

- SUBJECT:** Amending appraisal review board and related arbitration procedures
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 10 ayes — D. Bonnen, Y. Davis, Bohac, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson
- 0 nays
- 1 absent — E. Johnson
- SENATE VOTE:** On final passage, April 10 — 31-0
- WITNESSES:** For — Paul Pennington, Citizens for Appraisal Reform; (*Registered, but did not testify*: Melissa Shannon, Bexar County Commissioners Court; Adam Cahn, Cahnman's Musings; Rick Duncan, James Harris, Jay Propes, Citizens for Appraisal Reform; AJ Louderback and Ricky Scaman, Sheriffs' Association of Texas; Mark Mendez and Benny Glen Whitley, Tarrant County; James Popp, Tax Equity Council; Scott Norman, Texas Association of Builders; James LeBas, Texas Association of Manufacturers; Debbie Cartwright, Texas Taxpayers and Research Association; Russell Alexander; Micah Harmon)
- Against — (*Registered, but did not testify*: Roland Altinger, Harris County Appraisal District; Marya Crigler, Texas Association of Appraisal Districts)
- On — Dick Lavine
- BACKGROUND:** Tax Code, ch. 41A allows a property owner to request binding arbitration as an alternative to appealing to a district court to appeal a determination of an appraisal review board (ARB) on a protest of valuation.

Some observers note that property owners sometimes do not see ARBs as fair, independent, or qualified decision-makers. Some observers also note that binding arbitration may be preferable to litigation to keep costs down,

but that many appeals are ineligible.

DIGEST:

CSSB 669 would change requirements on appraisal review board (ARB) members and appointment of ARB officers, modify procedures relating to ARB hearings, expand eligibility for arbitration, and create the Property Tax Administration Advisory Board.

ARB members and officers. While under current law the board of directors of the appraisal district appoints, by resolution, the chairman and secretary of the ARB, the bill would provide that the local administrative judge who usually appoints ARB members would appoint those officers.

The bill also would modify certain requirements relating to eligibility to be on an ARB, including capping the number of terms that an ARB member could serve at three.

Education and training. Courses that currently must be completed by ARB members before participating in ARB hearings would, under the bill, have to consist of at least eight hours of classroom training and education. Continuing education courses would be required to provide at least four hours of classroom training and education.

The bill would require that the training materials currently used to educate arbitrators under Tax Code, ch. 41A be freely available online and emphasize requirements on the equal and uniform appraisal of property. The comptroller could contract with a third party to create these materials, provided the program was not provided by an appraisal district or various related entities and did not cost more than \$50 to train each arbitrator. The comptroller also would be required to create an arbitration manual for use in training to be approved by a committee of taxpayers and appraisers selected by the comptroller.

Under the bill, arbitrators would be required to complete the existing course for training and education of ARB members.

ARB hearings. Under the bill, an ARB would be prohibited from

increasing the protested valuation of a property beyond the initial appraised value.

The bill also would prohibit an appraisal district from introducing information, in a document or through argument or testimony, into an ARB hearing if the information was not delivered by the appraisal district to the property owner at least 14 days before the first hearing.

Any information requested by the property owner could be provided electronically by agreement. While current law allows an appraisal district to charge for copies provided in connection with a protest, the bill would require paper copies of documents be provided free of charge.

The bill would allow an ARB to hold a hearing on up to 20 properties with the same property owner on a single day, subject to certain notice and procedural requirements.

The bill also would change the times of day and days of the week that any hearing could occur.

ARB survey. While current law only requires an ARB to provide to a property owner a comptroller survey relating to the fairness and efficiency of the ARB before and at an ARB hearing, the bill would require the survey to be sent along with the ARB's decision on the property owner's protest.

Arbitration. While current law limits binding arbitration in Tax Code, ch. 41A of non-homestead property to properties valued at less than \$3 million, the bill would raise this limit to \$5 million. The required deposit and arbitrator fees would be correspondingly increased.

Property Tax Administration Advisory Board. The bill would create the Property Tax Administration Advisory Board, composed of members appointed by the comptroller to advise the comptroller on state oversight of appraisal districts and make recommendations on the efficiency of the property tax system and complaint resolution procedures. Members would

include representatives of property taxpayers, appraisal districts and school districts, and at least one person who has knowledge in conducting ratio studies.

Effective date. This bill would take effect January 1, 2018, and would affect only ARB members and arbitrators appointed or protests and requests for arbitration filed on or after that date.

NOTES:

According to the Legislative Budget Board's fiscal note, the bill would have a negative impact of \$406,000 through the fiscal 2018-19 biennium. Additionally, the bill could increase costs to the Foundation School Fund.