

By: Kolchorst

S.B. No. 178

A BILL TO BE ENTITLED

1 AN ACT

2 relating to a limitation on increases in the appraised value of real
3 property other than a residence homestead for ad valorem tax
4 purposes.

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

6 SECTION 1. Section 1.12(d), Tax Code, is amended to read as
7 follows:

8 (d) For purposes of this section, the appraisal ratio of
9 property [a homestead] to which Section 23.23 or 23.231 applies is
10 the ratio of the property's market value as determined by the
11 appraisal district or appraisal review board, as applicable, to the
12 market value of the property according to law. The appraisal ratio
13 is not calculated according to the appraised value of the property
14 as limited by Section 23.23 or 23.231.

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

17 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY
18 OTHER THAN RESIDENCE HOMESTEAD. (a) In this section:

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

22 (2) "New improvement" means an improvement to real
23 property made after the most recent appraisal of the property that
24 increases the market value of the property and the value of which is

1 not included in the appraised value of the property for the
2 preceding tax year. The term does not include repairs to or
3 ordinary maintenance of an existing structure or the grounds or
4 another feature of the property.

5 (b) This section does not apply to:

6 (1) a residence homestead that qualifies for an
7 exemption under Section 11.13; or

8 (2) property appraised under Subchapter C, D, E, F, G,
9 or H.

10 (c) Notwithstanding the requirements of Section 25.18 and
11 regardless of whether the appraisal office has appraised the
12 property and determined the market value of the property for the tax
13 year, an appraisal office may increase the appraised value of real
14 property to which this section applies for a tax year to an amount
15 not to exceed the lesser of:

16 (1) the market value of the property for the most
17 recent tax year that the market value was determined by the
18 appraisal office; or

19 (2) the sum of:

20 (A) 20 percent of the appraised value of the
21 property for the preceding tax year;

22 (B) the appraised value of the property for the
23 preceding tax year; and

24 (C) the market value of all new improvements to
25 the property.

26 (d) When appraising real property to which this section
27 applies, the chief appraiser shall:

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

2 (2) include in the appraisal records both the market
3 value of the property and the amount computed under Subsection
4 (c)(2).

5 (e) The limitation provided by Subsection (c) takes effect
6 as to a parcel of real property on January 1 of the tax year
7 following the first tax year in which the owner owns the property on
8 January 1. The limitation expires on January 1 of the tax year
9 following the tax year in which the owner of the property ceases to
10 own the property.

11 (f) For purposes of Subsection (e), a person who acquired
12 real property to which this section applies before the 2023 tax year
13 is considered to have acquired the property on January 1, 2023.

14 (g) Notwithstanding Subsections (a) and (c) and except as
15 provided by Subdivision (2) of this subsection, an improvement to
16 real property that would otherwise constitute a new improvement is
17 not treated as a new improvement if the improvement is a replacement
18 structure for a structure that was rendered uninhabitable or
19 unusable by a casualty or by wind or water damage. For purposes of
20 appraising the property under Subsection (c) in the tax year in
21 which the structure would have constituted a new improvement:

22 (1) the appraised value the property would have had in
23 the preceding tax year if the casualty or damage had not occurred is
24 considered to be the appraised value of the property for that year,
25 regardless of whether that appraised value exceeds the actual
26 appraised value of the property for that year as limited by
27 Subsection (c); and

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

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

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

9 (h) Notwithstanding Subsection (g)(2), and only to the
10 extent necessary to satisfy the requirements of a disaster recovery
11 program, a replacement structure described by that subdivision is
12 not considered to be a new improvement if to satisfy the
13 requirements of the disaster recovery program it was necessary
14 that:

15 (1) the square footage of the replacement structure
16 exceed that of the replaced structure as that structure existed
17 before the casualty or damage occurred; or

18 (2) the exterior of the replacement structure be of
19 higher quality construction and composition than that of the
20 replaced structure.

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

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

25 (1) a list of the taxing units in which the property is
26 taxable;

27 (2) the appraised value of the property in the

1 preceding year;

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

4 (4) the appraised value of the property for the
5 current year, the kind and amount of each exemption and partial
6 exemption, if any, approved for the property for the current year
7 and for the preceding year, and, if an exemption or partial
8 exemption that was approved for the preceding year was canceled or
9 reduced for the current year, the amount of the exemption or partial
10 exemption canceled or reduced;

11 (4-a) a statement of whether the property qualifies for
12 the limitation on appraised value provided by Section 23.231;

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

18 (6) a detailed explanation of the time and procedure
19 for protesting the value;

20 (7) the date and place the appraisal review board will
21 begin hearing protests;

22 (8) an explanation of the availability and purpose of
23 an informal conference with the appraisal office before a hearing
24 on a protest; and

25 (9) a brief explanation that the governing body of
26 each taxing unit decides whether or not taxes on the property will
27 increase and the appraisal district only determines the value of

1 the property.

