

By: Zwiener

H.B. No. 3205

A BILL TO BE ENTITLED

1 AN ACT
2 relating to an increase in the amount of the exemption of residence
3 homesteads from ad valorem taxation by a school district, an
4 adjustment in the amount of the limitation on school district ad
5 valorem taxes imposed on the residence homesteads of the elderly or
6 disabled to reflect increases in the exemption amount, and the
7 protection of school districts against the resulting loss in local
8 revenue.

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

10 SECTION 1. Section 11.13(b), Tax Code, is amended to read as
11 follows:

12 (b) An adult is entitled to exemption from taxation by a
13 school district of \$75,000 [~~\$40,000~~] of the appraised value of the
14 adult's residence homestead, except that only \$5,000 of the
15 exemption applies to an entity operating under former Chapter 17,
16 18, 25, 26, 27, or 28, Education Code, as those chapters existed on
17 May 1, 1995, as permitted by Section 11.301, Education Code.

18 (c) Beginning in 2024 tax year, this amount is increased
19 annually by an amount equal to the amount exempted in the prior tax
20 year, multiplied by the percentage change since the prior year in
21 the average appraised value of homesteads statewide, as calculated
22 by the Comptroller, rounded to the nearest \$100. If the change is
23 negative, then the amount of the exemption will be unchanged.

24 SECTION 2. Section 11.26, Tax Code, is amended by amending

1 Subsections (a), (a-10), and (o) and adding Subsection (a-11) to
2 read as follows:

3 (a) The tax officials shall appraise the property to which
4 this section applies and calculate taxes as on other property, but
5 if the tax so calculated exceeds the limitation imposed by this
6 section, the tax imposed is the amount of the tax as limited by this
7 section, except as otherwise provided by this section. A school
8 district may not increase the total annual amount of ad valorem tax
9 it imposes on the residence homestead of an individual 65 years of
10 age or older or on the residence homestead of an individual who is
11 disabled, as defined by Section 11.13, above the amount of the tax
12 it imposed in the first tax year in which the individual qualified
13 that residence homestead for the applicable exemption provided by
14 Section 11.13(c) for an individual who is 65 years of age or older
15 or is disabled. If the individual qualified that residence
16 homestead for the exemption after the beginning of that first year
17 and the residence homestead remains eligible for the same exemption
18 for the next year, and if the school district taxes imposed on the
19 residence homestead in the next year are less than the amount of
20 taxes imposed in that first year, a school district may not
21 subsequently increase the total annual amount of ad valorem taxes
22 it imposes on the residence homestead above the amount it imposed in
23 the year immediately following the first year for which the
24 individual qualified that residence homestead for the same
25 exemption, except as provided by Subsection (b). If the first tax
26 year the individual qualified the residence homestead for the
27 exemption provided by Section 11.13(c) for individuals 65 years of

1 age or older or disabled was a tax year before the 2024 [~~2015~~] tax
2 year, the amount of the limitation provided by this section for the
3 2024 tax year is the amount of the limitation as computed under
4 Subsection (a-10) of this section [~~tax the school district imposed~~
5 ~~for the 2014 tax year~~] less an amount equal to the product of
6 \$10,000 and [~~amount determined by multiplying \$10,000 times~~] the
7 tax rate of the school district for the 2024 [~~2015~~] tax year [~~, plus~~
8 ~~any 2015 tax attributable to improvements made in 2014, other than~~
9 ~~improvements made to comply with governmental regulations or~~
10 ~~repairs~~].

