

Bill Analysis, 86th Legislative Session

Caption: Relating to ad valorem taxation

Section 1. Texas Property Tax Reform and Relief Act of 2019

Section 2. Section 1.085(a) of the Tax Code is amended to allow evidence that the appraisal district plans to use in an appraisal review board hearing that is requested by a property owner to be delivered electronically if the parties agree to do so.

Section 3. Section 5.01 is added to the Tax Code to create the Property Tax Administration Advisory Board appointed by the Comptroller. The Board provides advice regarding agency administration and state oversight of appraisal districts and local tax offices. At least six members (representatives of property taxpayers, appraisal districts, and school districts, as well as a person with experience in conducting ratio studies) must be appointed.

Section 4. Section 5.041 of the Tax Code deals with the administration of the Comptroller's appraisal review board training.

Section 5. Section 5.043 is added to the Tax Code to require training of arbitrators and provide for the administration of the training by the Comptroller's office under Chapter 41A.

Section 6. Section 5.05 of the Tax Code is amended to require that Comptroller-issued appraisal manuals be used by appraisal districts.

Section 7. Section 5.07 of the Tax Code is amended to require that the Comptroller prescribe tax rate calculation forms to be used by designated officers or employees of taxing units to calculate tax rates. The forms must be in an electronic format that can be completed electronically and be capable of being certified by the designated officer or employee after completion and incorporated into the real-time tax database maintained by the tax notice officer of each appraisal district.

Section 8. Section 5.091, Tax Code, is amended to require that the Comptroller list statewide tax rates for all taxing units alphabetically according to the county in which the taxing unit is located and the name of the taxing unit. The list must be published not later than January 1 of the following tax year.

Section 9. Section 5.012, Tax Code, is amended to require that the Comptroller's appraisal district reviews (MAP) include compliance with standards, procedures, and methodology prescribed by appraisal manuals prepared and issued by the Comptroller.

Section 10. Section 5.014 is added to the Tax Code change the manner the Comptroller's office prepares and manages appraisal review board surveys that are submitted to it. The Comptroller is required to issue an annual report concerning the results of the survey and is authorized to adopt rules necessary to implement the section.

Section 11. Section 5.13(d) is amended to require consideration of compliance with appraisal manuals and practices by appraisal districts under a general audit by the Comptroller.

Section 12. Section 6.035 (a-1) is amended to reduce the number of years that an appraisal district board member may not have worked as an appraiser for property owners before serving on the board from five to three.

Section 13. Section 6.05 is amended to require the chief appraiser to establish an office of taxes notices in the appraisal district. The office is responsible for delivering the real-time tax notice required by Section 26.04(e-2) and creating and maintaining the real-time tax database required by Section 26.17. The office is administered by the tax notice officer who serves at the pleasure of the chief appraiser. In all communications, the office must identify itself as the ___ County Office of Tax Notices.

Section 14. Section 6.15 is amended to add (c-1) to permit a member of the appraisal district board of directors to transmit to the chief appraiser without comment a complaint by a property owner or taxing unit about the appraisal of a specific property, provided that the transmission is in writing.

Section 15. Section 6.41 is amended to require that the board of directors of an appraisal district increase the size of the appraisal review board in counties with populations of one million or more to a number the board considers appropriate to manage the duties of special panels established under Section 6.425. The administrative district judge shall select an adequate number of qualified persons to permit the ARB chairman to fill positions for each special panel requested by a taxpayer.

Section 16. Section 6.412(a) and (b) is amended. A person is ineligible to serve on an appraisal review board if he or she is related within the third degree by consanguinity or the second degree by affinity to another member of the appraisal review board. In counties with populations of 120,000 or more, a person may not serve on the ARB if he or she has served for all or part of three previous terms as a board member or auxiliary ARB member.

Section 17. Section 6.414(d) is amended to prohibit an auxiliary board member to serve as a special panel member, unless eligible to be appointed to the special panel.

Section 18. Section 6.42 is amended to require local administrative district judges to select the chairmen and secretaries of appraisal review boards in all counties. Majority votes of the ARB and panels are all that is necessary to make a recommendation, determination, decision, or other action (no unanimous voting requirements).

