

By: Allison

H.B. No. 4024

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on 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 (a-1), (a-2), (c-1), (c-2), (c-3), and (c-4) to read as follows:

(a) The [~~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 is equal to [~~an~~
2 ~~amount not to 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) [~~10 percent of~~] the appraised value of the
8 property for the year in which the owner acquired the property
9 [~~preceding tax year~~]; and

10 (B) [~~the appraised value of the property for the~~
11 ~~preceding tax year; and~~

12 [~~(C)~~] the market value of each [~~all~~] new
13 improvement [~~improvements~~] to the property as of January 1 of the
14 first tax year after the year in which the owner acquired the
15 property in which the improvement was added to the appraisal roll.

16 (a-1) The appraised value of the property for the year in
17 which the owner acquired the property is equal to the purchase price
18 the owner paid for the property if the owner:

19 (1) acquired the property as a bona fide purchaser for
20 value in the 2021 tax year or a subsequent tax year; and

21 (2) discloses the purchase price the owner paid for
22 the property to the appraisal office.

23 (a-2) Subsection (a-1) does not apply to property if:

24 (1) the purchase of the property was made:

25 (A) pursuant to a court order;

26 (B) from a trustee in bankruptcy;

27 (C) by one co-owner from one or more other

1 co-owners;

2 (D) from a spouse or a person or persons within
3 the first or second degree of lineal consanguinity of one or more of
4 the purchasers; or

5 (E) from a governmental entity; or

6 (2) the chief appraiser determines that the owner of
7 the property was not a bona fide purchaser for value under criteria
8 established by rules adopted by the comptroller for that purpose.

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

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

12 (2) include in the appraisal records both the market
13 value of the property and the amount computed under Subsection
14 (a)(2).

15 (c) The limitation provided by Subsection (a) takes effect
16 on January 1 of the tax year following the first tax year in which
17 the owner owns the property on January 1 or, if the property
18 qualifies as the [to a] residence homestead of the owner under
19 Section 11.13 in the tax year in which the owner acquires the
20 property, the limitation takes effect on January 1 of the tax year
21 following that [~~the first~~] tax year [~~the owner qualifies the~~
22 ~~property for an exemption under Section 11.13~~]. Except as provided
23 by Subsection (c-1) or (c-2), the [~~The~~] limitation expires on
24 January 1 of the first tax year following the year in which [~~that~~
25 ~~neither~~] the owner of the property ceases to own the property.

26 (c-1) If property subject to a limitation under this section
27 qualifies for an exemption under Section 11.13 when the ownership

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

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

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

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

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

22 (3) a person who qualified the property for an
23 exemption under Section 11.13 as the person's residence homestead
24 for any portion of the 2021 tax year is considered to have acquired
25 the property in the 2021 tax year.

26 (c-4) To receive a limitation on appraised value under this
27 section computed in accordance with Subsection (a-1), the owner of

1 the property must apply for the limitation. To apply for the
2 limitation, the owner must file an application with the chief
3 appraiser for each appraisal office in which the property subject
4 to the claimed limitation has situs. The application must be filed
5 not later than May 1 of the year after the year in which the owner
6 acquired the property. The comptroller by rule shall prescribe the
7 form for the application to ensure that the applicant provides the
8 information necessary to determine the applicant's eligibility for
9 the limitation, including the price for which the applicant
10 acquired the property.

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

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

20 (d) For purposes of this section, the value of the property
21 subject to the suit and the value of a comparable property or sample
22 property that is used for comparison must be the market value
23 determined by the appraisal district when the property is [~~a~~
24 ~~residence homestead~~] subject to the limitation on appraised value
25 imposed by Section 23.23.

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

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

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

7 (2) one-half of the total dollar amount of any
8 residence homestead exemptions granted under Section 11.13(n), Tax
9 Code, in the year that is the subject of the study for each school
10 district;

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

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

16 (A) is within a reinvestment zone created on or
17 before May 31, 1999, or is proposed to be included within the
18 boundaries of a reinvestment zone as the boundaries of the zone and
19 the proposed portion of tax increment paid into the tax increment
20 fund by a school district are described in a written notification
21 provided by the municipality or the board of directors of the zone
22 to the governing bodies of the other taxing units in the manner
23 provided by former Section 311.003(e), Tax Code, before May 31,
24 1999, and within the boundaries of the zone as those boundaries
25 existed on September 1, 1999, including subsequent improvements to
26 the property regardless of when made;

27 (B) generates taxes paid into a tax increment

1 fund created under Chapter 311, Tax Code, under a reinvestment zone
2 financing plan approved under Section 311.011(d), Tax Code, on or
3 before September 1, 1999; and

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

6 (5) the total dollar amount of any captured appraised
7 value of property that:

8 (A) is within a reinvestment zone:

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

11 (ii) the project plan for which includes
12 the alteration, remodeling, repair, or reconstruction of a
13 structure that is included on the National Register of Historic
14 Places and requires that a portion of the tax increment of the zone
15 be used for the improvement or construction of related facilities
16 or for affordable housing;

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

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

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

23 (7) the difference between the comptroller's estimate
24 of the market value and the productivity value of land that
25 qualifies for appraisal on the basis of its productive capacity,
26 except that the productivity value estimated by the comptroller may
27 not exceed the fair market value of the land;

1 (8) the portion of the appraised value of residence
2 homesteads of individuals who receive a tax limitation under
3 Section 11.26, Tax Code, on which school district taxes are not
4 imposed in the year that is the subject of the study, calculated as
5 if the residence homesteads were appraised at the full value
6 required by law;

7 (9) a portion of the market value of property not
8 otherwise fully taxable by the district at market value because of
9 action required by statute or the constitution of this state, other
10 than Section 11.311, Tax Code, that, if the tax rate adopted by the
11 district is applied to it, produces an amount equal to the
12 difference between the tax that the district would have imposed on
13 the property if the property were fully taxable at market value and
14 the tax that the district is actually authorized to impose on the
15 property, if this subsection does not otherwise require that
16 portion to be deducted;

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

20 (11) the appraised value of property the collection of
21 delinquent taxes on which is deferred under Section 33.06, Tax
22 Code;

23 (12) the portion of the appraised value of property
24 the collection of delinquent taxes on which is deferred under
25 Section 33.065, Tax Code;

26 (13) the amount by which the market value of real
27 property [~~a residence homestead~~] to which Section 23.23, Tax Code,

1 applies exceeds the appraised value of that property as calculated
2 under that section; and

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

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

1 23.23, Tax Code.

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

5 SECTION 7. This Act takes effect January 1, 2022, but only
6 if the constitutional amendment proposed by the 87th Legislature,
7 Regular Session, 2021, to authorize the legislature to limit the
8 appraised value of real property for ad valorem tax purposes to the
9 value when the owner acquired the property and to provide for
10 determining that value on the basis of the purchase price of the
11 property, if applicable, is approved by the voters. If that
12 amendment is not approved by the voters, this Act has no effect.