

By: Metcalf

H.B. No. 2989

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value of certain commercial 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 a homestead to which Section 23.23 applies or of commercial real property to which Section 23.231 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 or 23.231.

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

Sec. 23.231. LIMITATION ON APPRAISED VALUE OF CERTAIN COMMERCIAL REAL PROPERTY. (a) In this section:

(1) "Commercial real property" means real property that is held or used for the production of income.

(2) "Disaster recovery program" means a disaster recovery program funded with community development block grant disaster recovery money authorized by federal law.

(3) "New improvement" means an improvement to

1 commercial real property made after the most recent appraisal of  
2 the property that increases the market value of the property and the  
3 value of which is not included in the appraised value of the  
4 property for the preceding tax year. The term does not include  
5 repairs to or ordinary maintenance of an existing structure or the  
6 grounds or another feature of the property.

7 (b) This section applies only to a parcel of commercial real  
8 property with a market value of \$10 million or less for the tax year  
9 in which the limitation provided by Subsection (d) takes effect as  
10 to the property.

11 (c) This section does not apply to property appraised under  
12 Subchapter C, D, E, F, G, or H.

13 (d) Notwithstanding the requirements of Section 25.18 and  
14 regardless of whether the appraisal office has appraised the  
15 property and determined the market value of the property for the tax  
16 year, an appraisal office may increase the appraised value of a  
17 parcel of commercial real property for a tax year to an amount not  
18 to exceed the lesser of:

19 (1) the market value of the property for the most  
20 recent tax year that the market value was determined by the  
21 appraisal office; or

22 (2) the sum of:

23 (A) 10 percent of the appraised value of the  
24 property for the preceding tax year;

25 (B) the appraised value of the property for the  
26 preceding tax year; and

27 (C) the market value of all new improvements to

1 the property.

2 (e) When appraising a parcel of commercial real property,  
3 the chief appraiser shall:

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

5 (2) include in the appraisal records both the market  
6 value of the property and the amount computed under Subsection  
7 (d)(2).

8 (f) The limitation provided by Subsection (d) takes effect  
9 as to a parcel of commercial real property on January 1 of the tax  
10 year following the first tax year in which the owner owns the  
11 property on January 1 and in which the property meets the definition  
12 of commercial real property. The limitation expires on January 1 of  
13 the tax year following the first tax year in which the owner of the  
14 property ceases to own the property or the property no longer meets  
15 the definition of commercial real property.

16 (g) For purposes of Subsection (f), a person who acquired a  
17 parcel of commercial real property before the 2023 tax year is  
18 considered to have acquired the property on January 1, 2023.

19 (h) Notwithstanding Subsections (a)(3) and (d) and except  
20 as provided by Subdivision (2) of this subsection, an improvement  
21 to property that would otherwise constitute a new improvement is  
22 not treated as a new improvement if the improvement is a replacement  
23 structure for a structure that was rendered unusable by a casualty  
24 or by wind or water damage. For purposes of appraising the property  
25 under Subsection (d) in the tax year in which the structure would  
26 have constituted a new improvement:

27 (1) the appraised value the property would have had in

1 the preceding tax year if the casualty or damage had not occurred is  
2 considered to be the appraised value of the property for that year,  
3 regardless of whether that appraised value exceeds the actual  
4 appraised value of the property for that year as limited by  
5 Subsection (d); and

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

8 (A) the square footage of the replacement  
9 structure exceeds that of the replaced structure as that structure  
10 existed before the casualty or damage occurred; or

11 (B) the exterior of the replacement structure is  
12 of higher quality construction and composition than that of the  
13 replaced structure.

14 (i) Notwithstanding Subsection (h)(2), and only to the  
15 extent necessary to satisfy the requirements of a disaster recovery  
16 program, a replacement structure described by that subdivision is  
17 not considered to be a new improvement if to satisfy the  
18 requirements of the disaster recovery program it was necessary  
19 that:

20 (1) the square footage of the replacement structure  
21 exceed that of the replaced structure as that structure existed  
22 before the casualty or damage occurred; or

23 (2) the exterior of the replacement structure be of  
24 higher quality construction and composition than that of the  
25 replaced structure.

26 SECTION 3. Sections 25.19(b) and (g), Tax Code, are amended  
27 to read as follows:

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

3           (1) a list of the taxing units in which the property is  
4 taxable;

5           (2) the appraised value of the property in the  
6 preceding year;

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

9           (4) the appraised value of the property for the  
10 current year, the kind and amount of each exemption and partial  
11 exemption, if any, approved for the property for the current year  
12 and for the preceding year, and, if an exemption or partial  
13 exemption that was approved for the preceding year was canceled or  
14 reduced for the current year, the amount of the exemption or partial  
15 exemption canceled or reduced;

16           (4-a) a statement of whether the property qualifies for  
17 the limitation on appraised value provided by Section 23.231;

18           (5) in italic typeface, the following statement: "The  
19 Texas Legislature does not set the amount of your local taxes. Your  
20 property tax burden is decided by your locally elected officials,  
21 and all inquiries concerning your taxes should be directed to those  
22 officials";

23           (6) a detailed explanation of the time and procedure  
24 for protesting the value;

25           (7) the date and place the appraisal review board will  
26 begin hearing protests;

27           (8) an explanation of the availability and purpose of

1 an informal conference with the appraisal office before a hearing  
2 on a protest; and

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

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

19 (1) the appraised value of the property in the  
20 preceding year;

21 (2) the appraised value of the property for the  
22 current year and the kind of each partial exemption, if any,  
23 approved for the current year;

24 (2-a) a statement of whether the property qualifies  
25 for the limitation on appraised value provided by Section 23.231;

26 (3) a detailed explanation of the time and procedure  
27 for protesting the value; and

1           (4) the date and place the appraisal review board will  
2 begin hearing protests.

