

SUBJECT: Requiring appraisal district boundaries to coincide with county boundaries

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 6 ayes — Hill, Creighton, D. Howard, Puente, Quintanilla, Villarreal

0 nays

1 absent — Elkins

WITNESSES: For — Michael Amezcuita, Bexar Appraisal District; Kenneth H. Beck, Art Cory; Ken Nolen; Jim Robinson; Gerald “Buddy” Winn. (*Registered, but did not testify*: George Christian, Texas Taxpayers and Research Association; Scott Sexton)

Against — None

BACKGROUND: Under Tax Code, sec. 6.02, a taxing jurisdiction that extends into more than one county may choose to participate in only one appraisal district. Taxing jurisdictions may change the appraisal district in which they participate by means of official action, but may not revoke this decision in following years.

Sec. 6.025 establishes procedures for appraisal districts that have overlapping jurisdictions. In the event of overlap, the chief appraisers of coincident districts are responsible for adopting a formal agreement providing for streamlining and coordinating appraisal activities and information. Property owners whose land is located in overlapping jurisdictions must submit necessary reports and other documents to each appraisal district.

To the extent possible, chief appraisers are charged with coordinating activities such that properties in coincident jurisdictions are assigned similar market values. If by May 1 of each year an agreement regarding the appraisal of subject properties has not been reached, the market value is assigned the lowest value determined by any of the overlapping jurisdictions. In the event that a property owner submits a protest, appeal, or other action in any overlapping appraisal district that results in a

diminished assessment, each chief appraiser is instructed to adjust downward a higher market value to reflect the reduced appraisal.

Sec 25.17 provides that if a property is split among multiple taxing jurisdictions, the portion falling inside each jurisdiction must be listed separately from those without.

DIGEST:

CSHB 1010 would require that appraisal district boundaries coincide with county boundaries. If a property were located partially inside the boundaries of more than one appraisal district, the chief appraisers of each district would be charged with coordinating their appraisals of each portion of the property to ensure that the property as a whole was appraised at its market value. The bill also would allow interlocal agreements to form consolidated appraisal districts.

The bill would repeal sections of the Tax Code and Education Code dealing with provisions related to taxing units that participate in more than one appraisal district.

CSHB 1010 would apply to the appraisal of property for tax years beginning on or after January 1, 2008. The bill would establish a transition process for the period between September 1, 2007, and January 1, 2008. As part of the transition, the provisions of which would take effect September 1, 2007, the bill would require:

- the terms of current appraisal directors to expire and that they be reappointed by the taxing jurisdictions that constitute the revised boundaries of each appraisal district after January 1, 2008. Voting entitlements of each taxing jurisdiction would be determined proportionally on the basis of the total dollar amount of property taxes imposed by each jurisdiction for the 2006 tax year.
- all districts to revise their budgets to provide for any adjustments necessary as a result of changes in the number and value of participating properties. This would be projected from calculations performed using 2007 property values.

The bill would take effect January 1, 2008.

SUPPORTERS
SAY:

CSHB 1010 would take an important step in addressing certain shortcomings in the property assessment system with respect to overlapping appraisal districts. By making counties and appraisal districts coincident, the bill would resolve unfair and burdensome practices that affect both appraisal districts and property owners. Simplifying appraisal district boundaries would save taxpayer money and time and effectively would bring clarity to what has remained a confusing aspect of the appraisal system.

Current property tax law provides that a taxing jurisdiction, such as a school district or municipality, may participate in only one appraisal district. That appraisal district determines the market value of property located within the taxing jurisdiction's boundaries. When a taxing jurisdiction extends into more than one appraisal district, it is permitted to choose the district that appraises properties it contains. Since multiple jurisdictions may collect taxes on a single property, and since each of these may elect to participate in different appraisal districts, the properties that pay taxes to these jurisdictions may lie in overlapping appraisal districts. For example, a property located in the city of Austin, Travis County and the Round Rock School District — which intersects Travis and Williamson counties — is subject to appraisal by both the Williamson County and Travis County central appraisal districts.

The vast majority of properties in Texas are subject to only one appraisal district. A distinct subset are located in two or more. Appraisal districts assess property independently and often find it difficult to coordinate their appraisals by the May 1 deadline. If the districts have not done so by this date, the property is assigned whichever value is lowest. If an owner of property in overlapping districts contests an appraisal, a finding of reduced value is adopted if it is lower than a value ascertained by a neighboring district.

CSHB 1010 would eliminate the subset of properties that belong to overlapping districts by eliminating a taxing jurisdiction's ability to choose an appraisal district. In so doing, the bill would restore fairness to the appraisal process. Texas Constitution, Art. 8, sec. 1 requires that taxation be equal and uniform. The current system does not meet this standard, since it permits appraisals to be assigned based on the lowest value assessed by more than one appraisal district and does not extend this practice equally to all property owners. Current law creates an unfair outcome for nearby owners who have to pay the value assigned by the

district that may be appraising property at higher values than other districts.

In addition to making the appraisal system more equitable, CSHB 1010 would relieve property owners and appraisal districts from duplicative administrative procedures. Property owners no longer would have to file necessary documents, such as exemption forms, at more than one appraisal district annually. Appraisal districts would be spared the burden of duplicate appraisals and coordinating with other districts to ensure that market values on shared properties were comparable.

The bill would establish a consistent and universal system governing the spatial relationship between counties and appraisal districts. This also would extend to properties located in more than one taxing jurisdiction. Current statutory provisions already require that a property divided among more than one taxing jurisdiction be listed separately for assessment purposes.

CSHB 1010 would apply this principle to properties that are bisected by county lines and would charge chief appraisers with coordinating their appraisals of each portion of a divided property to ensure the property as a whole was fairly appraised as the sum of its parts. The mandate to appraisal districts to reach a fair valuation of these properties would give owners of bisected properties reassurance that their appraisals would reflect the market values of their properties. By adding this fairness requirement, the bill successfully would preserve the clarity and simplicity that motivated it while protecting the interests of affected property owners.

CSHB 1010 would not affect an appraisal district's ability to adopt agreements with other districts that result in greater efficiency so long as those agreements observed and coincided with county boundaries.

**OPPONENTS
SAY:**

While CSHB 1010 would eliminate one class of properties with split jurisdictions across appraisal districts, it would create another. The bill would provide that properties bisected by a county line be appraised by two different appraisal districts. This would divide an unknown number of properties in Texas along county lines.

Appraisal districts would have to jointly appraise this property, and assessments could be duplicative. Owners of divided properties would have to submit necessary documentation to more than one appraisal

district each year. This aspect of the bill would recreate to a lesser extent a problem it intended to resolve.

Appraisal districts would be encouraged to cooperate to set a fair value for any bisected property. Yet, the bill contains no enforcement mechanism that would guarantee this outcome. The bill provides no means of adjudicating between districts that disagreed about the value of an intersected parcel. Also, if a property owner wished to protest an appraisal, the owner would have to go through the process with more than one appraisal district.

Instead of splitting a property between more than one appraisal district, the property could be placed fully in whichever district had a majority of the land. A land mass percentage rule along these lines could embrace many of the positive changes CSHB 1010 seeks to implement while avoiding many of the administrative hassles associated with creating an additional class of divided properties.

NOTES:

The committee substitute added language that would establish procedures for property located partially inside the boundaries of more than one appraisal district.

The companion bill, SB 801 by Patrick, has been referred to the Senate Finance Committee.