



Texans Need Appraisal Reform: Response to *Fort Worth Star-Telegram* Editorial

By John Colyandro and Tom Aldred

On November 3, Texans will have the opportunity to reform the state's property tax appraisal system by protecting homeowners from unreasonable valuations and by creating a fairer and more efficient process for taxpayers.

In 2007, former House Speaker Tom Craddick created the Texas House Select Committee on Property Tax Relief and Appraisal Reform with the goal of "providing relief from property taxes and reforming the property tax system." The committee held more than a dozen public meetings in 2007 and 2008, listening to the concerns of property tax payers across the state. The outcome of the committee was a range of recommendations, many of which were enacted by the Legislature during its regular session this year.

Some of those recommendations require constitutional amendments which will therefore appear on the November 3 ballot as propositions 2, 3, and 5. Each reform is opposed by the *Fort Worth Star-Telegram*.

Proposition 2 – legislation which passed the Legislature unanimously – requires that residential properties must be appraised based on their value as a residential property, rather than their *potential* value if they were to be put to some other use. This would repeal the current "highest and best use" standard that allows residential properties to be appraised as if they were commercial properties.

This loophole is extremely damaging for families who own homes near new commercial developments and can fall victim to appraisal hikes based on the assumption that their home could be sold to a developer. In fact, the Property Tax Select Committee heard testimony that homesteads across the state have suffered 200 – 400 percent appraisal increases as a result of this loophole.

However, the *Star-Telegram* editorial erroneously argued that "there's no logical reason why someone who can sell their property for a higher value (say for a pending commercial development) shouldn't be taxed according to fair market value." In fact, there is a logical reason and it highlights the pernicious nature of the property tax.

Properties should always be appraised based on their current use: a house should be appraised as a house and a commercial property should be appraised as a commercial property. The fundamental flaw with the logic being employed by those who oppose Prop 2 is that someone must pay higher taxes today

on the basis that the property might have some higher value in the future (should the owner decide to sell). That would be like the IRS demanding a higher income tax payment because the payor could – and should – earn more. This is, of course, ridiculous. A home should be appraised strictly as a home, *not* on its potential to be a shopping mall or office building simply because that would yield more revenue to taxing entities.

Propositions 3 and 5 also passed the Legislature unanimously but have drawn opposition from the *Star-Telegram*. Prop 3 simply allows the State Comptroller to establish uniform appraisal standards that must be followed by all appraisal districts. In opposing Prop 3, the *Star-Telegram* labeled it the “Big Government Amendment.” The “level playing field amendment” would be a more accurate term since the proposition will ensure that appraisers in every county are held to the same appraisal standards, resulting in a fairer system for taxpayers and school districts. Since local appraisals have a significant impact on the amount of funding received by local school districts, it is important that the state puts all appraisal districts and school districts on a level playing field. Prop 3 achieves that goal while retaining the ability of local officials to perform their own appraisals.

The Star-Telegram’s opposition to Prop 5 is also misguided. The proposition allows appraisal districts to form consolidated appraisal review boards (ARBs) spanning several counties. ARBs serve a vital role arbitrating contested appraisals, so it is important that they are staffed by highly qualified, experienced individuals. Since they will be able to draw from a wider pool of candidates, prop 5 will be particularly beneficial for rural counties which often have difficulty recruiting qualified candidates to serve on ARBs.

In sum, propositions 2, 3, and 5 are incremental reforms to the state’s broken property tax appraisal system that will provide some much-needed protection for taxpayers. A vote *for* props 2, 3, and 5 is a vote *against* the property tax *status quo*.

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