

By: Bernal

H.B. No. 117

A BILL TO BE ENTITLED

AN ACT

1
2 relating to a limitation on the total amount of ad valorem taxes
3 that a school district may impose on certain residence homesteads
4 following a substantial school tax increase.

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

6 SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by
7 adding Section 11.262 to read as follows:

8 Sec. 11.262. LIMITATION OF SCHOOL TAXES ON CERTAIN
9 HOMESTEADS FOLLOWING SUBSTANTIAL TAX INCREASE. (a) In this
10 section, "residence homestead" has the meaning assigned by Section
11 11.13.

12 (b) The chief appraiser shall appraise, and the tax assessor
13 for each school district shall calculate the taxes on, each
14 residence homestead in the manner provided by law for other
15 property.

16 (c) Except as provided by Subsection (g), if an individual
17 qualifies property as the individual's residence homestead for at
18 least 15 consecutive tax years and the total amount of school
19 district taxes imposed on the property in that 15th tax year is at
20 least 120 percent greater than the total amount of those taxes
21 imposed in the first of those tax years, not including taxes imposed
22 on the appraised value of all improvements made to the property
23 during that period, a school district may not impose taxes on that
24 residence homestead in a subsequent tax year in an amount that

1 exceeds the least of the following amounts:

2 (1) the amount of school taxes calculated for the
3 current tax year under Subsection (b);

4 (2) the amount of school taxes imposed for that 15th
5 tax year; or

6 (3) the amount of school taxes as limited under
7 Section 11.26, if applicable.

8 (c-1) An individual may not receive a limitation on taxes
9 under Subsection (c) based on an increase in taxes for any period
10 that began before the 2008 tax year.

11 (d) If an individual who qualifies for a limitation under
12 this section dies, the surviving spouse of the individual is
13 entitled to continue receiving the limitation on school taxes
14 imposed by a school district on the residence homestead of the
15 individual if the property:

16 (1) is the residence homestead of the surviving spouse
17 on the date that the individual dies; and

18 (2) remains the residence homestead of the surviving
19 spouse.

20 (e) Except as provided by Subsection (d) or (f), a
21 limitation under this section expires on January 1 if the property
22 is not the residence homestead of the individual entitled to the
23 limitation for the preceding tax year.

24 (f) A limitation under this section does not expire if:

25 (1) an owner of an interest in the residence homestead
26 conveys the interest to a qualifying trust as defined by Section
27 11.13(j) and the owner or the owner's spouse is:

1 (A) a trustor of the trust; and

2 (B) entitled to occupy the property; or

3 (2) the owner of the structure qualifies for an
4 exemption under Section 11.13 under the circumstances described by
5 Section 11.135(a).

6 (g) Except as provided by Subsection (h), a school district
7 may increase the tax on a residence homestead subject to a
8 limitation under this section in the first year the appraised value
9 of the property is increased as the result of an improvement made to
10 the property in the preceding tax year. The amount of the tax
11 increase is determined by applying the current tax rate of the
12 school district to the difference in the taxable value of the
13 property with the improvement and the taxable value the property
14 would have had without the improvement. A limitation imposed by
15 this section then applies to the increased amount of tax until
16 another improvement is made to the property.

17 (h) An improvement to a residence homestead is not treated
18 as an improvement under Subsection (g) if the improvement is:

19 (1) a repair;

20 (2) required to be made to comply with a governmental
21 requirement; or

22 (3) subject to Subsection (i), a replacement structure
23 for a structure that was rendered uninhabitable or unusable by a
24 casualty or by wind or water damage.

25 (i) A replacement structure described by Subsection (h)(3)
26 is considered to be an improvement under Subsection (g) only if:

27 (1) the square footage of the replacement structure

1 exceeds the square footage of the replaced structure as the
2 replaced structure existed before the casualty or damage occurred;
3 or

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

7 (j) If the appraisal roll provides for taxation of appraised
8 value for a prior year because a limitation under this section was
9 erroneously allowed, the tax assessor for the school district shall
10 add as back taxes due, as provided by Section 26.09(d), the positive
11 difference, if any, between the tax that should have been imposed
12 for that tax year and the tax that was imposed because of the
13 provisions of this section.

14 (k) For each school district in an appraisal district, the
15 chief appraiser shall determine the portion of the appraised value
16 of residence homesteads of individuals on which school district
17 taxes are not imposed in a tax year because of the limitation under
18 this section. That portion is calculated by determining the
19 taxable value that, if multiplied by the tax rate adopted by the
20 school district for the tax year, would produce an amount equal to
21 the amount of tax that would have been imposed by the school
22 district on those properties if the limitation under this section
23 were not in effect, but that was not imposed because of that
24 limitation. The chief appraiser shall determine that taxable value
25 and certify it to the comptroller as soon as practicable for each
26 tax year.

