

By: Schofield

H.B. No. 4029

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to an exemption from ad valorem taxation by a school  
3 district of a dollar amount or a percentage, whichever is greater,  
4 of the appraised value of a residence homestead, an adjustment of  
5 the limitation on the total amount of ad valorem taxes that may be  
6 imposed by a school district on the homestead of a person who is  
7 elderly or disabled to reflect increases in the exemption amount,  
8 and the protection of school districts against the resulting loss  
9 in local revenue.

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

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

13 (b) An adult is entitled to exemption from taxation by a  
14 school district of \$40,000 of the appraised value of the adult's  
15 residence homestead or 26.7 percent of the appraised value of the  
16 adult's residence homestead, whichever is greater, except that only  
17 \$5,000 of the exemption applies to an entity operating under former  
18 Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters  
19 existed on May 1, 1995, as permitted by Section 11.301, Education  
20 Code.

21 SECTION 2. Section 11.26, Tax Code, is amended by amending  
22 Subsections (a), (a-10), and (o) and adding Subsections (a-11) and  
23 (a-12) to read as follows:

24 (a) The tax officials shall appraise the property to which

1 this section applies and calculate taxes as on other property, but  
2 if the tax so calculated exceeds the limitation imposed by this  
3 section, the tax imposed is the amount of the tax as limited by this  
4 section, except as otherwise provided by this section. A school  
5 district may not increase the total annual amount of ad valorem tax  
6 it imposes on the residence homestead of an individual 65 years of  
7 age or older or on the residence homestead of an individual who is  
8 disabled, as defined by Section 11.13, above the amount of the tax  
9 it imposed in the first tax year in which the individual qualified  
10 that residence homestead for the applicable exemption provided by  
11 Section 11.13(c) for an individual who is 65 years of age or older  
12 or is disabled. If the individual qualified that residence  
13 homestead for the exemption after the beginning of that first year  
14 and the residence homestead remains eligible for the same exemption  
15 for the next year, and if the school district taxes imposed on the  
16 residence homestead in the next year are less than the amount of  
17 taxes imposed in that first year, a school district may not  
18 subsequently increase the total annual amount of ad valorem taxes  
19 it imposes on the residence homestead above the amount it imposed in  
20 the year immediately following the first year for which the  
21 individual qualified that residence homestead for the same  
22 exemption, except as provided by Subsection (b). ~~[If the first tax~~  
23 ~~year the individual qualified the residence homestead for the~~  
24 ~~exemption provided by Section 11.13(c) for individuals 65 years of~~  
25 ~~age or older or disabled was a tax year before the 2015 tax year, the~~  
26 ~~amount of the limitation provided by this section is the amount of~~  
27 ~~tax the school district imposed for the 2014 tax year less an amount~~

1 ~~equal to the amount determined by multiplying \$10,000 times the tax~~  
2 ~~rate of the school district for the 2015 tax year, plus any 2015 tax~~  
3 ~~attributable to improvements made in 2014, other than improvements~~  
4 ~~made to comply with governmental regulations or repairs.]~~

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

13 (1) multiplying the taxable value of the homestead in  
14 the preceding tax year by a tax rate equal to the difference between  
15 the school district's maximum compressed rate for the preceding tax  
16 year and the district's maximum compressed rate for the current tax  
17 year;

18 (2) subtracting the amount computed under Subdivision  
19 (1) from the amount of tax the district imposed on the homestead in  
20 the preceding tax year; and

21 (3) adding any tax imposed in the current tax year  
22 attributable to improvements made in the preceding tax year as  
23 provided by Subsection (b) to the amount computed under Subdivision  
24 (2).

25 (a-11) This subsection applies only to an individual who in  
26 the 2024 tax year qualifies for a limitation under this section and  
27 for whom the 2021 tax year or an earlier tax year was the first tax

1 year the individual or the individual's spouse qualified for an  
2 exemption under Section 11.13(c). The amount of the limitation  
3 provided by this section on the residence homestead of an  
4 individual to which this subsection applies for the 2024 tax year is  
5 the amount of the limitation for the 2024 tax year as otherwise  
6 computed under this section less an amount equal to the product of  
7 \$15,000 and the tax rate of the school district for the 2022 tax  
8 year. This subsection expires January 1, 2025.

