

By: Morales of Harris

H.B. No. 378

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 and the
4 protection of school districts against the resulting loss in local
5 revenue.

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

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

9 (b) An adult is entitled to exemption from taxation by a
10 school district of \$200,000 [~~\$100,000~~] of the appraised value of
11 the adult's residence homestead, except that only \$5,000 of the
12 exemption applies to an entity operating under former Chapter 17,
13 18, 25, 26, 27, or 28, Education Code, as those chapters existed on
14 May 1, 1995, as permitted by Section 11.301, Education Code.

15 SECTION 2. Section 46.071, Education Code, is amended by
16 adding Subsection (a-3) and amending Subsections (b-2) and (c-2) to
17 read as follows:

18 (a-3) Beginning with the 2026-2027 school year, in addition
19 to state aid a school district is entitled to under Subsection
20 (a-2), a school district is also entitled to additional state aid
21 under this subchapter to the extent that state and local revenue
22 used to service debt eligible under this chapter is less than the
23 state and local revenue that would have been available to the
24 district under this chapter as it existed on September 1, 2025, if

1 any increase in the residence homestead exemption under Section
2 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th
3 Legislature, Regular Session, 2025, had not occurred.

4 (b-2) Subject to Subsections (c-2), (d), and (e),
5 additional state aid under this section beginning with the
6 2023-2024 school year is equal to the amount by which the loss of
7 local interest and sinking revenue for debt service attributable to
8 any increase in a residence homestead exemption under Section
9 1-b(c), Article VIII, Texas Constitution, and any additional
10 limitation on tax increases under Section 1-b(d) of that article as
11 proposed by the 88th Legislature, 2nd Called Session, 2023, and any
12 increase in the residence homestead exemption under Section 1-b(c),
13 Article VIII, Texas Constitution, as proposed by the 89th
14 Legislature, Regular Session, 2025, is not offset by a gain in state
15 aid under this chapter.

16 (c-2) For the purpose of determining state aid under
17 Subsection [Subsections] (a-2) or (a-3) [and (b-2)], local interest
18 and sinking revenue for debt service is limited to revenue required
19 to service debt eligible under this chapter as of September 1, 2023,
20 or as of September 1, 2025, respectively, or authorized by the
21 voters but not yet issued as of September 1, 2023, or as of
22 September 1, 2025, respectively, that later becomes eligible under
23 this chapter, including refunding of the applicable [that] debt,
24 subject to Section 46.061. The limitation imposed by Section
25 46.034(a) does not apply for the purpose of determining state aid
26 under Subsection (a-2) or (a-3) [this section].

27 SECTION 3. Section 48.2543, Education Code, is amended by

1 adding Subsection (a-2) and amending Subsection (b) to read as
2 follows:

3 (a-2) Beginning with the 2026-2027 school year, in addition
4 to state aid a school district is entitled to under Subsection
5 (a-1), a school district is entitled to additional state aid to the
6 extent that state and local revenue under this chapter and Chapter
7 49 is less than the state and local revenue that would have been
8 available to the district under this chapter and Chapter 49 as those
9 chapters existed on September 1, 2025, if any increase in the
10 residence homestead exemption under Section 1-b(c), Article VIII,
11 Texas Constitution, as proposed by the 89th Legislature, Regular
12 Session, 2025, had not occurred.

13 (b) The lesser of the school district's currently adopted
14 maintenance and operations tax rate or the adopted maintenance and
15 operations tax rate for:

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

18 (2) the 2022 tax year is used for the purpose of
19 determining additional state aid under Subsection (a-1); and

20 (3) the 2025 tax year is used for the purpose of
21 determining additional state aid under Subsection (a-2).

22 SECTION 4. Section 11.13, Tax Code, as amended by this Act,
23 applies only to an ad valorem tax year that begins on or after
24 January 1, 2026.

25 SECTION 5. This Act takes effect January 1, 2026, but only
26 if the constitutional amendment proposed by the 89th Legislature,
27 Regular Session, 2025, to increase the amount of the exemption of

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1 residence homesteads from ad valorem taxation by a school district
2 is approved by the voters. If that amendment is not approved by the
3 voters, this Act has no effect.