11 (a-10) For purposes of this section, "maximum compressed
12 rate" means the maximum compressed rate of a school district as
13 calculated under Section 48.2551, Education Code. Notwithstanding
14 the other provisions of this section, if in the 2024 or a subsequent
15 tax year an individual qualifies for a limitation on tax increases
16 provided by this section on the individual's residence homestead,
17 the amount of the limitation provided by this section on the
18 homestead is equal to the amount computed by:

19 (1) multiplying the taxable value of the homestead in
20 the preceding tax year by a tax rate equal to the difference between
21 the school district's maximum compressed rate for the preceding tax
22 year and the district's maximum compressed rate for the current tax
23 year;

24 (2) subtracting the amount computed under Subdivision
25 (1) from the amount of tax the district imposed on the homestead in
26 the preceding tax year; and

27 (3) adding any tax imposed in the current tax year

1 attributable to improvements made in the preceding tax year as
2 provided by Subsection (b) to the amount computed under Subdivision
3 (2).

4 (a-11) This subsection applies only to an individual who in
5 the 2024 tax year qualifies for a limitation under this section and
6 for whom the 2021 tax year or an earlier tax year was the first tax
7 year the individual or the individual's spouse qualified for an
8 exemption under Section 11.13(c). The amount of the limitation
9 provided by this section on the residence homestead of an
10 individual to which this subsection applies for the 2024 tax year is
11 the amount of the limitation for the 2024 tax year as otherwise
12 computed under this section less an amount equal to the product of
13 \$15,000 and the tax rate of the school district for the 2022 tax
14 year. This subsection expires January 1, 2025.

15 (o) Notwithstanding Subsections (a) [~~(a-3)~~] and (b), an
16 improvement to property that would otherwise constitute an
17 improvement under Subsection (b) is not treated as an improvement
18 under that subsection if the improvement is a replacement structure
19 for a structure that was rendered uninhabitable or unusable by a
20 casualty or by wind or water damage. For purposes of appraising the
21 property in the tax year in which the structure would have
22 constituted an improvement under Subsection (b), the replacement
23 structure is considered to be an improvement under that subsection
24 only if:

25 (1) the square footage of the replacement structure
26 exceeds that of the replaced structure as that structure existed
27 before the casualty or damage occurred; or

1 (2) the exterior of the replacement structure is of
2 higher quality construction and composition than that of the
3 replaced structure.

4 SECTION 3. Section 46.071, Education Code, is amended by
5 amending Subsections (a-1) and (b-1) and adding Subsections (a-2),
6 (b-2), and (c-2) to read as follows:

7 (a-1) For [~~Beginning with~~] the 2022-2023 and 2023-2024
8 school years [~~year~~], a school district is entitled to additional
9 state aid under this subchapter to the extent that state and local
10 revenue used to service debt eligible under this chapter is less
11 than the state and local revenue that would have been available to
12 the district under this chapter as it existed on September 1, 2021,
13 if any increase in the residence homestead exemption under Section
14 1-b(c), Article VIII, Texas Constitution, as proposed by the 87th
15 Legislature, 3rd Called Session, 2021, had not occurred.

16 (a-2) Beginning with the 2024-2025 school year, a school
17 district is entitled to additional state aid under this subchapter
18 to the extent that state and local revenue used to service debt
19 eligible under this chapter is less than the state and local
20 revenue that would have been available to the district under this
21 chapter as it existed on September 1, 2023, if any increase in the
22 residence homestead exemption under Section 1-b(c), Article VIII,
23 Texas Constitution, and any additional limitation on tax increases
24 under Section 1-b(d) of that article as proposed by the 88th
25 Legislature, Regular Session, 2023, had not occurred.

26 (b-1) Subject to Subsections (c-1), (d), and (e),
27 additional state aid under this section for [~~beginning with~~] the

1 2022-2023 and 2023-2024 school years [~~year~~] is equal to the amount
2 by which the loss of local interest and sinking revenue for debt
3 service attributable to any increase in the residence homestead
4 exemption under Section 1-b(c), Article VIII, Texas Constitution,
5 as proposed by the 87th Legislature, 3rd Called Session, 2021, is
6 not offset by a gain in state aid under this chapter.

