

BILL ANALYSIS

Senate Research Center

S.B. 1457
By: Armbrister
Finance
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As Filed

DIGEST

Since 1991 the comptroller has conducted an annual study to determine the total value of all taxable property in each school district. The taxable values, as determined by the comptroller, are reported to the commissioner of education for use in state funding formulas. The school district property value study is essentially an independent review of local school district property values, which are then adjusted to insure that the per student wealth in all 1,038 school districts in Texas is determined by the same standard.

The comptroller's annual property value study is actually a single study with two components. The primary purpose of the study is to independently and fairly determine school district taxable values to insure equitable distribution of state funding to school districts. The other purpose of the study is to provide a report card on the 253 appraisal districts in Texas. The information gathered in the study is used in different ways to accomplish both statutory purposes. The school district component of the study is found in Sections 403.302 to 403.304, Government Code. The appraisal district component is in Section 5.10, Tax Code.

In 1991 the legislature amended the Tax Code and Education Code and transferred responsibility for conducting the school district and appraisal district studies from the state property tax board to the comptroller. Other changes were made to the annual studies as well, including requiring the comptroller to conduct a review of appraisal district practices as part of the traditional school district value study. Since 1991 the comptroller has followed legislative intent by determining school district taxable values in each school district while reviewing and reporting on appraisal district appraisal methods, standards, and procedures.

Because of recent lawsuits brought by some school districts, the comptroller has reviewed the study provisions in the Government Code (Education Code language was moved to the Government Code in 1995) and Tax Code and has determined several changes are necessary to effectively continue to meet the state's needs and avoid unnecessary legal challenges.

S.B. 1457 would amend the Tax Code and Government Code to separate the methods, standards, and procedures (MSP) review from the school taxable value study in the Government Code. The legislative requirements for conducting MSP reviews will continue to be met by transferring the reviews to the Tax Code. The inclusion of the MSP reviews in the same Government Code sections with the school taxable value study was the subject of several lawsuits brought by school districts in 1996. This bill would also amend language in the Government Code to clarify the list of statutory deductions from a school district's taxable value. The list includes some homestead exemptions and business exemptions and value lost to special agricultural appraisal, as required by the Texas Constitution. The comptroller has reviewed all current deductions and recommends several amendments to avoid future interpretation problems.

The comptroller has also recommended other amendments to the Tax Code to insure the flow of information from local governments to the comptroller for use in the appraisal district and school district taxable value studies and to conform the studies to current practice.

PURPOSE

As proposed, S.B. 1457 amends the Tax Code and Government Code to separate the methods, standards, and procedures review from the school taxable value study in the Government Code. This

bill amends the Government Code to clarify language in the list of statutory deductions from a school district's taxable value and amends the Tax Code to insure the flow of information from local governments to the comptroller for use in the appraisal and school district taxable value studies and to conform the studies to current practice.

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 Sections 403.302(a) through (d), Government Code, to require the comptroller to conduct an annual study using comparable sales and generally accepted auditing and sampling techniques to determine the total taxable value of all property in each school district, rather than to determine the total value of all taxable property in each school district. Requires the comptroller, in conducting the study, to determine the taxable value of property in each school district, rather than requiring the comptroller to review the appraisal standards, procedures, and methodology used by each appraisal district to determine the taxable value of property in each school district. Deletes text requiring the review to test the validity of the taxable values assigned to each category of property by the appraisal district. Sets forth provisions applicable if the comptroller determines, rather than finds, in the annual study that the market value of property in a school district as determined by the appraisal district that appraises property for the school district, less the total of the amounts and values listed in Subsection (d) as determined by that appraisal district is valid. Deletes text regarding generally accepted appraisal standards and practices. Provides that, in the absence of such a presumption, taxable value is the value determined by the comptroller under Subsection (a), rather than requiring the comptroller to estimate the taxable value of that category of property using generally accepted standard valuation, statistical compilation, and analysis techniques. Redefines "taxable value." Makes conforming changes.

SECTION 2. Amends Section 403.303(a), Government Code, to require the petition, for protesting the comptroller's findings, to be filed by a school district or a property owner not later than the 40th day, rather than 30th day, after the date on which the comptroller's findings are certified to the commissioner of education.

SECTION 3. Amends Section 5.102, Tax Code, as follows:

Sec. 5.102. New heading: REVIEW OF APPRAISAL STANDARDS. Requires the comptroller to review the appraisal standards, procedures, and methodology used by each appraisal district to determine compliance with generally accepted appraisal standards and practices. Sets forth provisions applicable if the review results in a finding that an appraisal district is not in compliance with generally accepted appraisal standards and practices, rather than if the study required by Section 403.302, Government Code, results in a finding. Sets forth provisions applicable if noncompliance with generally accepted appraisal standards and practices is found in two consecutive reviews, rather than annual studies. Makes conforming changes.

SECTION 4. Amends Section 5.16, Tax Code, to authorize the comptroller to inspect certain records for the purposes of conducting a study, review, or audit required by Section 5.10 or 5.102 or Section 403.302, Government Code. Requires the chief appraiser or administrative head of the taxing unit, on the request of the comptroller, to produce the materials in the form and manner prescribed by the comptroller, rather than as soon as practicable.

SECTION 5. Amends Section 26.01(b), Tax Code, to require the chief appraiser, when a chief appraiser submits an appraisal roll for county taxes to a county assessor-collector, to also certify the appraisal district appraisal roll to the comptroller. Requires the chief appraiser to certify the district appraisal roll or the summary of that roll in the form and manner prescribed by the comptroller's rule.

SECTION 6. Emergency clause.
Effective date: upon passage.