SUBJECT: Appraisal of property in overlapping appraisal districts

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Oliveira, McCall, Bonnen, Y. Davis, Heflin, Hilbert, Keffer, T. King, Ramsay

0 nays

2 absent — Craddick, Sadler

WITNESSES: *(On original bill:)*
For — Russell Graham; Richard Petree, Taylor County Appraisal District

Against — None

On — Dan Wilson, Comptroller of Public Accounts

BACKGROUND: The boundaries of some local taxing jurisdictions, such as school or hospital districts, extend from one county into a neighboring county. Properties located within such taxing units receive separate appraisals from each county and may have different values entered on the different counties' appraisal rolls.

The 74th Legislature enacted HB 623 by Combs, requiring appraisal districts to share information "to the extent practicable" regarding properties located in overlapping districts. It did not require appraisal districts to appraise these properties at the same value but sought to "encourage" appraisers to use the same value.

The 75th Legislature enacted HB 670 by Shields et al., deleting the voluntary provision and requiring appraisers to accept the average of the separate valuations. HB 670 required all affected appraisers to accept homestead exemptions approved by any one appraiser for any property located in more than one appraisal district. It also authorized taxpayers to protest averaged appraisals in any appraisal district rather than having to protest in all of the appraisal districts involved.

DIGEST:

CSHB 1037 would allow appraisers to use different values for ad valorem property tax assessments for properties in overlapping districts. It would repeal Tax Code, secs. 6.025(d)-(f), setting out provisions to be followed when appraisers from different districts disagree about a specific property's value, including the requirement that the values be averaged. It also would repeal the requirement that all appraisers must accept the determination by any one appraiser that a property qualifies for a homestead exemption.

Chief appraisers for districts with overlapping properties would be required "to the extent practicable" to coordinate their appraisal activities so as to "encourage" and facilitate the appraisal of the same property at the same value.

CSHB 1037 would take effect January 1, 2000, and would apply only to tax years beginning on or after that date.

SUPPORTERS SAY:

CSHB 1037 would promote cooperation between appraisal districts, reduce districts' administrative costs, and allow appraisers to devote their efforts to resolving differences in appraised values.

HB 623, enacted in 1995, was intended to improve cooperation and sharing of data between appraisers. That process was working, even though many property owners still received differing valuations, before HB 670 changed the law in 1997. Many properties lie within local taxing units that overlap county lines, and it is not reasonable to assume that appraisers could agree on all affected properties within the two years appraisers were allowed to implement the provisions of HB 623.

By sharing information, appraisers could reach a more accurate valuation for a property. Now, current law actually inhibits cooperation between counties and reduces the likelihood that an appraised value will be accurate, because it requires counties to average their differences.

Current law also rewards counties with consistently lower valuations by raising the value of property they tax without their having to reappraise it or share appraisal information. Likewise, it lowers the overall tax base of counties with higher appraised values for the property. Some counties have chosen not to participate in the averaging process, requiring neighboring counties to accept their valuation or be in violation of the law.

Current law does not make the appraisal process any simpler for taxpayers. They still receive multiple appraisal notices and multiple bills, and they still pay their tax in multiple counties. The changes made by HB 670, however, did make the process more difficult for appraisal districts by substantially increasing their administrative burden. The averaging requirement has cost some counties up to $1 million to implement.

CSHB 1037 would not diminish taxpayers' protest rights. Chapter 41, Tax Code, defines the procedures for protesting appraisals, and the fact that a property lies in more than one appraisal district does not affect those procedures. A protest of an appraisal district's valuation ought to be brought to the appraisal review board of that district.

OPPONENTS SAY:

CSHB 1037 is a step backward from reforms enacted last session to make the property tax appraisal process easier for taxpayers. The process is already cumbersome enough for taxpayers without their having to contend with divergent appraisals of their residences and having to file protests to multiple appraisal review boards. A piece of property ought to have one appraised value rather than multiple values. Vaguely encouraging appraisers to agree on a single value was not sufficient to achieve that goal. Requiring that agreement has reduced taxpayer confusion.

Taxpayers ought to be able to protest appraisals in their home counties, as current law allows. If CSHB 1037 were enacted, taxpayers once again would have to appear before appraisal review boards serving counties in which the taxpayers had no vote, where they would receive a less than sympathetic audience.

CSHB 1037 would reinstate the cumbersome old system of requiring property owners to file applications for their homestead exemptions and over-65 and disabled exemptions in all county appraisal offices involved. The law that CSHB 1037 would repeal now allows owners to file only once in their home counties, which makes the process of applying for and amending exemptions easier. There is no reason why appraisal districts cannot share this information efficiently.

OTHER OPPONENTS SAY:

It makes no sense to have multiple appraisals of property, regardless of the final valuation. Multiple appraisals are duplicative, waste taxpayer resources, and create administrative headaches. As with property in only one appraisal district, there should be only one appraisal for properties in more than one district, and it ought to be performed by the appraisal district for the county in which the property is physically located. Reforms in the late 1970s and early 1980s required all local taxing units within a county to use a single appraiser. That philosophy should be extended to taxing units in multiple counties.

An alternative that would benefit taxpayers would be to provide that in cases where chief appraisers of the separate counties disagreed, the property owner could use the lower of the two valuations.

NOTES:

The original bill provided only that the chief appraisers of the separate counties would not have to agree on the appraised value of a property, but that in case of initial disagreement, one chief appraiser would have had to review the other chief appraiser's records before accepting the other appraiser's value as the value of the property. The committee substitute deleted that provision and added sec. 2, which would repeal Tax Code sections 6.025(d)-(f), regarding the requirements to recognize the homestead exemption and average the values and regarding the taxpayer's route of appeal.