7 (b-2) Subject to Subsections (c-2), (d), and (e),
8 additional state aid under this section beginning with the
9 2024-2025 school year is equal to the amount by which the loss of
10 local interest and sinking revenue for debt service attributable
11 to any increase in the residence homestead exemption under Section
12 1-b(c), Article VIII, Texas Constitution, and any additional
13 limitation on tax increases under Section 1-b(d) of that article as
14 proposed by the 88th Legislature, Regular Session, 2023, is not
15 offset by a gain in state aid under this chapter.

16 (c-2) For the purpose of determining state aid under
17 Subsections (a-2) and (b-2), local interest and sinking revenue for
18 debt service is limited to revenue required to service debt
19 eligible under this chapter as of September 1, 2024, including
20 refunding of that debt, subject to Section 46.061. The limitation
21 imposed by Section 46.034(a) does not apply for the purpose of
22 determining state aid under this section.

23 SECTION 4. Section 48.2542, Education Code, is amended to
24 read as follows:

25 Sec. 48.2542. ADDITIONAL STATE AID FOR ADJUSTMENT OF
26 LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED.
27 Notwithstanding any other provision of this chapter, if a school

1 district is not fully compensated through state aid or the
2 calculation of excess local revenue under this chapter based on the
3 determination of the district's taxable value of property under
4 Subchapter M, Chapter 403, Government Code, the district is
5 entitled to additional state aid in the amount necessary to fully
6 compensate the district for the amount of ad valorem tax revenue
7 lost due to a reduction of the amount of the limitation on tax
8 increases provided by Sections 11.26(a-10) and (a-11) [~~11.26(a-4),~~
9 ~~(a-5), (a-6), (a-7), (a-8), (a-9), and (a-10)~~], Tax Code, as
10 applicable.

11 SECTION 5. Effective January 1, 2025, Section 48.2542,
12 Education Code, is amended to read as follows:

13 Sec. 48.2542. ADDITIONAL STATE AID FOR ADJUSTMENT OF
14 LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED.
15 Notwithstanding any other provision of this chapter, if a school
16 district is not fully compensated through state aid or the
17 calculation of excess local revenue under this chapter based on the
18 determination of the district's taxable value of property under
19 Subchapter M, Chapter 403, Government Code, the district is
20 entitled to additional state aid in the amount necessary to fully
21 compensate the district for the amount of ad valorem tax revenue
22 lost due to a reduction of the amount of the limitation on tax
23 increases provided by Section 11.26(a-10) [~~Sections 11.26(a-4),~~
24 ~~(a-5), (a-6), (a-7), (a-8), (a-9), and (a-10)~~], Tax Code [~~as~~
25 ~~applicable~~].

26 SECTION 6. Section 48.2543, Education Code, is amended to
27 read as follows:

1 Sec. 48.2543. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION.

2 (a) For [~~Beginning with~~] the 2022-2023 and 2023-2024 school years
3 [year], a school district is entitled to additional state aid to the
4 extent that state and local revenue under this chapter and Chapter
5 49 is less than the state and local revenue that would have been
6 available to the district under this chapter and Chapter 49 as those
7 chapters existed on September 1, 2021, if any increase in the
8 residence homestead exemption under Section 1-b(c), Article VIII,
9 Texas Constitution, as proposed by the 87th Legislature, 3rd Called
10 Session, 2021, had not occurred.

11 (a-1) Beginning with the 2024-2025 school year, a school
12 district is entitled to additional state aid to the extent that
13 state and local revenue under this chapter and Chapter 49 is less
14 than the state and local revenue that would have been available to
15 the district under this chapter and Chapter 49 as those chapters
16 existed on September 1, 2023, if any increase in the residence
17 homestead exemption under Section 1-b(c), Article VIII, Texas
18 Constitution, and any additional limitation on tax increases under
19 Section 1-b(d) of that article as proposed by the 88th Legislature,
20 Regular Session, 2023, had not occurred.

21 (b) The lesser of the school district's currently adopted
22 maintenance and operations tax rate or the adopted maintenance and
23 operations tax rate for:

24 (1) the 2021 tax year is used for the purpose of
25 determining additional state aid under Subsection (a); and

26 (2) the 2023 tax year is used for the purpose of
27 determining additional state aid under Subsection (a-1).

