

BILL ANALYSIS

Senate Research Center

S.B. 841
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Finance
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As Filed

DIGEST

S.B. 841 would change the Property Tax Code to reform the property tax appraisal system. This bill would make seven main changes to current law affecting elected appraisal district boards of directors, the annual cap of valuations of residence homesteads, the mass appraisal system, senior citizen property tax exemptions, fraudulent property tax exemptions, the appeals process, and portability of senior school tax freeze.

PURPOSE

As proposed, S.B. 841 amends the current Tax Code and the Election Code to make changes relating to ad valorem taxation.

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 1.12, Tax Code, by adding Subsection (d), to provide that for the purposes of this section, the appraisal ratio of a residence homestead to which Section 23.21 applies is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law. Provides that the appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.21.

SECTION 2. Amends Section 5.12(b), Tax Code, to require the comptroller, at the written request of the governing bodies of a majority of all the taxing units participating in an appraisal district or of a majority of the group of taxing units composed of the participating municipalities, school districts, and the county, to audit the performance of the appraisal district.

SECTION 3. Amends Section 5.13(h), Tax Code, to authorize the comptroller, at any time after the request for an audit is made, to discontinue the audit in whole or part if requested to do so by the governing bodies of a majority of the group of taxing units composed of the participating municipalities, school districts, and the county, rather than governing bodies of a majority of the taxing units entitled to vote on the appointment of appraisal district directors, if the audit was requested by a majority of those units.

SECTION 4. Amends Section 6.03, Tax Code, to provide that the director of the governing board of the appraisal district is elected from each of the four commissioners precincts in the county for which the appraisal district is established and one director is elected at large from the county. Provides that the directors are elected at the general election for state and county officers and serve two-year terms beginning on January 1 of odd-numbered years. Sets forth requirements regarding eligibility to serve on the board of directors. Deletes existing text regarding the eligibility required to serve on the board of an appraisal district for a county having a population of at least 200,000 bordering a county having a population of at least 2,000,000 and the Gulf of Mexico. Deletes existing Subsections (b)-(k). Provides that a vacancy on the board of directors is filled for the remainder of the unexpired term by appointment by the commissioners court of the county for which the appraisal district is established. Deletes existing text authorizing certain taxing units to nominate

a candidate to fill a vacancy. Sets forth provisions applicable if as a result of a change in the boundaries of commissioners precincts an individual serving as a director no longer resides in the precinct from which the office is elected. Deletes existing Subsection (m). Makes conforming changes.

SECTION 5. Amends Section 6.051(b), Tax Code, to require the acquisition or conveyance of real property or the construction or renovation of a building or other improvement by an appraisal district to be approved by the governing bodies of three-fourths of the group of taxing units composed of the municipalities, school districts, and the county participating in the appraisal district, rather than by the governing bodies of three-fourths of taxing units entitled to vote on the appointment of board members. Makes a nonsubstantive change.

SECTION 6. Amends Sections 6.06(b) and (i), Tax Code, to make conforming changes.

SECTION 7. Amends Sections 6.061(b) and (e), Tax Code, to make conforming changes.

SECTION 8. Amends Section 6.063(b), Tax Code, to make conforming changes.

SECTION 9. Amends Section 11.13(h), Tax Code, to prohibit a person from receiving an exemption under this section for more than one residence homestead in the same year.

SECTION 10. Amends Section 11.26, Tax Code, by amending Subsection (b) and adding Subsection (g) to make a conforming change and a nonsubstantive change. Prohibits a school district from imposing ad valorem taxes that exceed a certain amount on a certain homestead, except as provided by Subsection (b), under certain conditions.

