

## **BILL ANALYSIS**

Senate Research Center

S.B. 1375  
By: Nixon  
Finance  
4-28-97  
Committee Report (Amended)

### **DIGEST**

Currently, there are two methods of appraising leaseholds, the possessory method and the equity method. The law is ambiguous as to which method appraisal districts are required to use. This bill requires an appraiser to use the equity method to make certain determinations and calculations.

### **PURPOSE**

As proposed, S.B. 1375 requires an appraiser to use the equity method to make certain determinations and calculations.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 23.13, Tax Code, to require an appraiser to use the equity method of valuation, when appraising a leasehold or other possessory interest in real property, subject to the limitation provided by Subsection (b). Makes a nonsubstantive and a conforming change.

SECTION 2. Amends Chapter 41A, Tax Code, by adding Section 41.035, as follows:

Sec. 41.035. CHALLENGE RELATING TO CERTAIN TAXABLE LEASEHOLDS. Sets forth challenges relating to certain taxable leaseholds.

SECTION 3. Amends Chapter 41C, Tax Code, by adding Section 41.414, as follows:

Sec. 41.414. PROTEST RELATING TO CERTAIN TAXABLE LEASEHOLDS. Sets forth requirements regarding protest relating to certain taxable leaseholds.

SECTION 4. Amends Section 42.031, Tax Code, by adding Subsection (c), to set forth a situation whereby the state or political subdivision of this state may intervene in an appeal of the appraisal review board order. Provides that this section prevails over Subsection (b), if any conflict arises. Provides that a state or political subdivision of this state is not a necessary party to the appeal.

SECTION 5. Effective date: September 1, 1997.

SECTION 6. Emergency clause.

### **SUMMARY OF COMMITTEE CHANGES**

Amendment 1.

Amends SECTION 2, Chapter 41A, Tax Code, by adding Section 41.035, to set forth challenges relating to certain taxable leaseholds.

Amends SECTION 3, Chapter 41C, Tax Code, by adding Section 41.414 to set forth requirements regarding protest relating to certain taxable leaseholds.

Adds SECTION 4, Section 42.031, Tax Code, by adding Subsection (c), to set forth a situation whereby the state or political subdivision of this state may intervene in an appeal of the appraisal review board order.