27 SECTION 2. Sections 23.19(b) and (g), Tax Code, are amended

1 to read as follows:

2 (b) If an appraisal district receives a written request for
3 the appraisal of real property and improvements of a cooperative
4 housing corporation according to the separate interests of the
5 corporation's stockholders, the chief appraiser shall separately
6 appraise the interests described by Subsection (d) if the
7 conditions required by Subsections (e) and (f) have been met.
8 Separate appraisal under this section is for the purposes of
9 administration of tax exemptions, determination of applicable
10 limitations of taxes under Section 11.26, ~~[or]~~ 11.261, or 11.262,
11 and apportionment by a cooperative housing corporation of property
12 taxes among its stockholders but is not the basis for determining
13 value on which a tax is imposed under this title. A stockholder
14 whose interest is separately appraised under this section may
15 protest and appeal the appraised value in the manner provided by
16 this title for protest and appeal of the appraised value of other
17 property.

18 (g) A tax bill or a separate statement accompanying the tax
19 bill to a cooperative housing corporation for which interests of
20 stockholders are separately appraised under this section must
21 state, in addition to the information required by Section 31.01,
22 the appraised value and taxable value of each interest separately
23 appraised. Each exemption claimed as provided by this title by a
24 person entitled to the exemption shall also be deducted from the
25 total appraised value of the property of the corporation. The total
26 tax imposed by a school district, county, municipality, or junior
27 college district shall be reduced by any amount that represents an

1 increase in taxes attributable to separately appraised interests of
2 the real property and improvements that are subject to the
3 limitation of taxes prescribed by Section 11.26, ~~[or]~~ 11.261, or
4 11.262. The corporation shall apportion among its stockholders
5 liability for reimbursing the corporation for property taxes
6 according to the relative taxable values of their interests.

7 SECTION 3. Sections 26.012(6), (13), and (14), Tax Code,
8 are amended to read as follows:

9 (6) "Current total value" means the total taxable
10 value of property listed on the appraisal roll for the current year,
11 including all appraisal roll supplements and corrections as of the
12 date of the calculation, less the taxable value of property
13 exempted for the current tax year for the first time under Section
14 11.31 or 11.315, except that:

15 (A) the current total value for a school district
16 excludes:

17 (i) the total value of homesteads that
18 qualify for a tax limitation as provided by Sections ~~[Section]~~
19 11.26 and 11.262; and

20 (ii) new property value of property that is
21 subject to an agreement entered into under Chapter 313; and

22 (B) the current total value for a county,
23 municipality, or junior college district excludes the total value
24 of homesteads that qualify for a tax limitation provided by Section
25 11.261.

26 (13) "Last year's levy" means the total of:

27 (A) the amount of taxes that would be generated

1 by multiplying the total tax rate adopted by the governing body in
2 the preceding year by the total taxable value of property on the
3 appraisal roll for the preceding year, including:

4 (i) taxable value that was reduced in an
5 appeal under Chapter 42;

6 (ii) all appraisal roll supplements and
7 corrections other than corrections made pursuant to Section
8 25.25(d), as of the date of the calculation, except that last year's
9 taxable value for a school district excludes the total value of
10 homesteads that qualified for a tax limitation as provided by
11 Sections [~~Section~~] 11.26 and 11.262 and last year's taxable value
12 for a county, municipality, or junior college district excludes the
13 total value of homesteads that qualified for a tax limitation as
14 provided by Section 11.261; and

15 (iii) the portion of taxable value of
16 property that is the subject of an appeal under Chapter 42 on July
17 25 that is not in dispute; and

18 (B) the amount of taxes refunded by the taxing
19 unit in the preceding year for tax years before that year.

20 (14) "Last year's total value" means the total taxable
21 value of property listed on the appraisal roll for the preceding
22 year, including all appraisal roll supplements and corrections,
23 other than corrections made pursuant to Section 25.25(d), as of the
24 date of the calculation, except that:

25 (A) last year's taxable value for a school
26 district excludes the total value of homesteads that qualified for
27 a tax limitation as provided by Sections [~~Section~~] 11.26 and

1 11.262; and

2 (B) last year's taxable value for a county,
3 municipality, or junior college district excludes the total value
4 of homesteads that qualified for a tax limitation as provided by
5 Section 11.261.