3           SECTION 4. Section 41.41(a), Tax Code, is amended to read as  
4 follows:

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

7           (1) determination of the appraised value of the  
8 owner's property or, in the case of land appraised as provided by  
9 Subchapter C, D, E, or H, Chapter 23, determination of its appraised  
10 or market value;

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

12           (3) inclusion of the owner's property on the appraisal  
13 records;

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

16           (4-a) determination that the owner's property does not  
17 qualify for the limitation on appraised value provided by Section  
18 23.231;

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

22           (6) identification of the taxing units in which the  
23 owner's property is taxable in the case of the appraisal district's  
24 appraisal roll;

25           (7) determination that the property owner is the owner  
26 of property;

27           (8) a determination that a change in use of land

1 appraised under Subchapter C, D, E, or H, Chapter 23, has occurred;  
2 or

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

6 SECTION 5. Section 42.26(d), Tax Code, is amended to read as  
7 follows:

8 (d) For purposes of this section, the value of the property  
9 subject to the suit and the value of a comparable property or sample  
10 property that is used for comparison must be the market value  
11 determined by the appraisal district when the property is [~~a~~  
12 ~~residence homestead~~] subject to the limitation on appraised value  
13 imposed by Section 23.23 or 23.231.

14 SECTION 6. Sections 403.302(d) and (i), Government Code,  
15 are amended to read as follows:

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

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

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

26 (3) the total dollar amount of any exemptions granted  
27 before May 31, 1993, within a reinvestment zone under agreements



1 authorized by Chapter 312, Tax Code;

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

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

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

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

21 (5) the total dollar amount of any captured appraised  
22 value of property that:

23 (A) is within a reinvestment zone:

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

26 (ii) the project plan for which includes  
27 the alteration, remodeling, repair, or reconstruction of a

1 structure that is included on the National Register of Historic  
2 Places and requires that a portion of the tax increment of the zone  
3 be used for the improvement or construction of related facilities  
4 or for affordable housing;

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

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

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

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

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

22 (9) a portion of the market value of property not  
23 otherwise fully taxable by the district at market value because of  
24 action required by statute or the constitution of this state, other  
25 than Section 11.311, Tax Code, that, if the tax rate adopted by the  
26 district is applied to it, produces an amount equal to the  
27 difference between the tax that the district would have imposed on

1 the property if the property were fully taxable at market value and  
2 the tax that the district is actually authorized to impose on the  
3 property, if this subsection does not otherwise require that  
4 portion to be deducted;

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

8 (11) the appraised value of property the collection of  
9 delinquent taxes on which is deferred under Section 33.06, Tax  
10 Code;

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

14 (13) the amount by which the market value of property  
15 [~~a residence homestead~~] to which Section 23.23 or 23.231, Tax Code,  
16 applies exceeds the appraised value of that property as calculated  
17 under Section 23.23 or 23.231, Tax Code, as applicable [~~that~~  
18 ~~section~~]; and

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

21 (i) If the comptroller determines in the study that the  
22 market value of property in a school district as determined by the  
23 appraisal district that appraises property for the school district,  
24 less the total of the amounts and values listed in Subsection (d) as  
25 determined by that appraisal district, is valid, the comptroller,  
26 in determining the taxable value of property in the school district  
27 under Subsection (d), shall for purposes of Subsection (d)(13)

1 subtract from the market value as determined by the appraisal  
2 district of properties [~~residence homesteads~~] to which Section  
3 23.23 or 23.231, Tax Code, applies the amount by which that amount  
4 exceeds the appraised value of those properties as calculated by  
5 the appraisal district under Section 23.23 or 23.231, Tax Code, as  
6 applicable. If the comptroller determines in the study that the  
7 market value of property in a school district as determined by the  
8 appraisal district that appraises property for the school district,  
9 less the total of the amounts and values listed in Subsection (d) as  
10 determined by that appraisal district, is not valid, the  
11 comptroller, in determining the taxable value of property in the  
12 school district under Subsection (d), shall for purposes of  
13 Subsection (d)(13) subtract from the market value as estimated by  
14 the comptroller of properties [~~residence homesteads~~] to which  
15 Section 23.23 or 23.231, Tax Code, applies the amount by which that  
16 amount exceeds the appraised value of those properties as  
17 calculated by the appraisal district under Section 23.23 or 23.231,  
18 Tax Code, as applicable.

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

22 SECTION 8. This Act takes effect January 1, 2024, but only  
23 if the constitutional amendment proposed by the 88th Legislature,  
24 Regular Session, 2023, to authorize the legislature to limit the  
25 maximum appraised value of certain commercial real property for ad  
26 valorem tax purposes is approved by the voters. If that amendment  
27 is not approved by the voters, this Act has no effect.