Section 19. Section 6.425 is added to create special appraisal review board panels in counties with populations of one million or more. They are permitted to conduct protests on property with an appraised value of \$50 million or more and classified as commercial real and personal; real and personal property of utilities; industrial and manufacturing real and personal property; and multifamily residential real property. Special panels consist of three members appointed by the ARB chairman. To be eligible to be appointed to a special pane, a person must (1) hold a law degree; (2) hold a master of business administration degree; (3) be licensed as a certified public accountant; (4) be accredited by the American Society of Appraisers as an accredited senior appraiser; (5) possess an MAI professional designation from the Appraisal Institute; (6) possess a Certified Assessment Evaluator (CAE) professional designation from the International Association of Assessing Officers (IAAO); (7) have at least 10 years of experienced in property tax appraiser or consulting; OR (8) be licensed as a real estate broker or sales agent. Notwithstanding these requirements, the ARB chairman may appoint to a special panel a member of the ARB who does not meet the qualifications if the number of persons appointed to the ARB by the administrative district judge who meet these qualifications is not sufficient to fill the positions on each special panel AND the board member being appointed holds a bachelor’s degree in any field. In addition to conducting protest hearings related to the property categories described int his subsection, a special panel may conduct protest hearings related to other property as assigned by the ARB chair.

Section 20. Section 11.4391(a) is amended to delay the deadline for filing an application for a freeport exemption to the later of June 1 or the 60th day after the date the chief appraiser delivers notice to the property owner under Section 22.22 (related to renditions).

Section 21. Section 23.01(b) is amended to state that market value is determined according to generally accepted appraisal methods and techniques, as well as appraisal methods and techniques prescribed by appraisal manuals prescribed by the Comptroller.

Section 22. Section 25.19 is amended to create a single date to delivery notices of appraised value (April 15). The requirement that estimated taxes be included on the notices is deleted (except in counties with populations of less than 120,00 until 2022). In counties with populations of one million or more, the notices must include a statement that property owners have a right to protest to a special panel if the property qualifies.

Section 23. Section 25.22(a) is amended to move the submission of the appraisal records to the ARB from May 15 to May 1.

Section 24. Section 26.01 is amended to require the chief appraiser to certify appraisal rolls to taxing units on July 10 (rather than July 25).

Section 25. Section 26.012 is amended to change the term “effective” as it relates to tax rates to “no-new-revenue.”

Section 26. Section 26.012 is amended to define “small taxing unit” as a taxing unit, other than a school district, for which the sum of the following amounts to \$15 million or less: (1) the total amount

of property taxes that would be imposed by the taxing unit for the current tax year if the tax rate proposed for that tax year were applied to the current total value for the taxing unit, and (2) the total amount of sales and use tax revenue received by the taxing unit, if any, for the last preceding four quarters for which that information is available.

Section 27. The heading of Section 26.04 is amended to change the word “effective” to “no-new-revenue.”

Section 28. Section 26.04 is amended to require submission of the appraisal roll to the governing body of the taxing unit by July 15 (rather than August 1). For small taxing units, the rollback tax rate is the same as current law (8%), and for other taxing units, the amount is 2.5%. Provisions are made to allow the rollback tax rate to be calculated at 8% if any part of the taxing unit is located in an area declared to be a disaster by the governor or president of the United States in the current tax year; the provision continues for up to 5 years. Subsection (d-1) is added to require the designated officer or employee use the tax rate calculation forms prescribed by the comptroller to calculate the no-new-revenue tax rate and the rollback tax rate. Tax rates may not be adopted until the officer or employee certifies on the forms that he/she has accurately calculated the tax rates and has used values that are the same as the values shown in the taxing unit’s certified appraisal roll in performing the calculations. The forms must be submitted to the county assessor-collector for the county in which the taxing unit is located. The rates must be submitted to the governing body of the taxing unit by July 22 (rather than August 7). The rates must be published in a newspaper by July 27 and also posted prominently on the home page of the taxing unit’s Internet website. The rate certification and notice requirements in this section do not apply to a school district.

By July 22, the tax notice officer in the appraisal district shall deliver a notice to each property owner that tax information may be found in the real-time tax database. Specific wording requirements for the notice are included in Subsection (e-2). The Comptroller is authorized to adopt rules regarding the format and delivery of these notices. The governing body of a taxing unit shall include as an appendix to the taxing unit’s budget for a fiscal year the tax rate calculation forms used by the designated officer or employee of the taxing unit to calculate the no-new-revenue and rollback tax rates for the tax year in which the fiscal year begins.

