

By: Vasut

H.B. No. 299

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value of real property for ad valorem tax purposes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1.12(d), Tax Code, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of real property [~~a homestead~~] to which Section 23.23 applies is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law. The appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23.

SECTION 2. The heading to Section 23.23, Tax Code, is amended to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY [~~RESIDENCE HOMESTEAD~~].

SECTION 3. Section 23.23, Tax Code, is amended by amending Subsections (a), (b), (c), and (e) and adding Subsections (c-1), (c-2), and (c-3) to read as follows:

(a) Notwithstanding the requirements of Section 25.18 and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, an appraisal office may increase the appraised value of real

1 property [~~a residence homestead~~] for a tax year to an amount not to
2 exceed the lesser of:

3 (1) the market value of the property for the most
4 recent tax year that the market value was determined by the
5 appraisal office; or

6 (2) the sum of:

7 (A) 3.5 [~~10~~] percent of the appraised value of
8 the property for the preceding tax year;

9 (B) the appraised value of the property for the
10 preceding tax year; and

11 (C) the market value of all new improvements to
12 the property.

13 (b) When appraising real property [~~a residence homestead~~],
14 the chief appraiser shall:

15 (1) appraise the property at its market value; and

16 (2) include in the appraisal records both the market
17 value of the property and the amount computed under Subsection
18 (a)(2).

19 (c) The limitation provided by Subsection (a) takes effect
20 on January 1 of the tax year following the first tax year in which
21 the owner owns the property on January 1 or, if the property
22 qualifies as the [~~to a~~] residence homestead of the owner under
23 Section 11.13 in the tax year in which the owner acquires the
24 property, the limitation takes effect on January 1 of the tax year
25 following that [~~the first~~] tax year [~~the owner qualifies the~~
26 ~~property for an exemption under Section 11.13~~]. Except as provided
27 by Subsection (c-1) or (c-2), the [~~The~~] limitation expires on

1 January 1 of the first tax year following the year in which [~~that~~
2 ~~neither~~] the owner of the property ceases to own the property.

3 (c-1) If property subject to a limitation under this section
4 qualifies for an exemption under Section 11.13 when the ownership
5 of the property is transferred to the owner's spouse or surviving
6 spouse, the limitation expires on January 1 of the first tax year
7 following the year in which [~~when the limitation took effect nor~~]
8 the owner's spouse or surviving spouse ceases to own the property,
9 unless the limitation is further continued under this subsection on
10 the subsequent transfer to a spouse or surviving spouse [~~qualifies~~
11 ~~for an exemption under Section 11.13~~].

12 (c-2) If property subject to a limitation under Subsection
13 (a), other than a residence homestead, is owned by two or more
14 persons, the limitation expires on January 1 of the first tax year
15 following the year in which the ownership of at least a 50 percent
16 interest in the property is sold or otherwise transferred.

17 (c-3) For purposes of applying the limitation provided by
18 this section in the first tax year after the 2021 tax year in which
19 the property is appraised for taxation:

20 (1) the property is considered to have been appraised
21 for taxation in the 2021 tax year at a market value equal to the
22 appraised value of the property for that tax year;

23 (2) a person who acquired real property in a tax year
24 before the 2021 tax year is considered to have acquired the property
25 on January 1, 2021; and

26 (3) a person who qualified the property for an
27 exemption under Section 11.13 as the person's residence homestead

1 for any portion of the 2021 tax year is considered to have acquired
2 the property in the 2021 tax year.

3 (e) In this section, "new improvement" means an improvement
4 to real property [~~a residence homestead~~] made after the most recent
5 appraisal of the property that increases the market value of the
6 property and the value of which is not included in the appraised
7 value of the property for the preceding tax year. The term does not
8 include repairs to or ordinary maintenance of an existing structure
9 or the grounds or another feature of the property.

10 SECTION 4. Section 42.26(d), Tax Code, is amended to read as
11 follows:

12 (d) For purposes of this section, the value of the property
13 subject to the suit and the value of a comparable property or sample
14 property that is used for comparison must be the market value
15 determined by the appraisal district when the property is [~~a~~
16 ~~residence homestead~~] subject to the limitation on appraised value
17 imposed by Section 23.23.

18 SECTION 5. Sections 403.302(d) and (i), Government Code,
19 are amended to read as follows:

20 (d) For the purposes of this section, "taxable value" means
21 the market value of all taxable property less:

22 (1) the total dollar amount of any residence homestead
23 exemptions lawfully granted under Section 11.13(b) or (c), Tax
24 Code, in the year that is the subject of the study for each school
25 district;

26 (2) one-half of the total dollar amount of any
27 residence homestead exemptions granted under Section 11.13(n), Tax

1 Code, in the year that is the subject of the study for each school
2 district;

3 (3) the total dollar amount of any exemptions granted
4 before May 31, 1993, within a reinvestment zone under agreements
5 authorized by Chapter 312, Tax Code;

6 (4) subject to Subsection (e), the total dollar amount
7 of any captured appraised value of property that:

