

April 23, 2008

**The House Local Government Ways & Means Committee
met today to consider the local appraisal process.**

Summary

While the public seemed concerned about the appraisal process in local jurisdictions, the local boards defended their actions and encouraged the members to keep control local. The members seemed concerned with the appraisal process, but hesitant to apply incomplete solutions without completely overhauling the appraisal process.

Meeting

Several members of the public testified. The general comments focused on the fear of disclosing the purchase price because of the potential for sales price chasing. Several individuals representing the commercial real estate industry testified about the need for comprehensive appraisal reform, and they offered anecdotal evidence of extreme increases in property taxes and extreme discrepancies in property appraisal between taxing jurisdictions. The Committee members appeared concerned about this, and seemed generally in favor of doing some type of appraisal process overhaul, though no details were discussed at length.

The public individuals testifying offered several proposals for overhauling the appraisal process. The included reducing from 95% to 90% for the Comptroller's variation study, allowing the Governor to appoint members to the appraisal review boards in the 10 biggest cities, and using comparable sales on a 5 year rolling average. John Kennedy of the Texas Taxpayers and Research Association (TTARA) testified, and added to those recommendations the consolidation of districts to better implement a "best practices" and having the Legislative Budget Board perform a review of appraisal board operations. He also testified about Rep. King's proposal to replace the school district M&O property taxes (currently \$15.5 billion/year) with sales taxes, and said that would require adding approximately 5 cents to the state sales tax (at a rate of \$3 billion raised per \$0.01 of sales tax) or greatly increasing the sales tax base, possibly with services or raw materials. He concluded by encouraging transparency, allowing taxpayers to see on their bill their change in taxes.

Many individuals testified on behalf of appraisal districts. They were, generally, supportive of the state's recent appraisal reforms. Their comments generally focused on the fact that they worked hard to deliver accurate appraisals, and that taxpayers all had recourse through review boards and the court system. One attorney who represents taxing authorities stated the current system is stacked in favor of the taxpayers, especially because of potential attorneys' fees awards should they win. Several individuals warned against state control of property appraisal and taxation, for constitutional and policy reasons.

Chairman Hill, who is retiring this year, made a statement that may be instructive for this session. He compared the proposals to impose a state-wide appraisal system with that created in California in 1979, which amounted to a state- wide system of taxation. He stated that as a result of the state-wide property tax and distribution system, local communities became disinterested in serving on the appraisal boards. In their place, special interests, namely teachers' unions, got individuals put on those boards, who then favored spending educational funds on increased salaries and benefits instead of education. He stated this is a realistic unintended consequence of state-wide appraisals, and, for that reason, strongly supports local control.

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