1 SECTION 7. Section 48.2556(a), Education Code, is amended
2 to read as follows:

3 (a) For purposes of allowing the chief appraiser of each
4 appraisal district and the assessor for each school district to
5 make the calculations required by Sections 11.26(a-10) and (a-11),
6 Tax Code, the [The] agency shall post [the following information]
7 on the agency's Internet website [~~for purposes of allowing the~~
8 ~~chief appraiser of each appraisal district and the assessor for~~
9 ~~each school district to make the calculations required by Sections~~
10 ~~11.26(a-5), (a-6), (a-7), (a-8), (a-9), and (a-10), Tax Code:~~

11 [~~(1)~~] each school district's maximum compressed rate,
12 as determined under Section 48.2551, for each tax year beginning
13 with the 2022 [2019] tax year[~~, and~~

14 [~~(2) each school district's tier one maintenance and~~
15 ~~operations tax rate, as provided by Section 45.0032(a), for the~~
16 ~~2018 tax year]~~.

17 SECTION 8. Effective January 1, 2025, Section 48.2556(a),
18 Education Code, is amended to read as follows:

19 (a) For purposes of allowing the chief appraiser of each
20 appraisal district and the assessor for each school district to
21 make the calculations required by Section 11.26(a-10), Tax Code,
22 the [The] agency shall post [the following information] on the
23 agency's Internet website [~~for purposes of allowing the chief~~
24 ~~appraiser of each appraisal district and the assessor for each~~
25 ~~school district to make the calculations required by Sections~~
26 ~~11.26(a-5), (a-6), (a-7), (a-8), (a-9), and (a-10), Tax Code:~~

27 [~~(1)~~] each school district's maximum compressed rate,

1 as determined under Section 48.2551, for the current [~~each~~] tax
2 year and the preceding [~~beginning with the 2019~~] tax year[, and
3 [~~(2) each school district's tier one maintenance and~~
4 ~~operations tax rate, as provided by Section 45.0032(a), for the~~
5 ~~2018 tax year~~].

6 SECTION 9. Section 403.302, Government Code, is amended by
7 amending Subsection (j-1) and adding Subsection (j-2) to read as
8 follows:

9 (j-1) In the final certification of the study under
10 Subsection (j), the comptroller shall separately identify the final
11 taxable value for each school district as adjusted to account for
12 the reduction of the amount of the limitation on tax increases
13 provided by Section 11.26(a-10) [~~Sections 11.26(a-4), (a-5),~~
14 ~~(a-6), (a-7), (a-8), (a-9), and (a-10)~~], Tax Code[, as applicable].

15 (j-2) In the final certification of the study under
16 Subsection (j), the comptroller shall separately identify the final
17 taxable value for each school district as adjusted to account for
18 the reduction of the amount of the limitation on tax increases
19 provided by Section 11.26(a-11), Tax Code. This subsection expires
20 January 1, 2025.

21 SECTION 10. Sections 11.26(a-1), (a-2), (a-3), (a-4),
22 (a-5), (a-6), (a-7), (a-8), and (a-9), Tax Code, are repealed.

23 SECTION 11. The changes in law made by this Act to Sections
24 11.13 and 11.26, Tax Code, apply only to an ad valorem tax year that
25 begins on or after January 1, 2024.

26 SECTION 12. Except as otherwise provided by this Act, this
27 Act takes effect January 1, 2024, but only if the constitutional

1 amendment proposed by the 88th Legislature, Regular Session, 2023,
2 to increase the amount of the exemption of residence homesteads
3 from ad valorem taxation by a school district and to adjust the
4 amount of the limitation on school district ad valorem taxes
5 imposed on the residence homesteads of the elderly or disabled to
6 reflect increases in the exemption amount is approved by the
7 voters. If that amendment is not approved by the voters, this Act
8 has no effect.