A taxpayer may seek injunctive relief prohibiting a taxing unit from adopting a tax rate if the notices and posting requirements are not followed. It is a defense in an action for injunctive relief that the failure to comply was in good faith.

If the anticipated collection rate under Subsection (h) is lower than the lowest actual collection rate of the taxing unit for any of the preceding three years, the anticipated collection rate must be calculated to be equal to the lowest actual collection rate for any of the preceding three years.

Section 29. Section 26.041 is amended to change the word “effective” to “no-new-revenue” and to make other conforming changes related to the rollback tax rate (8% for small taxing units and 2.5% for others). The same provisions regarding property located in disaster areas found in Section 28 of the bill are included.

Section 30. The heading of Section 26.043 is amended to change the word “effective” to “no-new-revenue.”

Section 31. Section 26.043 is amended to change the word “effective” to “no-new-revenue.”

Section 32. The heading of Section 26.044 is amended to change the word “effective” to “no-new-revenue.”

Section 33. Section 26.044 is amended to change the word “effective” to “no-new-revenue.”

Section 34. Section 26.0441 is amended to change the word “effective” to “no-new-revenue.”

Section 35. Section 26.05 is amended to require a governing body of a taxing unit to adopt a tax rate before the later of September 30 or 60 days after the certified appraisal roll is received, except that the governing body must adopt a tax rate that exceeds the rollback tax rate before August 15. The word “effective” is changed to “no-new-revenue.”

Subsections (d-1) and (d-2) are added to state that a governing body may not hold a public hearing on a proposed tax rate or a public meeting to adopt the tax rate until the 14th day after the date the rate and hearing dates are posted in the real-time tax database under Section 26.17. Taxing units other than school districts may not adopt a tax rate until the real-time tax notice is delivered, information is available on the real-time tax database/website, and the taxing unit has posted the information required by Section 26.18 on its website.

Subsection (e) is revised to permit a taxpayer injunction to restrain the collection of taxes if the requirements of Section 26.04 are not followed. It is a defense that the failure to comply was in good faith. The action to enjoin the collection of taxes must be filed not later than the 15th day after the date the taxing unit adopts a tax rate. A property owner is not required to pay the taxes while an injunctive action is pending. If the property owner pays and subsequently prevails, he/she is entitled to a refund together with reasonable attorney’s fees and court costs. No application is required to receive a refund.

The governing body of a taxing unit that imposes an additional sales and use tax may not adopt the component of the tax rate described in Subsection (a)(1) until the chief financial officer or the auditor for the taxing unit submits a written certification that the amount of sales and use revenue that will be used for debt service has been deducted from the total amount published. The Comptroller shall adopt rules governing the form of the certification and the manner of submission.

Section 36. Section 26.052 is amended to change the word “effective” to “no-new-revenue.” Subsection (f) is added to require posting of a proposed rate on the homepage of the taxing unit’s Internet website in addition to other public notices.

Section 37. Section 26.06 is amended to repeal current language for notices of public hearings on tax increases in newspapers. Instead the notices for these hearings are changed to list the proposed, “no-

new-revenue,” and rollback tax rates, along with explanations of each and information about mandatory elections that will take place in November if the proposed rate exceeds the rollback tax rate. The names of the members of the governing bodies and how each voted must be included in the notice.

Section 38. Sections 26.061 and 26.062 are added to provide notices of meetings to vote on proposed tax rates that do not exceed the lower of non-new-revenue or rollback tax rates. Information about the taxes on average residence homesteads is included.

Section 39. Section 26.065(b) is amended to require all taxing units to have a website to post public hearing information on their home pages.

Section 40. The heading to Section 26.08 is amended to reflect that elections to approve tax rates will apply to all taxing units, not just school districts.

Section 41. Section 26.08 is amended to require elections be held on the uniform election date that occurs in November to ratify a tax rate proposed by a taxing unit, other than a school district, that exceeds the rollback tax rate. Subsection (b-1) is added for school districts to state that elections are required on the uniform collection date that occurs in November; specific language that relates to school district is included. The order calling the elections for all taxing units may not be issued later than August 15.

This section does not apply to a tax imposed by a taxing unit if a provision of uncodified local or special law enacted in 2019 or earlier provides that former Section 26.07 does not apply to a tax imposed by the taxing unit.

