

By: Goodwin

H.B. No. 203

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value for ad valorem tax purposes of certain leased residential real property.

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

SECTION 1. Section 1.12(d), Tax Code, as effective until January 1, 2027, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of property to which Section 23.23, ~~[or]~~ 23.231, or 23.232 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, or 23.232.

SECTION 2. Section 1.12(d), Tax Code, as effective January 1, 2027, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of property ~~[a homestead]~~ to which Section 23.23 or 23.232 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 23.232.

SECTION 3. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.232 to read as follows:

1 Sec. 23.232. LIMITATION ON APPRAISED VALUE OF CERTAIN
2 LEASED RESIDENTIAL REAL PROPERTY. (a) In this section:

3 (1) "Fair market rent" means the most recent
4 applicable fair market rent established by the United States
5 Department of Housing and Urban Development for the zip code in
6 which the property is located.

7 (2) "New improvement" means an improvement to real
8 property described by Subsection (b) made after the most recent
9 appraisal of the property that increases the market value of the
10 property and the value of which is not included in the appraised
11 value of the property for the preceding tax year. The term does not
12 include repairs to or ordinary maintenance of an existing structure
13 or the grounds or another feature of the property.

14 (b) This section applies only to real property that:

15 (1) is a single-family residential property leased to
16 a lessee and used by the lessee as a primary residence; and

17 (2) is leased to a lessee for a rent that does not
18 exceed the fair market rent.

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

21 (d) Notwithstanding the requirements of Section 25.18 and
22 regardless of whether the appraisal office has appraised the
23 property and determined the market value of the property for the tax
24 year, an appraisal office may increase the appraised value of real
25 property described by Subsection (b) for a tax year to an amount not
26 to exceed the lesser of:

27 (1) the market value of the property for the most

1 recent tax year that the market value was determined by the
2 appraisal office; or

3 (2) the sum of:

4 (A) 10 percent of the appraised value of the
5 property for the preceding tax year;

6 (B) the appraised value of the property for the
7 preceding tax year; and

8 (C) the market value of all new improvements to
9 the property.

10 (e) If only part of a parcel of real property qualifies for
11 the limitation provided by Subsection (d), the limitation applies
12 only to that part of the parcel.

13 (f) When appraising real property described by Subsection
14 (b), the chief appraiser shall:

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

16 (2) include in the appraisal records both the market
17 value of the property and the amount computed under Subsection
18 (d)(2).

19 (g) The limitation provided by Subsection (d) takes effect
20 as to a parcel or part of a parcel of real property described by
21 Subsection (b) on January 1 of the tax year following the first tax
22 year in which the owner of the property leases the property for an
23 amount described by Subsection (b). Except as provided by
24 Subsection (h), the limitation expires on January 1 of the tax year
25 following the first tax year in which the owner of the property
26 ceases to lease the property for an amount described by Subsection
27 (b).

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

9 (1) the appraised value the property would have had in
10 the preceding tax year if the casualty or damage had not occurred is
11 considered to be the appraised value of the property for that year,
12 regardless of whether that appraised value exceeds the actual
13 appraised value of the property for that year as limited by
14 Subsection (d); and

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

17 (A) the square footage of the replacement
18 structure exceeds that of the replaced structure as that structure
19 existed before the casualty or damage occurred; or

20 (B) the exterior of the replacement structure is
21 of higher quality construction and composition than that of the
22 replaced structure.

23 (i) In this subsection, "disaster recovery program" means
24 the disaster recovery program administered by the General Land
25 Office or by a political subdivision of this state that is funded
26 with community development block grant disaster recovery money
27 authorized by federal law. Notwithstanding Subsection (h)(2), and

1 only to the extent necessary to satisfy the requirements of the
2 disaster recovery program, a replacement structure described by
3 that subdivision is not considered to be a new improvement if to
4 satisfy the requirements of the disaster recovery program it was
5 necessary that:

6 (1) the square footage of the replacement structure
7 exceed that of the replaced structure as that structure existed
8 before the casualty or damage occurred; or

9 (2) the exterior of the replacement structure be of
10 higher quality construction and composition than that of the
11 replaced structure.

12 (j) To receive a limitation under Subsection (d), a person
13 claiming the limitation must annually apply for the limitation by
14 filing an application with the chief appraiser of the appraisal
15 district. The chief appraiser shall accept and approve or deny an
16 application. For property appraised by more than one appraisal
17 district, a separate application must be filed in each appraisal
18 district to receive the limitation in that district.