6 SECTION 4. Section 44.004(c), Education Code, is amended to
7 read as follows:

8 (c) The notice of public meeting to discuss and adopt the
9 budget and the proposed tax rate may not be smaller than one-quarter
10 page of a standard-size or a tabloid-size newspaper, and the
11 headline on the notice must be in 18-point or larger type. Subject
12 to Subsection (d), the notice must:

13 (1) contain a statement in the following form:

14 "NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE
15 "The (name of school district) will hold a public meeting at
16 (time, date, year) in (name of room, building, physical location,
17 city, state). The purpose of this meeting is to discuss the school
18 district's budget that will determine the tax rate that will be
19 adopted. Public participation in the discussion is invited." The
20 statement of the purpose of the meeting must be in bold type. In
21 reduced type, the notice must state: "The tax rate that is
22 ultimately adopted at this meeting or at a separate meeting at a
23 later date may not exceed the proposed rate shown below unless the
24 district publishes a revised notice containing the same information
25 and comparisons set out below and holds another public meeting to
26 discuss the revised notice.";

27 (2) contain a section entitled "Comparison of Proposed

1 Budget with Last Year's Budget," which must show the difference,
2 expressed as a percent increase or decrease, as applicable, in the
3 amounts budgeted for the preceding fiscal year and the amount
4 budgeted for the fiscal year that begins in the current tax year for
5 each of the following:

6 (A) maintenance and operations;

7 (B) debt service; and

8 (C) total expenditures;

9 (3) contain a section entitled "Total Appraised Value
10 and Total Taxable Value," which must show the total appraised value
11 and the total taxable value of all property and the total appraised
12 value and the total taxable value of new property taxable by the
13 district in the preceding tax year and the current tax year as
14 calculated under Section 26.04, Tax Code;

15 (4) contain a statement of the total amount of the
16 outstanding and unpaid bonded indebtedness of the school district;

17 (5) contain a section entitled "Comparison of Proposed
18 Rates with Last Year's Rates," which must:

19 (A) show in rows the tax rates described by
20 Subparagraphs (i)-(iii), expressed as amounts per \$100 valuation of
21 property, for columns entitled "Maintenance & Operations,"
22 "Interest & Sinking Fund," and "Total," which is the sum of
23 "Maintenance & Operations" and "Interest & Sinking Fund":

24 (i) the school district's "Last Year's
25 Rate";

26 (ii) the "Rate to Maintain Same Level of
27 Maintenance & Operations Revenue & Pay Debt Service," which:

1 (a) in the case of "Maintenance &
2 Operations," is the tax rate that, when applied to the current
3 taxable value for the district, as certified by the chief appraiser
4 under Section 26.01, Tax Code, and as adjusted to reflect changes
5 made by the chief appraiser as of the time the notice is prepared,
6 would impose taxes in an amount that, when added to state funds to
7 be distributed to the district under Chapter 48, would provide the
8 same amount of maintenance and operations taxes and state funds
9 distributed under Chapter 48 per student in average daily
10 attendance for the applicable school year that was available to the
11 district in the preceding school year; and

12 (b) in the case of "Interest & Sinking
13 Fund," is the tax rate that, when applied to the current taxable
14 value for the district, as certified by the chief appraiser under
15 Section 26.01, Tax Code, and as adjusted to reflect changes made by
16 the chief appraiser as of the time the notice is prepared, and when
17 multiplied by the district's anticipated collection rate, would
18 impose taxes in an amount that, when added to state funds to be
19 distributed to the district under Chapter 46 and any excess taxes
20 collected to service the district's debt during the preceding tax
21 year but not used for that purpose during that year, would provide
22 the amount required to service the district's debt; and

23 (iii) the "Proposed Rate";

24 (B) contain fourth and fifth columns aligned with
25 the columns required by Paragraph (A) that show, for each row
26 required by Paragraph (A):

27 (i) the "Local Revenue per Student," which

1 is computed by multiplying the district's total taxable value of
2 property, as certified by the chief appraiser for the applicable
3 school year under Section 26.01, Tax Code, and as adjusted to
4 reflect changes made by the chief appraiser as of the time the
5 notice is prepared, by the total tax rate, and dividing the product
6 by the number of students in average daily attendance in the
7 district for the applicable school year; and

8 (ii) the "State Revenue per Student," which
9 is computed by determining the amount of state aid received or to be
10 received by the district under Chapters 43, 46, and 48 and dividing
11 that amount by the number of students in average daily attendance in
12 the district for the applicable school year; and

13 (C) contain an asterisk after each calculation
14 for "Interest & Sinking Fund" and a footnote to the section that, in
15 reduced type, states "The Interest & Sinking Fund tax revenue is
16 used to pay for bonded indebtedness on construction, equipment, or
17 both. The bonds, and the tax rate necessary to pay those bonds,
18 were approved by the voters of this district.";

19 (6) contain a section entitled "Comparison of Proposed
20 Levy with Last Year's Levy on Average Residence," which must:

21 (A) show in rows the information described by
22 Subparagraphs (i)-(iv), rounded to the nearest dollar, for columns
23 entitled "Last Year" and "This Year":

24 (i) "Average Market Value of Residences,"
25 determined using the same group of residences for each year;

26 (ii) "Average Taxable Value of Residences,"
27 determined after taking into account the limitation on the