9 (a-12) This subsection applies only to an individual who in  
10 the 2024 tax year qualifies for a limitation under this section and  
11 whose residence homestead has an appraised value for the 2024 tax  
12 year of more than \$149,813. The amount of the limitation provided  
13 by this section on the residence homestead of an individual to which  
14 this subsection applies for the 2024 tax year is the amount of the  
15 limitation for the 2024 tax year as otherwise computed under this  
16 section less an amount equal to the amount computed by subtracting  
17 \$40,000 from an amount equal to 26.7 percent of the appraised value  
18 of the homestead for the 2024 tax year and multiplying that amount  
19 by the tax rate of the school district for the 2024 tax year. This  
20 subsection expires January 1, 2025.

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

1 constituted an improvement under Subsection (b), the replacement  
2 structure is considered to be an improvement under that subsection  
3 only if:

4 (1) the square footage of the replacement structure  
5 exceeds that of the replaced structure as that structure existed  
6 before the casualty or damage occurred; or

7 (2) the exterior of the replacement structure is of  
8 higher quality construction and composition than that of the  
9 replaced structure.

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

13 (a-1) For ~~[Beginning with]~~ the 2022-2023 and 2023-2024  
14 school years ~~[year]~~, a school district is entitled to additional  
15 state aid under this subchapter to the extent that state and local  
16 revenue used to service debt eligible under this chapter is less  
17 than the state and local revenue that would have been available to  
18 the district under this chapter as it existed on September 1, 2021,  
19 if any increase in the residence homestead exemption under Section  
20 1-b(c), Article VIII, Texas Constitution, as proposed by the 87th  
21 Legislature, 3rd Called Session, 2021, had not occurred.

22 (a-2) Beginning with the 2024-2025 school year, a school  
23 district is entitled to additional state aid under this subchapter  
24 to the extent that state and local revenue used to service debt  
25 eligible under this chapter is less than the state and local revenue  
26 that would have been available to the district under this chapter as  
27 it existed on September 1, 2023, if any increase in the residence

1 homestead exemption under Section 1-b(c), Article VIII, Texas  
2 Constitution, and any additional limitation on tax increases under  
3 Section 1-b(d) of that article as proposed by the 88th Legislature,  
4 Regular Session, 2023, had not occurred.

5 (b-1) Subject to Subsections (c-1), (d), and (e),  
6 additional state aid under this section for ~~[beginning with]~~ the  
7 2022-2023 and 2023-2024 school years ~~[year]~~ is equal to the amount  
8 by which the loss of local interest and sinking revenue for debt  
9 service attributable to any increase in the residence homestead  
10 exemption under Section 1-b(c), Article VIII, Texas Constitution,  
11 as proposed by the 87th Legislature, 3rd Called Session, 2021, is  
12 not offset by a gain in state aid under this chapter.

13 (b-2) Subject to Subsections (c-2), (d), and (e),  
14 additional state aid under this section beginning with the  
15 2024-2025 school year is equal to the amount by which the loss of  
16 local interest and sinking revenue for debt service attributable to  
17 any increase in the residence homestead exemption under Section  
18 1-b(c), Article VIII, Texas Constitution, and any additional  
19 limitation on tax increases under Section 1-b(d) of that article as  
20 proposed by the 88th Legislature, Regular Session, 2023, is not  
21 offset by a gain in state aid under this chapter.

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

1 determining state aid under this section.

2 SECTION 4. Section 48.2542, Education Code, is amended to  
3 read as follows:

4 Sec. 48.2542. ADDITIONAL STATE AID FOR ADJUSTMENT OF  
5 LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED.  
6 Notwithstanding any other provision of this chapter, if a school  
7 district is not fully compensated through state aid or the  
8 calculation of excess local revenue under this chapter based on the  
9 determination of the district's taxable value of property under  
10 Subchapter M, Chapter 403, Government Code, the district is  
11 entitled to additional state aid in the amount necessary to fully  
12 compensate the district for the amount of ad valorem tax revenue  
13 lost due to a reduction of the amount of the limitation on tax  
14 increases provided by Sections 11.26(a-10), (a-11), and (a-12)  
15 [~~11.26(a-4), (a-5), (a-6), (a-7), (a-8), (a-9), and (a-10)~~], Tax  
16 Code, as applicable.

