

By: Shaheen, González of Dallas

H.B. No. 3694

Substitute the following for H.B. No. 3694:

By: Shine

C.S.H.B. No. 3694

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to a limitation on the appraised value of certain rapidly  
3 appreciating residence homesteads in specified areas for ad valorem  
4 tax purposes.

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

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

8 (d) For purposes of this section, the appraisal ratio of a  
9 homestead to which Section 23.23 or 23.231 applies is the ratio of  
10 the property's market value as determined by the appraisal district  
11 or appraisal review board, as applicable, to the market value of the  
12 property according to law. The appraisal ratio is not calculated  
13 according to the appraised value of the property as limited by  
14 Section 23.23 or 23.231.

15 SECTION 2. Subchapter B, Chapter 23, Tax Code, is amended by  
16 adding Section 23.231 to read as follows:

17 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF RAPIDLY  
18 APPRECIATING RESIDENCE HOMESTEADS IN SPECIFIED AREAS. (a) In this  
19 section:

20 (1) "Census tract" means the geographic area  
21 identified as a "tract" on the 2010 Census TIGER/Line Shapefiles,  
22 prepared by the federal Bureau of the Census for the Twenty-third  
23 Decennial Census of the United States, enumerated as of April 1,  
24 2010.

1           (2) "Disaster recovery program" means the disaster  
2 recovery program administered by the General Land Office or by a  
3 political subdivision of this state that is funded with community  
4 development block grant disaster recovery money authorized by  
5 federal law.

6           (3) "New improvement" means an improvement to a  
7 rapidly appreciating residence homestead made after the most recent  
8 appraisal of the property that increases the market value of the  
9 property and the value of which is not included in the appraised  
10 value of the property for the preceding tax year. The term does not  
11 include repairs to or ordinary maintenance of an existing structure  
12 or the grounds or another feature of the property.

13           (4) "Rapidly appreciating residence homestead" means  
14 real property:

15                   (A) that is a residence homestead;

16                   (B) for which the owner was granted a residence  
17 homestead exemption in the 2017, 2018, 2019, 2020, 2021, 2022,  
18 2023, and 2024 tax years; and

19                   (C) for which the market value for the 2024 tax  
20 year is at least 25 percent higher than the market value of the  
21 property for the 2017 tax year.

22           (5) "Residence homestead" has the meaning assigned by  
23 Section 11.13.

24           (b) This section applies only to property located in Dallas  
25 County census tract 004300, 010101, 010102, 010500, 010601, 010602,  
26 or 020500.

27           (c) Notwithstanding the requirements of Sections 23.23 and

1 25.18, and regardless of whether the appraisal office has appraised  
2 the property and determined the market value of the property for the  
3 tax year, an appraisal office may increase the appraised value of a  
4 rapidly appreciating residence homestead for a tax year to an  
5 amount not to exceed the lesser of:

6 (1) the market value of the property for the most  
7 recent tax year that the market value was determined by the  
8 appraisal office; or

9 (2) the sum of:

10 (A) the appraised value of the property for the  
11 2017 tax year; and

12 (B) the market value of all new improvements to  
13 the property.

14 (d) When appraising a rapidly appreciating residence  
15 homestead, the chief appraiser shall:

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

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

20 (e) The limitation provided by Subsection (c) expires on  
21 January 1 of the first tax year that neither the owner of the  
22 property when the limitation took effect nor the owner's spouse or  
23 surviving spouse qualifies for an exemption under Section 11.13.

24 (f) This section does not apply to property appraised under  
25 Subchapter C, D, E, F, or G.

26 (g) Notwithstanding Subsection (c), and except as provided  
27 by Subdivision (2), an improvement to property that would otherwise

1 constitute a new improvement is not treated as a new improvement if  
2 the improvement is a replacement structure for a structure that was  
3 rendered uninhabitable or unusable by a casualty or by wind, fire,  
4 or water damage. For purposes of appraising the property under  
5 Subsection (c) in the tax year in which the structure would have  
6 constituted a new improvement:

7           (1) the appraised value the property would have had in  
8 the preceding tax year if the casualty or damage had not occurred is  
9 considered to be the appraised value of the property for that year,  
10 regardless of whether that appraised value exceeds the actual  
11 appraised value of the property for that year as limited by  
12 Subsection (c); and

13           (2) the replacement structure is considered to be a  
14 new improvement only if:

15                   (A) the square footage of the replacement  
16 structure exceeds that of the replaced structure as that structure  
17 existed before the casualty or damage occurred; or

18                   (B) the exterior of the replacement structure is  
19 of higher quality construction and composition than that of the  
20 replaced structure.

21           (h) Notwithstanding Subsection (g)(2), and only to the  
22 extent necessary to satisfy the requirements of the disaster  
23 recovery program, a replacement structure described by that  
24 subdivision is not considered to be a new improvement if to satisfy  
25 the requirements of the disaster recovery program it was necessary  
26 that:

27                   (1) the square footage of the replacement structure

1 exceed that of the replaced structure as that structure existed  
2 before the casualty or damage occurred; or

3 (2) the exterior of the replacement structure be of  
4 higher quality construction and composition than that of the  
5 replaced structure.