SECTION 11. Amends Chapter 11B, Tax Code, by adding Section 11.265, as follows:

Sec. 11.265. **LIMITATION ON COUNTY AND MUNICIPAL TAXES ON HOMESTEADS OF ELDERLY.** Provides that this section applies to property that is subject to the tax increase limitation provided by Section 1-b(g), Article VIII, Texas Constitution. Sets forth requirements for tax officials regarding appraisal and tax calculation. Sets forth the formula for determining the amount of a tax increase imposed because the person has made taxable improvements to the person's residence homestead. Provides that the tax increase limitation provided by Section 1-b(g), Article VIII, Texas Constitution, then applies in subsequent tax years to the increased amount of tax, subject to later improvements, if any. Sets forth the conditions under which the tax increase limitation expires on January 1. Sets forth provisions applicable if the appraisal roll provides for taxation of appraised value for a previous year because the tax increase limitation was erroneously allowed. Requires the chief appraiser, for each county or municipality in the appraisal district, to determine the portion of the appraised value of residence homesteads on which county or municipal taxes are not imposed in a tax year because of the tax increase limitation. Sets forth the formula for determining that portion. Requires the chief appraiser to certify that taxable value to the comptroller as soon as practicable for each tax year. Provides that the tax increase limitation provided by Section 1-b(g), Article VIII, Texas Constitution, does not expire because the owner of an interest in the structure conveys the interest to a qualifying trust as defined by Section 11.13(j) if the owner or the owner's spouse is a trustor of the trust and is entitled to occupy the structure. Provides that the provisions of Subchapter C applicable to an exemption provided by Section 11.13 apply to the tax increase limitation provided by Section 1-b(g), Article VIII, Texas Constitution. Provides that, notwithstanding Subsection (h), a person who received the exemption provided by Section 11.13(c) in the 1997 tax year is not required to apply for the tax increase limitation provided by Section 1-b(g), Article VIII, Texas Constitution. Requires, not later than May 1, 1998, the appraisal district in which the school district participates to notify the appraisal district in which the county or municipality participates, if the school district does not participate in that appraisal district, that the person received the exemption.

SECTION 12. Amends Section 11.41, Tax Code, to remove a reference to an exception provided by Subsection (b) of this section. Requires an exemption, under certain conditions, to be

multiplied by a fraction, the numerator of which is the value of the property interest the person owns and the denominator of which is the value of the property, rather than requiring the exemption to be limited to the value of the property interest. Deletes existing Subsection (b). Makes conforming changes.

SECTION 13. Amends Section 11.43, Tax Code, by amending Subsection (f) and adding Subsection (j), to require the application form for each kind of exemption to require an applicant to provide the applicant's name and driver's license number, personal identification certificate number, or social security account number. Defines "driver's license" and "personal identification certificate." Sets forth the requirements for an application for an exemption under Section 11.31. Makes conforming changes.

SECTION 14. Amends Section 23.01, Tax Code, by amending Subsection (b) and adding Subsections (c) and (d), to require the market value of property to be determined by the application of generally accepted appraisal methods and techniques, including those recognized by the Uniform Standards of Professional Appraisal Practice. Sets forth the requirements for chief appraiser in determining the market value of real property. Sets forth additional requirements for the chief appraiser. Makes conforming changes.

SECTION 15. Amends Chapter 23A, Tax Code, by adding Sections 23.011-23.013, as follows:

Sec. 23.011. COST METHOD OF APPRAISAL. Sets forth requirements for the chief appraiser applicable if the chief appraiser uses the cost method of appraisal to determine the market value of real property.

Sec. 23.012. INCOME METHOD OF APPRAISAL. Sets forth requirements for the chief appraiser applicable if the chief appraiser uses the income method of appraisal to determine the market value of real property.

Sec. 23.013. MARKET DATA COMPARISON METHOD OF APPRAISAL. Requires the chief appraiser to use comparable sales data if possible, if the chief appraiser uses the market data comparison method of appraisal to determine the market value of real property.

SECTION 16. Amends Section 23.19(g), Tax Code, to require the total tax imposed by a school district, county, or municipality to be reduced by any amount that represents an increase in taxes attributable to separately appraised interests of the real property and improvements that are subject to the limitation of taxes prescribed by Section 11.26 of this code or Section 1-b(g), Article VIII, Texas Constitution.

