HOUSE
RESEARCH
ORGANIZATION bill analysis 8/9/2017

HB 331
S. Davis, Guillen

SUBJECT: Requiring reappraisal of certain property damaged in a disaster

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — D. Bonnen, Bohac, Darby, Murphy, Murr, Raymond, Shine

0 nays

4 absent — Y. Davis, E. Johnson, Springer, Stephenson

WITNESSES: For — (*Registered, but did not testify*: Daniel Womack, Dow Chemical; James LeBas, Texas Apartment Association and Association of Electric Companies of Texas; Julia Parenteau, Texas Association of Realtors; Debbie Cartwright, Texas Taxpayers and Research Association; Thomas Parkinson)

Against — None

BACKGROUND: Tax Code, sec. 23.02 allows a taxing unit in an area declared to be a disaster area by the governor to authorize reappraisal of property damaged in that disaster. A tax bill for a property reappraised under this section is prorated based on how much of the tax year had passed before the disaster. A taxing unit that authorizes a reappraisal must reimburse the appraisal district for any costs imposed by the reappraisal.

DIGEST: HB 331 would require, rather than allow, the reappraisal of a property under Tax Code, sec. 23.02 if the Federal Emergency Management Agency (FEMA) estimated the property had sustained 5 percent or more damage as a result of the disaster. However, a property owner could decline the reappraisal.

The appraisal district would have to complete the reappraisal within 45 days after the governor declared the area a disaster area or as soon as practicable after FEMA completed the damage estimates. The bill would authorize the comptroller to adopt rules to administer its provisions.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect December 1, 2017, and would apply only to the reappraisal of property in a disaster area declared on or after that date.

SUPPORTERS SAY:

HB 331 would ensure that property owners affected by disasters were not taxed as if the disaster had never occurred. Current law merely allows taxing units to request reappraisals, providing no guarantee that a property owner whose home or business had been wiped out would not have to pay taxes on the full value of the property, despite an immense loss. Due to its diverse geography, Texas leads the nation in the number of federally declared disasters, and this bill is one way the Legislature could provide much-needed disaster relief to property owners.

The bill would increase consistency and fairness in appraisals. Because current law does not require individual taxing units in disaster areas to conduct reappraisals, different taxing units can differ in how they value identical property that has been seriously damaged — a single property can be taxed differently by different taxing units, depending on whether the unit has requested a reappraisal.

HB 331 would limit the fiscal impact to taxing units. It would apply only to property with serious damage, as estimated by FEMA, and would affect only a portion of a tax year. The state also may provide disaster grants, which would assist taxing units that were most impacted.

OPPONENTS SAY:

HB 331 could cause revenue problems for some taxing units. Many major disasters, such as hurricanes, strike late in the summer right before the close of the tax year, when the taxing unit already is low on funds. The reappraisal process required by the bill could significantly delay an already reduced revenue stream for taxing units suffering under losses from a disaster. This could cause service interruptions, especially with small taxing units that likely do not have large reserve funds.

NOTES:

According to the Legislative Budget Board's fiscal note, the bill could impose indeterminate costs to the Foundation School Fund by potentially reducing appraised values of property affected by disasters.