1 appraised value of residences under Section 23.23, Tax Code, and
2 after subtracting all homestead exemptions applicable in each year,
3 other than exemptions available only to disabled persons or persons
4 65 years of age or older or their surviving spouses, and using the
5 same group of residences for each year;

6 (iii) "Last Year's Rate Versus Proposed
7 Rate per \$100 Value"; and

8 (iv) "Taxes Due on Average Residence,"
9 determined using the same group of residences for each year; and

10 (B) contain the following information: "Increase
11 (Decrease) in Taxes" expressed in dollars and cents, which is
12 computed by subtracting the "Taxes Due on Average Residence" for
13 the preceding tax year from the "Taxes Due on Average Residence" for
14 the current tax year;

15 (7) contain the following statement in bold print:
16 "Under state law, the dollar amount of school taxes imposed on the
17 residence of a person 65 years of age or older or of the surviving
18 spouse of such a person, if the surviving spouse was 55 years of age
19 or older when the person died, may not be increased above the amount
20 paid in the first year after the person turned 65, regardless of
21 changes in tax rate or property value.";

22 (8) contain the following statement in bold print:
23 "Notice of Voter-Approval Rate: The highest tax rate the district
24 can adopt before requiring voter approval at an election is (the
25 school district voter-approval rate determined under Section
26 26.08, Tax Code). This election will be automatically held if the
27 district adopts a rate in excess of the voter-approval rate of (the

1 school district voter-approval rate)."; [~~and~~]

2 (9) contain a section entitled "Fund Balances," which
3 must include the estimated amount of interest and sinking fund
4 balances and the estimated amount of maintenance and operation or
5 general fund balances remaining at the end of the current fiscal
6 year that are not encumbered with or by corresponding debt
7 obligation, less estimated funds necessary for the operation of the
8 district before the receipt of the first payment under Chapter 48 in
9 the succeeding school year; and

10 (10) contain the following statement in bold print:
11 "Under state law, the dollar amount of school taxes imposed on a
12 residence homestead that qualifies as the owner's residence
13 homestead for at least 15 consecutive years, during which time the
14 total amount of school district taxes imposed on the property has
15 increased by at least 120 percent, may not be increased above the
16 amount of school taxes imposed on the property in that 15th
17 consecutive year, regardless of changes in tax rate or property
18 value."

19 SECTION 5. Section 403.302(d), Government Code, is amended
20 to read as follows:

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

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

27 (2) one-half of the total dollar amount of any

1 residence homestead exemptions granted under Section 11.13(n), Tax
2 Code, in the year that is the subject of the study for each school
3 district;

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

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

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

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

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

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

- 1 (A) is within a reinvestment zone:
- 2 (i) created on or before December 31, 2008,
- 3 by a municipality with a population of less than 18,000; and
- 4 (ii) the project plan for which includes
- 5 the alteration, remodeling, repair, or reconstruction of a
- 6 structure that is included on the National Register of Historic
- 7 Places and requires that a portion of the tax increment of the zone
- 8 be used for the improvement or construction of related facilities
- 9 or for affordable housing;
- 10 (B) generates school district taxes that are paid
- 11 into a tax increment fund created under Chapter 311, Tax Code; and
- 12 (C) is eligible for tax increment financing under
- 13 Chapter 311, Tax Code;
- 14 (6) the total dollar amount of any exemptions granted
- 15 under Section 11.251 or 11.253, Tax Code;
- 16 (7) the difference between the comptroller's estimate
- 17 of the market value and the productivity value of land that
- 18 qualifies for appraisal on the basis of its productive capacity,
- 19 except that the productivity value estimated by the comptroller may
- 20 not exceed the fair market value of the land;
- 21 (8) the portion of the appraised value of residence
- 22 homesteads of individuals who receive a tax limitation under
- 23 Section 11.26 or 11.262, Tax Code, on which school district taxes
- 24 are not imposed in the year that is the subject of the study,
- 25 calculated as if the residence homesteads were appraised at the
- 26 full value required by law;
- 27 (9) a portion of the market value of property not

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

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

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

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

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

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

25 SECTION 6. The limitation on school taxes provided by
26 Section 11.262, Tax Code, as added by this Act, applies only to ad
27 valorem taxes imposed for an ad valorem tax year that begins on or

1 after the effective date of this Act.

2 SECTION 7. This Act takes effect January 1, 2024, but only
3 if the constitutional amendment proposed by the 88th Legislature,
4 Regular Session, 2023, authorizing the legislature to limit the
5 total amount of ad valorem taxes that a school district may impose
6 on the residence homestead of an individual and the surviving
7 spouse of the individual if the individual qualifies the property
8 as the individual's residence homestead for 15 consecutive tax
9 years and the school taxes on the property increase by at least 120
10 percent during that period is approved by the voters. If that
11 amendment is not approved by the voters, this Act has no effect.