SECTION 17. Amends Chapter 23B, Tax Code, by adding Section 23.21, as follows:

Sec. 23.21. LIMITATION ON APPRAISED VALUE OF RESIDENCE HOMESTEADS. Sets forth the limit of the appraised value of a residence homestead for a tax year. Sets forth requirements for a chief appraiser when appraising a residence homestead. Sets forth provisions regarding the dates that the limitation provided by Subsection (a) takes effect and expires. Provides that this section does not apply to property appraised under Subchapters C-G. Defines "new improvement."

SECTION 18. Amends Section 25.19, Tax Code, by amending Subsections (b) and (i) and adding Subsection (j), to require the chief appraiser to separate real from personal property and include in the notice for each a detailed, rather than brief, explanation of the time and procedure for protesting the value. Provides that delivery with a notice required by Subsection (a) or (i) of a copy of the pamphlet published by the comptroller under Section 5.06 is sufficient to comply with the requirement that the notice include the information specified by Subsection (b)(7) or (i)(3), as applicable. Makes conforming changes.

SECTION 19. Amends Sections 26.012(6), (13), and (14), Tax Code, to make conforming changes.

SECTION 20. Amends Section 33.01, Tax Code, by adding Subsections (d) and (e), to provide that in lieu of the penalty imposed under Subsection (a), a delinquent tax incurs a penalty of 50 percent of the amount of the tax without regard to the number of months the tax has been delinquent if the tax is delinquent because the property owner received an exemption under certain sections. Provides that a penalty imposed under Subsection (d) does not apply if, at any time before the date the tax becomes delinquent, the property owner gives to the chief appraiser of the appraisal district in which the property is located written notice of circumstances that would disqualify the owner for the exemption.

SECTION 21. Amends Chapter 41C, Tax Code, by adding Section 41.414, as follows:

Sec. 41.414. PROTEST OF APPRAISED VALUE OF RESIDENCE HOMESTEAD. Provides that in a protest of the appraised value of a residence homestead, if the appraised value for the current year is the value calculated as provided by Section 23.21(a)(2), the property owner is not entitled to protest the appraised value for the preceding year that is used in the calculation of the appraised value for the current year.

SECTION 22. Amends Section 52.092(d), Election Code, to require the district offices of the state government to be listed in a specific order.

SECTION 23. Amends Section 172.024, Election Code, by adding Subsection (c), to set forth the filing fee for a candidate for nomination in the general primary election for the office of appraisal district director.

SECTION 24. Amends Section 403.302(d), Government Code, to redefine "taxable value."

SECTION 25. Repealer: Sections 6.031, 6.033, 6.034, 6.037, and 6.10, Tax Code (Changes in Board Membership; Recall of Director; Optional Staggered Terms for Board of Directors; Participation of Conservation and Reclamation Districts in Appraisal District Matters; Disapproval of Board Actions).

SECTION 26. (a) Effective date: January 1, 1998, except as otherwise provided by this section.

(b) Effective date for this SECTION and SECTIONS 22 and 23 of this Act: September 1, 1997.

(c) Effective date for SECTIONS 2-8 and 25 of this Act: January 1, 1999.

(d) Effective date for SECTION 1, 17, 21, and 24 of this Act: pending voter approval.

(e) Effective date for SECTION 10 of this Act: pending voter approval.

(f) Effective date for SECTIONS 11, 16, and 19 of this Act: pending voter approval.

(g) Makes application of SECTION 13 of this Act prospective.

(h) Makes application of SECTION 20 of this Act prospective.

(i) Requires appraisal district directors to be elected under this Act beginning with the primary and general elections conducted in 1998. Provides that members then elected take office January 1, 1999.

(j) Provides that the change in the manner of selection of appraisal district directors made by this Act does not affect the selection of directors who serve on the board before January 1, 1999.

(k) Provides that the term of an appraisal district director serving on December 31, 1998, expires on January 1, 1999.

SECTION 27. Emergency clause.