

Texas School Finance Commission Testimony
Michael Amezquita, Chief Appraiser Bexar Appraisal District

Taxation must be fair for all taxpayers - the first sentence in Article 8 of our State's Constitution requires this to be true. My main points about fairness in the property tax system will focus on two things that the legislature has authority to address which I believe will create more fairness in the property tax system:

1. Sales Price Disclosure and the lack of the same in Texas.
2. The Equity Statutes in the Texas Property Tax Code Sections 41.43 (b)(3), and 42.26 (a)(3).

Why is sales price disclosure important to taxpayers? Market value is the standard or measuring stick used in ad valorem taxation. It provides a means for verifiability of the appropriateness of value levels on all taxable property in a given jurisdiction. In fact, the State Comptroller's office tests the level of values in every school district biennially to insure that the true wealth of each school district is relative to current market conditions in each study year. The Property Value Study (PVS) is required in the Government Code in Section 403.302 and it relies heavily on comparing sales prices of properties in every school district to the appraisal district's value for each selected parcel. The study validates or invalidates the appraisal district's value levels by category in each school district. The results of the study form the basis for each school district to receive a fair level of state funding according to the current Public Education funding formulas.

The Bexar Appraisal District has not had an agreement with the local Multiple Listing Service (MLS) for more than 10 years. I have polled many districts and determined there are several north Texas districts that do have access to MLS albeit may be through a licensed Realtor in their office. In many cases, the district is not a party to the

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cap rate is calculated by simply dividing the known NOI by the sale price which yields a market cap rate. For example: \$100,000.00 NOI divided by a \$1,000,000.00 sales price would yield an indicated cap rate of 10 percent. Ideally with sales disclosure, we would have known sales prices and NOIs of enough commercial properties to calculate typical cap rates for use in valuing other comparable properties.

Sales prices are utilized in the application of the cost approach as well. One of the acceptable methods of the valuation of land in the Uniform Standards of Professional Appraisal Practice is the comparable sales approach which compares recent land sales to the subject property. In calculating depreciation, the appraiser may look at market sales to determine the magnitude of a deficiency or detriment to a property. Market derived depreciation using sales prices measures and accounts for condition more accurately than any published depreciation tables available for use in appraisal.

Sales disclosure would also lead to development of a high confidence level about the validity of appraisal district values. Additionally, there would be higher confidence in the results of the Comptroller's PVS which ensures equity in the distribution of public education dollars to all school districts in the state.

The Law Requires that Taxation be Fair and Uniform; Equitable to all Taxpayers

The Constitution and the Texas Property Tax Code require equity in taxation. Unfortunately, statutes in the Tax Code [41.43(b)(3), and 42.26 (a)(3)] designed to promote equity actually create inequity among comparable properties and perpetuates disparate treatment

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of taxes while not rendering the same effect for homeowners. In short I think the equity statute should be amended to include that the adjudicated value not be adjusted to be less than 90% of the finally determined market value. Chairman Cook accepted such a bill in the prior two sessions, but we were unable to find a senate sponsor.