Section 42. The heading to Section 26.16 is amended to change the term “tax rates” to “tax-related information.”

Section 43. Section 26.16 is amended to require that all counties maintain an Internet website. Tax rate information must be posted on the website, including tax rate calculation forms and the name and official contact information for each member of the governing body of taxing units in the county. Not later than August 1, the county assessor-collector shall post on the website the tax rate calculation forms.

Section 44. Section 26.17 is added to provide for the real-time tax database. To be administered by the tax notice officer of the appraisal district, the database will be maintained in the manner required by Comptroller rule and continuously updated. It will be accessible by the public and searchable by property address and owner. Information about property value, tax rates, hearing dates and locations, and taxing unit budgets will be included. An email address will be provided to permit citizens to provide written comments about proposed tax rates. Links to taxing unit websites must also be included. Specific language is required to be used in the database for notifying citizens about terms and other matters.

Section 26.18 is added to require each taxing unit to maintain an Internet website or have access to a generally accessible Internet website that may be used for the purpose of this section. Each taxing unit must post information about its governing body, contact information, budgets, debt service, tax rates, and audits.

Section 45. Section 31.12 is amended to provide for refunds after the results of tax ratification elections.

Section 46. Section 33.08(b) is amended to provide for delinquency dates after the results of tax ratification elections.

Section 47. Section 41.03(a) is amended to repeal the right of a taxing unit to challenge the level of appraisal of any category of property in an appraisal district.

Section 48. Section 41.12(a) is amended to change the date by which an appraisal review board must hear and determine substantially all timely filed protests from July 20 to July 5.

Section 49. Section 41.44(d) is amended to change the notice of protest form to permit a property owner to request that the protest be heard by a special panel under Section 6.425, if the property qualifies.

Section 50. Section 41.45 is amended to deal with special panels of appraisal review boards and to make clear that only protests requested by the property owner may be heard by such panels. If the recommendation of a special panel is not accepted by the ARB, the board may refer the matter for rehearing to another special panel or the full ARB may determine the protest. The determination is officially made by the full board.

Section 51. Section 41.46(a) is amended to require that notice of protest hearings must include not only the date, time, and place of the hearing, but also the subject matter of the hearing.

Section 52. Section 41.461 is amended to require that a property owner or agent receive all information the chief appraiser will introduce at the hearing. The chief appraiser may not charge for copies of the information which must be delivered by regular first-class mail, in an electronic format as provided by agreement, or by referring the property owner or agent to a secure Internet website with user registration and authentication or to the exact Internet location or uniform resource locator (URL) address on an Internet website maintained by the appraisal district on which the requested information is identifiable and readily available.

Section 53. Section 41.47 is amended to add subsection (c-2) to prohibit an appraisal review board from increasing a value as a result of a protest hearing. The appraisal review board is required to issue an order determining protest not later than the 15th day after the date that the protest hearing is concluded.

The chief appraiser and the property owner or agent may file a joint motion with the appraisal review board notifying it that the parties have agreed to a disposition of the protest and request the issuance of an agreed order. The joint motion must contain the terms of the disposition of the protest. The board shall issue the agreed order not later than the 5th day after the date the joint motion is filed.

Section 54. Section 41.66 is amended to permit the postponement of hearings on the request of a property owner or an agent. Consecutive hearings are allowed at the request of an owner or agent, and the notice of hearings must state the date and time of the first hearing and the last hearing. The order of the hearings listed in the notice may not be changed without the agreement of the owner or agent, the chief appraiser, and the ARB. The board may not reschedule a hearing to a date earlier than the 7th day after the date the last hearing was scheduled, unless by agreement. Written notices of rescheduled hearings are required not later than 7 days before the hearing.

On the request of a property owner or agent, eligible protests shall be assigned to special panels. In addition, the chair of the ARB may assign a protest relating to an ineligible matter to a special panel. Protests assigned to special panels shall be randomly assigned to those panels. If a protest is scheduled to be heard by a particular special panel, the protest may not be reassigned to another special panel without the consent of the owner or agent. A change of members of a special panel because of conflict of interest, illness, or inability to continue does not constitute reassignment of a protest to another special panel.

At the end of a protest hearing, the property owner or agent shall be provided the documents indicating that the members of the ARB hearing the protest signed the affidavit required by Subsection (g).