8 (A) is within a reinvestment zone created on or
9 before May 31, 1999, or is proposed to be included within the
10 boundaries of a reinvestment zone as the boundaries of the zone and
11 the proposed portion of tax increment paid into the tax increment
12 fund by a school district are described in a written notification
13 provided by the municipality or the board of directors of the zone
14 to the governing bodies of the other taxing units in the manner
15 provided by former Section 311.003(e), Tax Code, before May 31,
16 1999, and within the boundaries of the zone as those boundaries
17 existed on September 1, 1999, including subsequent improvements to
18 the property regardless of when made;

19 (B) generates taxes paid into a tax increment
20 fund created under Chapter 311, Tax Code, under a reinvestment zone
21 financing plan approved under Section 311.011(d), Tax Code, on or
22 before September 1, 1999; and

23 (C) is eligible for tax increment financing under
24 Chapter 311, Tax Code;

25 (5) the total dollar amount of any captured appraised
26 value of property that:

27 (A) is within a reinvestment zone:

1 (i) created on or before December 31, 2008,
2 by a municipality with a population of less than 18,000; and

3 (ii) the project plan for which includes
4 the alteration, remodeling, repair, or reconstruction of a
5 structure that is included on the National Register of Historic
6 Places and requires that a portion of the tax increment of the zone
7 be used for the improvement or construction of related facilities
8 or for affordable housing;

9 (B) generates school district taxes that are paid
10 into a tax increment fund created under Chapter 311, Tax Code; and

11 (C) is eligible for tax increment financing under
12 Chapter 311, Tax Code;

13 (6) the total dollar amount of any exemptions granted
14 under Section 11.251 or 11.253, Tax Code;

15 (7) the difference between the comptroller's estimate
16 of the market value and the productivity value of land that
17 qualifies for appraisal on the basis of its productive capacity,
18 except that the productivity value estimated by the comptroller may
19 not exceed the fair market value of the land;

20 (8) the portion of the appraised value of residence
21 homesteads of individuals who receive a tax limitation under
22 Section 11.26, Tax Code, on which school district taxes are not
23 imposed in the year that is the subject of the study, calculated as
24 if the residence homesteads were appraised at the full value
25 required by law;

26 (9) a portion of the market value of property not
27 otherwise fully taxable by the district at market value because of

1 action required by statute or the constitution of this state, other
2 than Section 11.311, Tax Code, that, if the tax rate adopted by the
3 district is applied to it, produces an amount equal to the
4 difference between the tax that the district would have imposed on
5 the property if the property were fully taxable at market value and
6 the tax that the district is actually authorized to impose on the
7 property, if this subsection does not otherwise require that
8 portion to be deducted;

9 (10) the market value of all tangible personal
10 property, other than manufactured homes, owned by a family or
11 individual and not held or used for the production of income;

12 (11) the appraised value of property the collection of
13 delinquent taxes on which is deferred under Section 33.06, Tax
14 Code;

15 (12) the portion of the appraised value of property
16 the collection of delinquent taxes on which is deferred under
17 Section 33.065, Tax Code;

18 (13) the amount by which the market value of real
19 property [~~a residence homestead~~] to which Section 23.23, Tax Code,
20 applies exceeds the appraised value of that property as calculated
21 under that section; and

22 (14) the total dollar amount of any exemptions granted
23 under Section 11.35, Tax Code.

24 (i) If the comptroller determines in the study that the
25 market value of property in a school district as determined by the
26 appraisal district that appraises property for the school district,
27 less the total of the amounts and values listed in Subsection (d) as

1 determined by that appraisal district, is valid, the comptroller,
2 in determining the taxable value of property in the school district
3 under Subsection (d), shall for purposes of Subsection (d)(13)
4 subtract from the market value as determined by the appraisal
5 district of properties [~~residence homesteads~~] to which Section
6 23.23, Tax Code, applies the amount by which that amount exceeds the
7 appraised value of those properties as calculated by the appraisal
8 district under Section 23.23, Tax Code. If the comptroller
9 determines in the study that the market value of property in a
10 school district as determined by the appraisal district that
11 appraises property for the school district, less the total of the
12 amounts and values listed in Subsection (d) as determined by that
13 appraisal district, is not valid, the comptroller, in determining
14 the taxable value of property in the school district under
15 Subsection (d), shall for purposes of Subsection (d)(13) subtract
16 from the market value as estimated by the comptroller of properties
17 [~~residence homesteads~~] to which Section 23.23, Tax Code, applies
18 the amount by which that amount exceeds the appraised value of those
19 properties as calculated by the appraisal district under Section
20 23.23, Tax Code.

21 SECTION 6. This Act applies only to the appraisal for ad
22 valorem tax purposes of real property for a tax year that begins on
23 or after the effective date of this Act.

24 SECTION 7. This Act takes effect January 1, 2022, but only
25 if the constitutional amendment proposed by the 87th Legislature,
26 Regular Session, 2021, to authorize the legislature to limit the
27 maximum appraised value of real property for ad valorem tax

1 purposes to 103.5 percent or more of the appraised value of the
2 property for the preceding tax year is approved by the voters. If
3 that amendment is not approved by the voters, this Act has no
4 effect.