

BILL ANALYSIS

Senate Research Center

S.B. 849
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Finance
4/9/2015
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 849 will allow more property owners to take their property tax protests to binding arbitration by qualifying more properties for arbitration and increasing the deposits and fees paid to arbitrators commensurate with the value of the property being protested.

Under current law, only residence homesteads (of any value) and non-homestead properties worth \$1 million or less can appeal a ruling of an Appraisal Review Board to arbitration. The property owner must pay a \$500 deposit, 10 percent of which goes to the comptroller of public accounts of the State of Texas (comptroller) for administering the arbitration program. The arbitrator may not charge a fee that is more than 90 percent of the deposit and the fee is paid by the losing party in the protest. If the taxpayer wins, they receive their deposit back.

S.B. 849 changes the system by graduating the deposit and arbitrator's fees paid by the value and type of the property under protest. The new structure is as follows:

- For homesteads worth \$500,000 or less the deposit is \$450 and the maximum arbitration fee is \$400.
- For homesteads worth more than \$500,000 the deposit is \$500 and the maximum arbitration fee is \$450.
- For other properties worth up to \$1 million the deposit is \$800 and the maximum arbitration fee is \$750.
- For other properties worth more than \$1 million but less than \$2 million the deposit is \$500 and the maximum arbitration fee is \$450.
- For other properties worth more than \$2 million but less than \$3 million the deposit is \$1,050 and the maximum arbitration fee is \$1,000.

The comptroller's fee is changed from 10 percent of the deposit to a flat \$50 fee.

As proposed, S.B. 849 amends current law relating to access to and fees associated with binding arbitration of appraisal review board orders.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 41A.01, Tax Code, to entitle a property owner, as an alternative to filing an appeal under Section 42.01 (Right of Appeal by Property Owner), to appeal through binding arbitration under this chapter an appraisal review board order determining a protest filed under Section 41.41(a)(1) (relating to the right of a property owner to protest the determination of the appraised or market value of the owner's property) or (2) (relating to the right of a property owner to protest unequal appraisal of the owner's property before the appraisal review board) concerning the appraised or market value of property if the appraised or market value, as applicable, of the property as determined by the order is \$3 million or less, rather than \$1 million or less.

SECTION 2. Amends Section 41A.03(a), Tax Code, as follows:

(a) Requires a property owner, in order to appeal an appraisal review board order under this chapter, to file with the appraisal district not later than the 45th day after the date the property owner receives notice of the order:

(1) Makes no change to this subdivision;

(2) an arbitration deposit made payable to the comptroller of public accounts of the State of Texas (comptroller) in the amount of:

(A) \$450, if the property qualifies as the owner's residence homestead under Section 11.13 (Residence Homestead) and the appraised or market value, as applicable, of the property is \$500,000 or less, as determined by the order;

(B) \$500, if the property qualifies as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is more than \$500,000, as determined by the order;

(C) \$500, if the property does not qualify as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is \$1 million or less, as determined by the order;

(D) \$800, if the property does not qualify as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is more than \$1 million but not more than \$2 million, as determined by the order; or

(E) \$1,050, if the property does not qualify as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is more than \$2 million but not more than \$3 million, as determined by the order.

Deletes existing text providing that property owner, in order to appeal an appraisal review board order under this chapter, is required to file with the appraisal district the arbitration deposit made payable to the comptroller in the amount of \$500.

SECTION 3. Amends Section 41A.05(b), Tax Code, to authorize the comptroller to retain \$50, rather than an amount equal to 10 percent, of the deposit to cover the comptroller's administrative costs.

SECTION 4. Amends Section 41A.06(b), Tax Code, as follows:

(b) Requires a person, in order to initially qualify to serve as an arbitrator under this chapter, to:

(1) Makes no change to this subdivision;

(2) agree to conduct an arbitration for a fee that is not more than:

(A) \$400, if the property qualifies as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is \$500,000 or less, as determined by the order;

(B) \$450, if the property qualifies as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is more than \$500,000, as determined by the order;

(C) \$450, if the property does not qualify as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is \$1 million or less, as determined by the order;

(D) \$750, if the property does not qualify as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is more than \$1 million but not more than \$2 million, as determined by the order; or

(E) \$1,000, if the property does not qualify as the owner's residence homestead under Section 11.13 and the appraised or market value, as applicable, of the property is more than \$2 million but not more than \$3 million, as determined by the order.

Deletes existing text requiring a person, in order to initially qualify to serve as an arbitrator under this chapter, to agree to conduct an arbitration for a fee that is not more than 90 percent of the amount of the arbitration deposit required by Section 41A.03.

SECTION 5. Makes application of this Act prospective, regarding a request for binding arbitration under Chapter 41A, Tax Code.

SECTION 6. Effective date: September 1, 2015.