

## BILL ANALYSIS

Senate Research Center

S.B. 1935  
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Finance  
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As Filed

### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, all taxable property must be appraised at its market value unless the law provides for a different value. However, because the purchase price of property is not required to be disclosed, appraisal districts must rely on the multiple listing service (MLS) and other often unreliable sources of information regarding the value of the property. The tax burden has been shifted to owners of moderately priced residential property because the purchase price of commercial and high-end residential property is not listed in MLS or otherwise disclosed, preventing the property from being accurately valued and taxed.

In 1997, the legislature amended the Tax Code to set a 10 percent cap on the annual increases of the appraised value of residence homesteads.

As proposed, S.B. 1935 requires a transferee of real property to file a real property conveyance report with the chief appraiser of the appraisal district in which the property is located within 10 business days after the closing date. The conveyance report, the form and content of which is to be prescribed by the comptroller, would include the price of the property and other relevant information. This bill also lowers the current appraisal cap on residence homesteads to five percent and gives local control to local taxing units by allowing them to opt out of the appraisal cap by a majority vote of the governing board.

### RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### SECTION BY SECTION ANALYSIS

#### ARTICLE 1. REAL PROPERTY CONVEYANCE REPORT

SECTION 1.01. Amends the heading to Subchapter C, Chapter 22, Tax Code, to read as follows:

#### SUBCHAPTER C. REPORTS OF POLITICAL SUBDIVISION ACTIONS

SECTION 1.02. Amends Chapter 22, Tax Code, by adding Subchapter D, as follows:

#### SUBCHAPTER D. REAL PROPERTY CONVEYANCE REPORT

Sec. 22.61. REAL PROPERTY CONVEYANCE REPORT REQUIRED. (a) Requires a transferee or a person acting on behalf of a transferee, not later than 10 business days after the date of closing on the conveyance of real property, to file a real property conveyance report as provided by this subchapter disclosing information regarding the conveyance of the property.

(b) Provides that Subsection (a) does not apply to certain conveyances.

Sec. 22.62. CIVIL PENALTY. (a) Provides that a transferee of a single-family residential property who fails to file a report as required by this subchapter is liable to the state for a civil penalty in the amount of \$1,000 for each violation.

(b) Provides that a transferee of any property other than a single-family residential property who fails to file a report as required by this subchapter is liable to the state for a civil penalty for each violation in an amount equal to five percent of the appraised value of the property for the tax year of the report.

(c) Authorizes the attorney general or the county or district attorney for the county in which the property is located to bring suit to recover a penalty under this section.

(d) Provides that if there are two or more transferees, each transferee is responsible for filing the report until at least one transferee files a report, and each transferee is separately liable for a civil penalty if a report for the conveyance is not filed as required by this subchapter.

Sec. 22.63. PLACE OF FILING. Requires a real property conveyance report required by this subchapter to be filed with the chief appraiser of the appraisal district established for the county in which the property covered by the report is located.

Sec. 22.64. SIGNATURE REQUIRED. Requires a real property conveyance report to be signed by the transferee who files the report.

Sec. 22.65. REPORT FORMS. (a) Requires the comptroller of public accounts (comptroller) to prescribe the form and content of a real property conveyance report filed under this subchapter. Authorizes the comptroller to prescribe different report forms for different kinds of property and requires the comptroller to ensure that each form requires the person filing the report to provide certain information.

(b) Prohibits a form from requiring information not relevant to the appraisal of the property for tax purposes or to the assessment or collection of property taxes.

(c) Requires a person who files a report under this subchapter to use the appropriate form prescribed by the comptroller and include all information required by the form.

Sec. 22.66. PUBLICIZING REQUIREMENTS. (a) Requires the comptroller to publicize, in a manner reasonably designed to come to the attention of title insurance companies, attorneys, and property owners, the requirements of this subchapter and the availability of real property conveyance report forms.

(b) Requires the Texas Real Estate Commission to assist the comptroller in publicizing the information required by Subsection (a) to title insurance companies and attorneys.

(c) Requires the chief appraiser to assist the comptroller in publicizing the information required by Subsection (a) to property owners in the county for which the appraisal district is established.

Sec. 22.67. PROVISION OF INFORMATION TO COMPTROLLER. Requires an appraisal district to provide information from real property conveyance reports to the comptroller in the manner and at the time required by the comptroller.

SECTION 1.03. (a) Requires the comptroller to perform certain duties as soon as practicable after the effective date of this Act, but not later than January 1, 2008.

(b) Provides that this article applies only to a conveyance of real property that occurs on or after January 1, 2008.

SECTION 1.04. Effective date, Sections 1.01 and 1.02 of this article: January 1, 2008.

## ARTICLE 2. LIMITATIONS ON APPRAISED VALUE OF RESIDENCE HOMESTEADS

SECTION 2.01. Amends Section 23.23, Tax Code, by amending Subsection (a) and adding Subsections (g) and (h), as follows:

(a) Prohibits the appraised value of a residence homestead for a tax year from exceeding a certain amount, including the sum of five, rather than 10, percent of the appraised value of the property for the last year in which the property was appraised times the number of years since the last appraisal.

(g) Authorizes the governing body of a taxing unit, in the manner required by law for official action, to at any time determine that the limitation provided by Subsection (a)(2) will not apply to the taxation of residence homesteads by the taxing unit in a tax year following the year in which the determination is made. Provides that if the governing body of the taxing unit determines that the limitation provided by Subsection (a)(2) will not apply to the taxation of residence homesteads by the taxing unit, in the following an each subsequent tax year, the appraised value of a residence homestead for purposes of taxation by the taxing unit is the market value of the property.

(h) Provides that Subsection (g) does not affect the appraised value of the property by a taxing unit other than the taxing unit whose governing body makes the determination under that subsection. Provides that if the governing body that makes a determination under Subsection (g) sets the tax rate for more than one taxing unit, the determination does not apply to a taxing unit other than the taxing unit whose governing body makes the determination.

SECTION 2.02. Effective date, Article 2: January 1, 2008, contingent upon approval by the voters of the constitutional amendment relating to increasing the minimum amount of the local option residence homestead exemption from ad valorem taxation by a political subdivision. Makes application of this Act prospective to January 1, 2008.

#### ARTICLE 3. EFFECTIVE DATE

SECTION 3. Effective date, except as otherwise provided by this Act: September 1, 2007.