

(1)-(2) Makes no change to these subdivisions;

(3) the appraised value of the property exceeds the median level of appraisal, rather than the median appraised value, of a reasonable and representative sample, rather than a reasonable number, of comparable properties appropriately adjusted;
or

(4) if the property qualifies as the owner's residence homestead under Section 11.13 (Residence Homestead) or the appraised or market value, as applicable, of the property as determined by the order is \$1 million or less, the appraised value of the property exceeds the median appraised value of a reasonable sample of comparable properties appropriately adjusted. Requires the comptroller of public accounts of the State of Texas by rule to establish standards for development and calibration of adjustments for industrial, petrochemical refining and processing, and utility properties.

(a-1) Requires that whether a property is comparable to the subject property be determined based on similarities with regard to location, highest and best use, square footage of the lot and improvements, property age, property condition, property access, amenities, views, income, operating expenses, occupancy, economic conditions, and the existence of easements, deed restrictions, or other legal burdens affecting marketability for the purposes of Subsections (a)(3) and (a)(4). Provides that improved property is not comparable to unimproved property.

(a-2) Requires that adjustments be developed and calibrated in compliance with generally accepted appraisal standards for the purposes of Subsection (a)(4).

(b) Requires the court to order the property's appraised value changed to the value calculated on the basis of the median appraised value according to Subsection (a)(4) if a property owner is entitled to relief under Subsection (a)(4). Requires the court to order the property's appraised value changed to the value that in the judgment of the court, best reflects the level of appraisal of other property in the appraisal district, rather than the value that results in the lowest appraised value, if a property owner is entitled to relief under more than one subdivision of Subsection (a).

SECTION 2. Effective date: September 1, 2013.