19 (k) The comptroller, in prescribing the contents of the
20 application form for a limitation under Subsection (d), shall
21 ensure that the form requires an applicant to provide the
22 information necessary to determine the validity of the limitation
23 claim. The form must require an applicant to provide the
24 applicant's name and driver's license number, personal
25 identification certificate number, social security number, or
26 taxpayer identification number. The comptroller shall include on
27 the form a notice of the penalties prescribed by Section 37.10,

1 Penal Code, for making or filing an application containing a false
2 statement and shall include on the form a statement explaining that
3 the application must be made annually. In this subsection,
4 "driver's license" and "personal identification certificate" have
5 the meanings assigned by Section 11.43(f).

6 (l) To receive a limitation under Subsection (d) for a tax
7 year, a person must apply for the limitation not later than May 1 of
8 that year. Except as provided by Subsection (m), if the person
9 fails to timely file a completed application, the person may not
10 receive the limitation for that year.

11 (m) The chief appraiser shall accept and approve or deny an
12 application for a limitation under Subsection (d) for a tax year
13 after the deadline for filing the application has passed if the
14 application is filed not later than one year after the delinquency
15 date for the taxes on the property for that tax year. If a late
16 application is approved after approval of the appraisal records by
17 the appraisal review board, the chief appraiser shall notify the
18 collector for each taxing unit in which the property is located. If
19 the tax has not been paid, the collector shall deduct from the
20 person's tax bill the difference between the taxes that would have
21 been due had the property not qualified for the limitation and the
22 taxes due after taking the limitation into account. If the tax has
23 been paid, the collector shall refund the difference.

24 (n) This subsection expires January 1, 2030. For purposes
25 of applying the limitation provided by Subsection (d) in the first
26 tax year after the 2025 tax year in which the property is appraised
27 for taxation:

1 (1) the property is considered to have been appraised
2 for taxation in the 2025 tax year at a market value equal to the
3 appraised value of the property for that tax year; and

4 (2) a person who acquired real property described by
5 Subsection (b) in a tax year before the 2025 tax year is considered
6 to have acquired the property on January 1, 2025.

7 SECTION 4. Section 41.41(a), Tax Code, as effective until
8 January 1, 2027, is amended to read as follows:

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

11 (1) determination of the appraised value of the
12 owner's property or, in the case of land appraised as provided by
13 Subchapter C, D, E, or H, Chapter 23, determination of its appraised
14 or market value;

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

16 (3) inclusion of the owner's property on the appraisal
17 records;

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

20 (4-a) determination that the owner's property does not
21 qualify for the circuit breaker limitation on appraised value
22 provided by Section 23.231;

23 (4-b) determination that the owner's property does not
24 qualify for the limitation on appraised value provided by Section
25 23.232;

26 (5) determination that the owner's land does not
27 qualify for appraisal as provided by Subchapter C, D, E, or H,

1 Chapter 23;

2 (6) identification of the taxing units in which the
3 owner's property is taxable in the case of the appraisal district's
4 appraisal roll;

5 (7) determination that the property owner is the owner
6 of property;

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

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

13 SECTION 5. Section 41.41(a), Tax Code, as effective January
14 1, 2027, is amended to read as follows:

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

17 (1) determination of the appraised value of the
18 owner's property or, in the case of land appraised as provided by
19 Subchapter C, D, E, or H, Chapter 23, determination of its appraised
20 or market value;

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

22 (3) inclusion of the owner's property on the appraisal
23 records;

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

26 (4-a) determination that the owner's property does not
27 qualify for the limitation on appraised value provided by Section

1 23.232;

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

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

8 (7) determination that the property owner is the owner
9 of property;

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

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

16 SECTION 6. Section 42.26(d), Tax Code, as effective until
17 January 1, 2027, is amended to read as follows:

18 (d) For purposes of this section, the value of the property
19 subject to the suit and the value of a comparable property or sample
20 property that is used for comparison must be the market value
21 determined by the appraisal district when the property is subject
22 to the limitation on appraised value imposed by Section 23.23, ~~or~~
23 23.231, or 23.232.

24 SECTION 7. Section 42.26(d), Tax Code, as effective January
25 1, 2027, is amended to read as follows:

26 (d) For purposes of this section, the value of the property
27 subject to the suit and the value of a comparable property or sample

1 property that is used for comparison must be the market value
2 determined by the appraisal district when the property is [~~a~~
3 ~~residence homestead~~] subject to the limitation on appraised value
4 imposed by Section [23.23](#) or [23.232](#).

