

**SUBJECT:** Requiring reappraisal of certain property damaged in a disaster

**COMMITTEE:** Ways and Means — committee substitute recommended

**VOTE:** 10 ayes — D. Bonnen, Bohac, Darby, E. Johnson, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

1 absent — Y. Davis

**WITNESSES:** For — Cheryl Johnson, Galveston County Tax Office; Dale Craymer, Texas Taxpayers and Research Association; (*Registered, but did not testify*: Julia Rathgeber, Association of Electric Companies of Texas; Daniel Womack, Dow Chemical; Annie Spilman, National Federation of Independent Business-Texas; Kaleb McLaurin, Texas and Southwestern Cattle Raisers Association; David Mintz, Texas Apartment Association; Daniel Gonzalez and Julia Parenteau, Texas Association of Realtors; Doug Smithson, Texas Association of Appraisal Districts and Rural Chief Appraisers; Felicia Wright, Texas Association of Builders; Michelle Smith, Texas Association of School Business Officials; Mari Ruckel, Texas Oil and Gas Association)

Against — None

On — Kevin Kieschnick, Nueces County; (*Registered, but did not testify*: Marya Crigler, Texas Association Appraisal Districts, Travis Central Appraisal District)

**BACKGROUND:** Tax Code, sec. 23.02 allows a taxing unit in an area declared to be a disaster area by the governor to authorize reappraisal of property damaged in that disaster. The final appraised value following the reappraisal is prorated for the time that the property is not damaged.

Sec. 23.02 requires the taxing unit or units to reimburse the appraisal district for any costs imposed by this request.

**DIGEST:** CSHB 513 would require the reappraisal of a property that is currently eligible for reappraisal under Tax Code, sec. 23.02, if the Federal Emergency Management Agency (FEMA) estimated the property had sustained 5 percent or more damage as a result of the disaster. A property owner could decline the reappraisal.

Rather than allowing the taxing unit to authorize reappraisal, the bill would require the chief appraiser of the appraisal district to conduct and be reimbursed by the taxing unit for the reappraisal. The appraisal district would have to complete the reappraisal within 45 days after the governor declared the area a disaster area, or as soon as practicable after FEMA completed the damage estimates.

CSHB 513 would authorize the comptroller to adopt rules to administer the bill's provisions.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017, and would apply only to the reappraisal of property in a disaster area declared on or after that date.

**SUPPORTERS SAY:** CSHB 513 would ensure that property owners affected by disasters were not taxed as if the disaster had never happened. Current law merely allows taxing units to request reappraisals, meaning that there is no guarantee that a property owner whose home or business had been wiped out would not have to pay taxes on the full value of the property, despite an immense loss. Due to its diverse geography, Texas leads the nation in the number of federally declared disasters, and this bill is one way the Legislature could provide much-needed disaster relief to property owners.

The bill would increase consistency and fairness in appraisals. Because current law merely allows individual taxing units to request reappraisals, there can be drastic differences between how different taxing units value identical property that has been seriously damaged. Even a single property can be taxed differently by different taxing units, depending on whether

the unit has requested an reappraisal.

CSHB 513 would limit the fiscal impact to taxing units. It would apply only to property with serious damage, as estimated by FEMA, and would affect only a portion of a tax year. Additionally, the state may provide disaster grants, which could assist taxing units that were most impacted.

**OPPONENTS  
SAY:**

While CSHB 513 addresses an important issue, it could cause revenue problems for some taxing units. Many major disasters, such as hurricanes, strike late in the summer right before the close of the tax year, when the taxing unit already is low on funds. The reappraisal process required by the bill could significantly delay an already reduced revenue stream for taxing units that had already suffered losses from a disaster. This could cause service interruptions, especially with small taxing units that likely do not have large reserve funds.

**NOTES:**

Depending on the impact to appraised values across the state, CSHB 513 could impose indeterminate costs to the Foundation School Fund, according to the Legislative Budget Board's fiscal note.

A companion bill, SB 717 by V. Taylor, approved by the Senate on March 27 and referred to the House Ways and Means Committee on April 13.

The committee substitute differs from the bill as introduced in that CSHB 513 would:

- allow property owners to decline a reappraisal;
- require an estimate from FEMA relating to the extent of the damage to the property before the reappraisal;
- require the appraisal district to complete the reappraisal within 45 days after the disaster declaration;
- allow the comptroller to adopt rules to enforce the provisions of the bill.