6 SECTION 3. Section 25.19(b), Tax Code, as effective January  
7 1, 2022, is amended to read as follows:

8 (b) The chief appraiser shall separate real from personal  
9 property and include in the notice for each:

10 (1) a list of the taxing units in which the property is  
11 taxable;

12 (2) the appraised value of the property in the  
13 preceding year;

14 (3) the taxable value of the property in the preceding  
15 year for each taxing unit taxing the property;

16 (4) the appraised value of the property for the  
17 current year, the kind and amount of each exemption and partial  
18 exemption, if any, approved for the property for the current year  
19 and for the preceding year, and, if an exemption or partial  
20 exemption that was approved for the preceding year was canceled or  
21 reduced for the current year, the amount of the exemption or partial  
22 exemption canceled or reduced;

23 (4-a) a statement of whether the property qualifies  
24 for a limitation on appraised value adopted under Section 23.231;

25 (5) in italic typeface, the following statement: "The  
26 Texas Legislature does not set the amount of your local  
27 taxes. Your property tax burden is decided by your locally elected

1 officials, and all inquiries concerning your taxes should be  
2 directed to those officials";

3 (6) a detailed explanation of the time and procedure  
4 for protesting the value;

5 (7) the date and place the appraisal review board will  
6 begin hearing protests; and

7 (8) a brief explanation that the governing body of  
8 each taxing unit decides whether or not taxes on the property will  
9 increase and the appraisal district only determines the value of  
10 the property.

11 SECTION 4. Section 25.19(g), Tax Code, is amended to read as  
12 follows:

13 (g) By April 1 or as soon thereafter as practicable if the  
14 property is a single-family residence that qualifies for an  
15 exemption under Section 11.13, or by May 1 or as soon thereafter as  
16 practicable in connection with any other property, the chief  
17 appraiser shall deliver a written notice to the owner of each  
18 property not included in a notice required to be delivered under  
19 Subsection (a), if the property was reappraised in the current tax  
20 year, if the ownership of the property changed during the preceding  
21 year, or if the property owner or the agent of a property owner  
22 authorized under Section 1.111 makes a written request for the  
23 notice. The chief appraiser shall separate real from personal  
24 property and include in the notice for each property:

25 (1) the appraised value of the property in the  
26 preceding year;

27 (2) the appraised value of the property for the

1 current year and the kind of each partial exemption, if any,  
2 approved for the current year;

3 (2-a) a statement of whether the property qualifies  
4 for a limitation on appraised value adopted under Section 23.231;

5 (3) a detailed explanation of the time and procedure  
6 for protesting the value; and

7 (4) the date and place the appraisal review board will  
8 begin hearing protests.

9 SECTION 5. Section 41.41(a), Tax Code, is amended to read as  
10 follows:

11 (a) A property owner is entitled to protest before the  
12 appraisal review board the following actions:

13 (1) determination of the appraised value of the  
14 owner's property or, in the case of land appraised as provided by  
15 Subchapter C, D, E, or H, Chapter 23, determination of its appraised  
16 or market value;

17 (2) unequal appraisal of the owner's property;

18 (3) inclusion of the owner's property on the appraisal  
19 records;

20 (4) denial to the property owner in whole or in part of  
21 a partial exemption;

22 (4-a) determination that the owner's property does not  
23 qualify for a limitation on appraised value adopted under Section  
24 23.231;

25 (5) determination that the owner's land does not  
26 qualify for appraisal as provided by Subchapter C, D, E, or H,  
27 Chapter 23;

1           (6) identification of the taxing units in which the  
2 owner's property is taxable in the case of the appraisal district's  
3 appraisal roll;

4           (7) determination that the property owner is the owner  
5 of property;

6           (8) a determination that a change in use of land  
7 appraised under Subchapter C, D, E, or H, Chapter 23, has occurred;  
8 or

9           (9) any other action of the chief appraiser, appraisal  
10 district, or appraisal review board that applies to and adversely  
11 affects the property owner.

12           SECTION 6. Section 42.26(d), Tax Code, is amended to read as  
13 follows:

14           (d) For purposes of this section, the value of the property  
15 subject to the suit and the value of a comparable property or sample  
16 property that is used for comparison must be the market value  
17 determined by the appraisal district when the property is [~~a~~  
18 ~~residence homestead~~] subject to the limitation on appraised value  
19 imposed by Section 23.23 or 23.231.

20           SECTION 7. This Act applies only to the appraisal of  
21 residence homesteads for ad valorem tax purposes for a tax year that  
22 begins on or after the effective date of this Act.

23           SECTION 8. This Act takes effect January 1, 2024, but only  
24 if a constitutional amendment proposed by the 88th Legislature,  
25 Regular Session, 2023, to authorize the legislature to limit the  
26 maximum appraised value of certain rapidly appreciating residence  
27 homesteads in specified areas for ad valorem tax purposes is

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1 approved by the voters. If such an amendment is not approved by the  
2 voters, this Act has no effect.