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

19 Sec. 48.2542. ADDITIONAL STATE AID FOR ADJUSTMENT OF  
20 LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED.  
21 Notwithstanding any other provision of this chapter, if a school  
22 district is not fully compensated through state aid or the  
23 calculation of excess local revenue under this chapter based on the  
24 determination of the district's taxable value of property under  
25 Subchapter M, Chapter 403, Government Code, the district is  
26 entitled to additional state aid in the amount necessary to fully  
27 compensate the district for the amount of ad valorem tax revenue

1 lost due to a reduction of the amount of the limitation on tax  
2 increases provided by Section 11.26(a-10) [~~Sections 11.26(a-4),~~  
3 ~~(a-5), (a-6), (a-7), (a-8), (a-9), and (a-10)]~~, Tax Code [~~as~~  
4 ~~applicable~~].

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

7 Sec. 48.2543. ADDITIONAL STATE AID FOR HOMESTEAD  
8 EXEMPTION. (a) For [~~Beginning with~~] the 2022-2023 and 2023-2024  
9 school years [~~year~~], a school district is entitled to additional  
10 state aid to the extent that state and local revenue under this  
11 chapter and Chapter 49 is less than the state and local revenue that  
12 would have been available to the district under this chapter and  
13 Chapter 49 as those chapters existed on September 1, 2021, if any  
14 increase in the residence homestead exemption under Section 1-b(c),  
15 Article VIII, Texas Constitution, as proposed by the 87th  
16 Legislature, 3rd Called Session, 2021, had not occurred.

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

27 (b) The lesser of the school district's currently adopted



1 maintenance and operations tax rate or the adopted maintenance and  
2 operations tax rate for:

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

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

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

9 (a) For purposes of allowing the chief appraiser of each  
10 appraisal district and the assessor for each school district to  
11 make the calculations required by Sections 11.26(a-10), (a-11), and  
12 (a-12), Tax Code, the [The] agency shall post [the following  
13 information] on the agency's Internet website [for purposes of  
14 allowing the chief appraiser of each appraisal district and the  
15 assessor for each school district to make the calculations required  
16 by Sections 11.26(a-5), (a-6), (a-7), (a-8), (a-9), and (a-10), Tax  
17 Code.

18 [~~1~~] each school district's maximum compressed rate,  
19 as determined under Section 48.2551, for each tax year beginning  
20 with the 2022 [~~2019~~] tax year[, and

21 [~~2~~] ~~each school district's tier one maintenance and~~  
22 ~~operations tax rate, as provided by Section 45.0032(a), for the~~  
23 ~~2018 tax year].~~

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

26 (a) For purposes of allowing the chief appraiser of each  
27 appraisal district and the assessor for each school district to

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

7           ~~[(1)]~~ each school district's maximum compressed rate,  
8 as determined under Section 48.2551, for the current [each] tax  
9 year and the preceding [beginning with the 2019] tax year~~[, and~~

10           ~~[(2)]~~ ~~each school district's tier one maintenance and~~  
11 ~~operations tax rate, as provided by Section 45.0032(a), for the~~  
12 ~~2018 tax year].~~

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

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

22           (j-2) In the final certification of the study under  
23 Subsection (j), the comptroller shall separately identify the final  
24 taxable value for each school district as adjusted to account for  
25 the reduction of the amount of the limitation on tax increases  
26 provided by Sections 11.26(a-11) and (a-12), Tax Code. This  
27 subsection expires January 1, 2025.

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

3 SECTION 11. The changes in law made by this Act to Sections  
4 11.13 and 11.26, Tax Code, apply only to an ad valorem tax year that  
5 begins on or after January 1, 2024.

6 SECTION 12. Except as otherwise provided by this Act, this  
7 Act takes effect January 1, 2024, but only if the constitutional  
8 amendment proposed by the 88th Legislature, Regular Session, 2023,  
9 providing for an exemption from ad valorem taxation for public  
10 school purposes of a dollar amount or a percentage, whichever is  
11 greater, of the market value of a residence homestead and providing  
12 for an adjustment of the limitation on the total amount of ad  
13 valorem taxes that may be imposed for those purposes on the  
14 homestead of a person who is elderly or disabled to reflect  
15 increases in the exemption amount is approved by the voters. If  
16 that amendment is not approved by the voters, this Act has no  
17 effect.