

SELECT COMMITTEE ON PROPERTY TAX REFORM AND RELIEF INTERIM REPORT SUMMARY

50 HOURS OF TESTIMONY FROM EIGHT HEARINGS OVER 11 MONTHS

On Nov. 5, 2015, Lieutenant Governor Dan Patrick announced the Select Committee on Property Tax Reform and Relief, comprised of Senators Paul Bettencourt (as chair), Brandon Creighton, Kelly Hancock, Eddie Lucio, Charles Perry, Van Taylor and Carlos Uresti. Patrick charged the committee with finding ways to improve the property tax process and reducing the property tax burden on property owners. The Select Committee:

- Held eight hearings across the state over 11 months, and
- Heard nearly 50 hours of invited and public testimony from 321 witnesses.
- Every one of the seven out-of-town hearings was live-streamed on the Senate website.

TAXPAYER ANGER AT A COMPLEX, OPAQUE AND UNACCOUNTABLE SYSTEM

A major theme in testimony before the Select Committee from taxpayers was that their property tax bills were rising faster than their ability to pay. This was clearly demonstrated when city and county tax levies were compared to household median income from 2005 to 2015. Statewide over that period:

- County tax levies increased 82%,
- City tax levies increased 71%, while
- Household median income only increased 32%.

Many witnesses protested their value to the Appraisal Review Board (ARB); however, many noted that their taxes still went up. They also testified it is difficult to determine who is responsible for property tax increases.

- Local officials frequently blame the central appraisal district (CAD) for rising values.
- CAD staff usually note they are required to appraise at market value and taxing units set tax rates.
- The ‘Truth in Taxation’ procedures are perceived by the public to be an oxymoron.

The Select Committee also took testimony from taxpayers who no longer had any faith that the property tax system operated in a fair and impartial way. Public perception of mistrust in the system stems from property owners’ individual experiences with CADs and ARBs.

- Taxpayers testified they felt the ARB and CAD were biased against them.
- Testimony was taken at several hearings that ARB members were poorly trained .
- Taxpayers testified that they felt ARBs, CADs and taxing units could violate the Tax Code without consequences.
- Local elections officials and taxpayers testified about how even when the Property Tax Code requires voters’ approval, the elections were held in ways designed to minimize voter turnout.

SUMMARY OF RECOMMENDATIONS

The testimony the Select Committee took revealed that many property owners see protesting their value as the only way to control their property tax bill, because they have very little ability to control their tax rates. There is a need for proposals that will make the property tax system transparent, accountable and consistent.

1. The rollback rate should be reduced from 8% to 4%, and automatic tax ratification elections held on the uniform election date in November should be required when a city, county, or special district exceeds the rollback rate.
2. Truth in Taxation calculations should be simplified and be more reflective of the actual changes in the tax burden.
3. The Property Tax Calendar should be revised to consolidate deadlines and accommodate ratification elections.
4. An advisory board should be created to assist the comptroller with providing oversight over the property tax system, issue binding rulings interpreting the Property Tax Code, and be able to enforce those rulings.
5. Access to arbitration should be expanded as an alternative to district court for property owners.
6. Specialized ARB panels should be created to handle complex property value protests.
7. ARBs should make decisions by majority vote and not be allowed to hold hearings on Sunday.
8. Local governments should be required to send the comptroller information concerning their property values, and tax rates and tax levies, including their rollback and effective tax rate calculations.
9. Limited disaster reappraisal should occur for properties located in a declared disaster area.
10. The ability of a taxing unit to challenge the values of an entire class of properties should be repealed.
11. The training, professionalism and independence of the ARB must be improved, including requiring additional training for ARB members and having the comptroller pay ARB members using local funds.
12. The comptroller should have the authority to ensure appraisal manuals they issue are followed by CADs.

State of Texas
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Senate Bill 2
The Property Tax Reform & Relief Act of 2017

After taking over 50 hours of public testimony during hearings across the State of Texas, Senator Bettencourt drafted SB 2, The Property Tax Reform & Relief Act of 2017. SB 2 touches on almost all aspects of the Texas Property Tax system, with the goals of simplification, clarification and transparency of the property tax and appraisal system.

Highlights of the bill include:

- Lowering the rollback tax rate from the current 8% to 4%
- Requiring automatic tax ratification elections if the taxing unit adopts a tax rate that exceeds the rollback rate, thus removing the onerous petition requirement in current statute
- Standardizing tax ratification elections across the state by requiring them to be held on general election dates
- Creating a Property Tax Administration Advisory Board in the Comptroller's office to oversee the entire property tax process
- Statutorily setting the deadlines for all property tax protests to be filed in Texas to May 15, thereby eliminating confusion by owners of multiple classification of property owners
- Requiring all appraisal districts to use the appraisal manuals issued by the Texas Comptroller, which will result in more transparent, accountable and consistent appraisals statewide
- Establishing specialized ARB panels in counties with a population of 120,000 or more that can hear more complex taxpayer protests
- Clarifying that a majority vote by ARB is binding for decisions, thus eliminating the requirement of some ARB panels for a unanimous vote
- Eliminating Sunday ARB hearings and evening hearings that begin after 7pm or before 5pm
- Mandating that all members of each Appraisal District Board of Directors must be elected officials within their respective counties, thus directly answerable to the citizens
- Increasing the value of properties that have the option of going to binding arbitration to \$5 million, thereby providing taxpayers an alternative to costly litigation
- Raising the exemption from filing income producing business personal from \$500 in value to \$2500 to cut compliance cost for taxpayers and appraisal districts
- Prohibiting local governments from being able to challenge the value of an entire class of properties

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