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

14 (1) the appraised value of the property in the
15 preceding year;

16 (2) the appraised value of the property for the
17 current year and the kind of each partial exemption, if any,
18 approved for the current year;

19 (2-a) a statement of whether the property qualifies for
20 the limitation on appraised value provided by Section 23.231;

21 (3) a detailed explanation of the time and procedure
22 for protesting the value; and

23 (4) the date and place the appraisal review board will
24 begin hearing protests.

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

27 (a) A property owner is entitled to protest before the

1 appraisal review board the following actions:

2 (1) determination of the appraised value of the
3 owner's property or, in the case of land appraised as provided by
4 Subchapter C, D, E, or H, Chapter 23, determination of its appraised
5 or market value;

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

7 (3) inclusion of the owner's property on the appraisal
8 records;

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

11 (4-a) determination that the owner's property does not
12 qualify for the limitation on appraised value provided by Section
13 23.231;

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

17 (6) identification of the taxing units in which the
18 owner's property is taxable in the case of the appraisal district's
19 appraisal roll;

20 (7) determination that the property owner is the owner
21 of property;

22 (8) a determination that a change in use of land
23 appraised under Subchapter C, D, E, or H, Chapter 23, has occurred;
24 or

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

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

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

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

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

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

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

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

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

26 (A) is within a reinvestment zone created on or
27 before May 31, 1999, or is proposed to be included within the

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

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

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

16 (5) the total dollar amount of any captured appraised
17 value of property that:

18 (A) is within a reinvestment zone:

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

21 (ii) the project plan for which includes
22 the alteration, remodeling, repair, or reconstruction of a
23 structure that is included on the National Register of Historic
24 Places and requires that a portion of the tax increment of the zone
25 be used for the improvement or construction of related facilities
26 or for affordable housing;

27 (B) generates school district taxes that are paid

1 into a tax increment fund created under Chapter 311, Tax Code; and

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

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

6 (7) the difference between the comptroller's estimate
7 of the market value and the productivity value of land that
8 qualifies for appraisal on the basis of its productive capacity,
9 except that the productivity value estimated by the comptroller may
10 not exceed the fair market value of the land;

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

17 (9) a portion of the market value of property not
18 otherwise fully taxable by the district at market value because of
19 action required by statute or the constitution of this state, other
20 than Section 11.311, Tax Code, that, if the tax rate adopted by the
21 district is applied to it, produces an amount equal to the
22 difference between the tax that the district would have imposed on
23 the property if the property were fully taxable at market value and
24 the tax that the district is actually authorized to impose on the
25 property, if this subsection does not otherwise require that
26 portion to be deducted;

27 (10) the market value of all tangible personal

1 property, other than manufactured homes, owned by a family or
2 individual and not held or used for the production of income;

3 (11) the appraised value of property the collection of
4 delinquent taxes on which is deferred under Section 33.06, Tax
5 Code;

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

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

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

16 (i) If the comptroller determines in the study that the
17 market value of property in a school district as determined by the
18 appraisal district that appraises property for the school district,
19 less the total of the amounts and values listed in Subsection (d) as
20 determined by that appraisal district, is valid, the comptroller,
21 in determining the taxable value of property in the school district
22 under Subsection (d), shall for purposes of Subsection (d)(13)
23 subtract from the market value as determined by the appraisal
24 district of properties [~~residence homesteads~~] to which Section
25 23.23 or 23.231, Tax Code, applies the amount by which that amount
26 exceeds the appraised value of those properties as calculated by
27 the appraisal district under Section 23.23 or 23.231, Tax Code, as

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

14 SECTION 7. This Act applies only to the appraisal of real
15 property other than a residence homestead for ad valorem tax
16 purposes for a tax year that begins on or after the effective date
17 of this Act.

18 SECTION 8. This Act takes effect January 1, 2024, but only
19 if the constitutional amendment proposed by the 88th Legislature,
20 Regular Session, 2023, to authorize the legislature to establish a
21 limit on the maximum appraised value of real property other than a
22 residence homestead for ad valorem tax purposes of 120 percent or
23 more of the appraised value of the property for the preceding tax
24 year is approved by the voters. If that amendment is not approved
25 by the voters, this Act has no effect.