5 SECTION 8. Sections [403.302](#)(d) and (i), Government Code, as
6 effective until January 1, 2027, are amended to read as follows:

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

9 (1) the total dollar amount of any residence homestead
10 exemptions lawfully granted under Section [11.13](#)(b) or (c), Tax
11 Code, in the year that is the subject of the study for each school
12 district;

13 (2) one-half of the total dollar amount of any
14 residence homestead exemptions granted under Section [11.13](#)(n), Tax
15 Code, in the year that is the subject of the study for each school
16 district;

17 (3) the total dollar amount of any exemptions granted
18 before May 31, 1993, within a reinvestment zone under agreements
19 authorized by Chapter [312](#), Tax Code;

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

22 (A) is within a reinvestment zone created on or
23 before May 31, 1999, or is proposed to be included within the
24 boundaries of a reinvestment zone as the boundaries of the zone and
25 the proposed portion of tax increment paid into the tax increment
26 fund by a school district are described in a written notification
27 provided by the municipality or the board of directors of the zone

1 to the governing bodies of the other taxing units in the manner
2 provided by former Section 311.003(e), Tax Code, before May 31,
3 1999, and within the boundaries of the zone as those boundaries
4 existed on September 1, 1999, including subsequent improvements to
5 the property regardless of when made;

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

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

12 (5) the total dollar amount of any captured appraised
13 value of property that:

14 (A) is within a reinvestment zone:

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

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

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

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

27 (6) the total dollar amount of any exemptions granted

1 under Section 11.251 or 11.253, Tax Code;

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

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

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

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

26 (11) the appraised value of property the collection of
27 delinquent taxes on which is deferred under Section 33.06, Tax

1 Code;

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

5 (13) the amount by which the market value of property
6 to which Section 23.23, ~~[or]~~ 23.231, or 23.232, Tax Code, applies
7 exceeds the appraised value of that property as calculated under
8 Section 23.23, ~~[or]~~ 23.231, or 23.232, Tax Code, as applicable; and

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

11 (i) If the comptroller determines in the study that the
12 market value of property in a school district as determined by the
13 appraisal district that appraises property for the school district,
14 less the total of the amounts and values listed in Subsection (d) as
15 determined by that appraisal district, is valid, the comptroller,
16 in determining the taxable value of property in the school district
17 under Subsection (d), shall for purposes of Subsection (d)(13)
18 subtract from the market value as determined by the appraisal
19 district of properties to which Section 23.23, ~~[or]~~ 23.231, or
20 23.232, Tax Code, applies the amount by which that amount exceeds
21 the appraised value of those properties as calculated by the
22 appraisal district under Section 23.23, ~~[or]~~ 23.231, or 23.232, Tax
23 Code, as applicable. If the comptroller determines in the study
24 that the market value of property in a school district as determined
25 by the appraisal district that appraises property for the school
26 district, less the total of the amounts and values listed in
27 Subsection (d) as determined by that appraisal district, is not

1 valid, the comptroller, in determining the taxable value of
2 property in the school district under Subsection (d), shall for
3 purposes of Subsection (d)(13) subtract from the market value as
4 estimated by the comptroller of properties to which Section 23.23,
5 ~~[or]~~ 23.231, or 23.232, Tax Code, applies the amount by which that
6 amount exceeds the appraised value of those properties as
7 calculated by the appraisal district under Section 23.23, ~~[or]~~
8 23.231, or 23.232, Tax Code, as applicable.

9 SECTION 9. Sections 403.302(d) and (i), Government Code, as
10 effective January 1, 2027, 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 23.232, Tax Code,
11 applies exceeds the appraised value of that property as calculated
12 under Section 23.23 or 23.232, 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 23.232, 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 23.232, 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 23.232, 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 23.232,
13 Tax Code, as applicable.

14 SECTION 10. This Act applies only to the appraisal of
15 residential real property for ad valorem tax purposes for a tax year
16 that begins on or after the effective date of this Act.

17 SECTION 11. This Act takes effect January 1, 2026, but only
18 if the constitutional amendment proposed by the 89th Legislature,
19 Regular Session, 2025, to authorize the legislature to provide for
20 a limitation on the maximum appraised value for ad valorem tax
21 purposes of certain leased residential real property is approved by
22 the voters. If that amendment is not approved by the voters, this
23 Act has no effect.