

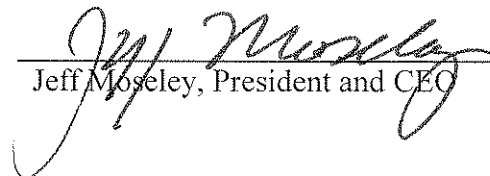
**Resolution of the Board of Directors in Support of Comprehensive
Property Appraisal Reform**

The Greater Houston Partnership supports legislative efforts to reform the appraisal of taxable property for ad valorem tax purposes in the following specific ways:

- **Consolidated Appraisal Review Board** : Allow two or more adjoining appraisal districts to form a joint appraisal review board by interlocal contract, expanding the pool of qualified people to serve on the board.
- **Property Value Determination**: Revise Tax Code, Chapter 23, to include more specific instructions regarding the determination of market value to reduce the likelihood of inaccurate appraisals and provide a more standardized method for appraisal.
- **Pilot Program**: Implement a pilot program where taxpayers with property valued over a \$1 million can appeal an Appraisal Review Board (ARB) determination to the State Office of Administrative Hearings (SOAH).
- **Property Value Study**: Amend the Comptroller's Property Value Study in the manner below to allow for greater consistency and standardization in the appraisal of property throughout the state:
 1. Require the Comptroller to conduct the Property Value Study every two years in specific instances instead of annually.
 2. Create a Property Value Study Advisory Committee to advise the Comptroller in conducting the study.
 3. Require the Comptroller to review appraisal districts every two years.
 4. Allow for the Board of Tax Professional Examiners to enforce the Comptroller's recommendations.



Daniel G. Bellow, Chairman



Jeff Moseley, President and CEO



Patrick C. Oxford, Secretary

MEMORANDUM

DATE: April 8, 2009

TO: Greater Houston Partnership Board of Directors

FROM: Roland Rodriguez
Chairman, Tax and Fiscal Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of Comprehensive Property Appraisal Reform

RECOMMENDATION:

The Greater Houston Partnership promotes policies that streamline the Comptroller's Property Value Study and create transparent appraisal methods and techniques for value consideration.

The Partnership supports legislative efforts to reform the appraisal of taxable property for ad valorem tax purposes in the following specific ways:

- **Consolidated Appraisal Review Board:** Allow two or more adjoining appraisal districts to form a joint appraisal review board by interlocal contract expands the pool of qualified people to serve on the board. Expanding the pool of qualified people will better ensure equality and fairness in the taxation process.
- **Property Value Determination:** Revise Tax Code, Chapter 23, to include more specific instructions regarding the determination of market value reduces the likelihood of inaccurate appraisals and provides a more standardized method of appraisal. In determining a property's fair market value, all available evidence specific to the value of the property should be taken into account. Under the market data comparison method, a property is deemed comparable only if it is similar in location, square footage, age, condition, access, amenities, view, income, operating expenses, occupancy, existence of easements, deeds and other legal burdens. Furthermore, a sale of property is comparable if made within two years and adjusted for changes in market value.
- **Pilot Program:** A State Office of Administrative Hearings (SOAH) pilot program provides taxpayers with property valued over a \$1 million with a less expensive alternative to litigation. Starting on January 1, 2010, these property owners can appeal an Appraisal Review Board (ARB) determination to SOAH. The program lasts for three years in the following counties: Bexar, Dallas, El Paso, Harris, Tarrant and Travis.

- **Property Value Study:** Amend the Comptroller's Property Value Study (PVS) in the manner below will allow for greater consistency and standardization in the appraisal of property throughout the state:
 1. Require the Comptroller to conduct the Property Value Study every two years in specific instances instead of annually.
 2. Create a Property Value Study Advisory Committee to advise the Comptroller in conducting the study.
 3. Require the Comptroller to review appraisal districts every two years.
 4. Allow for the Board of Tax Professional Examiners to enforce the Comptroller's recommendations.

These provisions will decrease the likelihood of inaccurate appraisals; and, in turn, the need for school districts to engage in a costly hearing process to appeal PVS determinations.

BACKGROUND:

According to Tax Code, Chapter 6, a single appraisal district will be created in each county. The Central Appraisal District (CAD) in each county determines the value of all taxable property in the county for each year. The Texas Constitution requires that this property be taxed on its January 1st market value.

Taxpayers may dispute the appraised property value as determined by the CAD. Each appraisal district has an Appraisal Review Board that oversees all disputes between the taxpayer and the appraisal district. A property owner can appeal an ARB determination in one of two ways: 1. filing suit in district court, or 2. participating in binding arbitration. However, if the value of the property is over \$1 million, the property owner can only file suit in district court.

The local school district's appraisal value, as determined by the CAD, will impact the amount of state funding a school district receives. Texas law requires the Comptroller to perform a PVS annually to assess a school district's taxable property value. In performing the PVS, the Comptroller compares the local appraisal value and the state value as estimated by the Comptroller. Districts with less taxable property value will receive more state funding, while those with more taxable property value will receive less.

IMPLEMENTATION:

To implement this recommendation, the Partnership would communicate its support of this resolution to the Legislature.

FISCAL IMPACT:

Despite the property relief measures enacted in 2006 during a special Legislative Session, many property owners claim they have not experienced any tax relief and, in fact, have witnessed a dramatic increase in property appraisal values. Adopting this appraisal reform package will not only provide a more consistent standard of property appraisal, but also prevent a dramatic increase in appraisal values from year to year. As a result, property owners in Texas and the 10-county region will receive the necessary tax relief they desire.

KNOWN OPPOSITION:

At this time, there is no known opposition.

RESOURCES REQUIRED:

No resources are required to implement this recommendation.