Section 55. Section 41.67(a) is amended to stated that information requested by a property owner or agent prior to a protest hearing that was not delivered at least 14 days before the hearing as outlined in Section 41.461 may not be used or offered in any form as evidence in the hearing, including as a document or through argument or testimony.

Section 56. Section 41.71 is amended to require that protest hearings be offered on Saturdays and after 5 p.m. on weekdays. Hearings may not be scheduled to begin on a weekday after 7 p.m. or on a Sunday.

Section 57. Section 41A.06(b) is amended to require that arbitrators complete a training program provided by the Comptroller's office, including a portion on property tax law, in order to qualify.

Section 58. Section 41A.061(b) is amended to conform the language to Section 41A.06(b).

Section 59. Section 41A.07 is amended to require that an arbitrator reside in the county in which the property is located is omitted, so that the arbitrator must only be a resident of the State. A property owner may request that the arbitrator be a resident of the county or someone who resides outside of the county.

Section 60. Section 41A.09(b) is amended to conform the language to Section 41A.06(b).

Section 61. Section 45.105(e) of the Education Code is amended to change “effective” to “no-new-revenue.”

Section 62. Section 130.016(b) of the Education Code is amended to make conforming changes to section numbers.

Section 63. Section 403.302(o) of the Government Code is amended to change the name of the Comptroller’s Property Value Study Advisory Committee to the Comptroller’s Property Tax Administration Advisory Board.

Section 64. Section 281.124 of the Health and Safety Code is amended to make conforming changes to section numbers.

Section 65. Section 102.007(d) of the Local Government Code is amended to change “effective” to “no-new-revenue.”

Section 66. Section 111.008(d) of the Local Government Code is amended to change “effective” to “no-new-revenue.”

Section 67. Section 111.039(d) of the Local Government Code is amended to change “effective” to “no-new-revenue.”

Section 68. Section 111.068(c) of the Local Government Code is amended to change “effective” to “no-new-revenue.”

Section 69. Section 1101.254(f) of the Special District Local Laws Code is amended to make conforming changes to section numbers.

Section 70. Section 1122.2522, 3828.157, and 8876.152 of the Special District Local Laws Code are amended to make conforming changes to section numbers.

Section 71. Section 49.107(g) of the Water Code is amended to make conforming changes to section numbers.

Section 72. Section 49.108(f) of the Water Code is amended to make conforming changes to section numbers.

Section 73. Sections 49.236 of the Water Code is amended to add language in the notice of public hearing on a tax rate as follows: “the change in the taxable value of your property in relation to the change in the taxable value of all other property determines the distribution of the tax burden among all property owners.” Other information on the notice of vote on tax rate is changed.

Section 74. Section 6B(f), Chapter 1472, Acts of the 77th Legislature (2001) is amended to make conforming changes to section numbers.

Sections 75 and 76. The following provisions are repealed:

- (1) Section 403.302(m-1) and (n), Government Code [the Comptroller's Property Value Study Advisory Committee];
- (2) Section 140.010, Local Government Code [the simplified tax rate notice provisions for counties and municipalities and now incorporated into the new provisions of the Tax Code];
- (3) Section 1063.255, Special District Local Laws Code [petition and elections to reduce tax rate for the Montgomery County Hospital District];
- (4) Section 5.103(e) and (f), Tax Code [provisions dealing with the appraisal review board survey form and reporting, now incorporated into new provisions];
- (5) Section 6.412(e), Tax Code [allowance for appraisal review board members to be reappointed after serving three terms];
- (6) Section 22.23(c), Tax Code [the April 1 rendition deadline for counties in which a taxing unit has a freeport exemption];
- (7) Section 26.07, Tax Code [provisions authorizing voter petitions to rollback tax rates];
- (8) Section 26.08(o), Tax Code [old language related to school district rollback tax rates];
- (9) Section 41A.06(c), Tax Code [language related to arbitrator training];
- (10) Section 42.23(i), Tax Code [expert testimony at trial from appraisal district employees with certain appraisal certifications to be given preferential treatment by the court];
- (11) Section 49.236 (HB 1541 in 2003), Water Code [one version of the notice of public hearing on tax rate]; and
- (12) Section 49.2361, Water Code [additional notice for certain tax increases].

Sections 77 through 97 deal with effective dates for the sections of the Act.