

By: Tepper

H.B. No. 398

A BILL TO BE ENTITLED

AN ACT

relating to the limitations on increases in the appraised value of certain property for ad valorem tax purposes.

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

SECTION 1. Section 23.23(a), Tax Code, is amended to read as follows:

(a) Notwithstanding the requirements of Section 25.18 and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, an appraisal office may increase the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of:

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

(2) the sum of:

(A) 2.5 [~~10~~] percent of the appraised value of the property for the preceding tax year;

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

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

SECTION 2. Sections 23.231(a), (d), and (g), Tax Code, are amended to read as follows:

1 (a) In this section:

2 (1) [~~"Consumer price index" means the average over a~~
3 ~~state fiscal year of the Consumer Price Index for All Urban~~
4 ~~Consumers (CPI-U), U.S. City Average, published monthly by the~~
5 ~~United States Bureau of Labor Statistics, or its successor in~~
6 ~~function.~~

7 [~~(2)~~] "Disaster recovery program" means a disaster
8 recovery program funded with community development block grant
9 disaster recovery money authorized by federal law.

10 (2) [~~(3)~~] "New improvement" means an improvement to
11 real property made after the most recent appraisal of the property
12 that increases the market value of the property and the value of
13 which is not included in the appraised value of the property for the
14 preceding tax year. The term does not include repairs to or
15 ordinary maintenance of an existing structure or the grounds or
16 another feature of the property.

17 (d) Notwithstanding the requirements of Section 25.18 and
18 regardless of whether the appraisal office has appraised the
19 property and determined the market value of the property for the tax
20 year, an appraisal office may increase the appraised value of real
21 property to which this section applies for a tax year to an amount
22 not to exceed the lesser of:

23 (1) the market value of the property for the most
24 recent tax year that the market value was determined by the
25 appraisal office; or

26 (2) the sum of:

27 (A) eight [~~20~~] percent of the appraised value of

1 the property for the preceding tax year;

2 (B) the appraised value of the property for the
3 preceding tax year; and

4 (C) the market value of all new improvements to
5 the property.

6 (g) For purposes of Subsection (f):

7 (1) [7] a person who, before the 2023 tax year,
8 acquired real property to which this section applied as this
9 section existed on January 1, 2024, [~~applies before the 2023 tax~~
10 ~~year~~] is considered to have acquired the property on January 1,
11 2023; and

12 (2) a person who, before the 2025 tax year, acquired
13 real property, other than property described by Subdivision (1), to
14 which this section applies is considered to have acquired the
15 property on January 1, 2025.

16 SECTION 3. Section 25.19(o), Tax Code, is amended to read as
17 follows:

18 (o) A notice required under Subsection (a) or (g) to be
19 delivered to the owner of real property other than a single-family
20 residence that qualifies for an exemption under Section 11.13 must
21 include the following statement: "Under Section 23.231, Tax Code,
22 [~~for the 2024, 2025, and 2026 tax years,~~] the appraised value of
23 real property other than a residence homestead for ad valorem tax
24 purposes may not be increased by more than eight [~~20~~] percent each
25 year, with certain exceptions." [~~The circuit breaker limitation~~
26 ~~provided under Section 23.231, Tax Code, expires December 31, 2026.~~
27 ~~Unless this expiration date is extended by the Texas Legislature,~~

1 ~~beginning in the 2027 tax year, the circuit breaker limitation~~
2 ~~provided under Section 23.231, Tax Code, will no longer be in effect~~
3 ~~and may result in an increase in ad valorem taxes imposed on real~~
4 ~~property previously subject to the limitation." This subsection~~
5 ~~expires December 31, 2027.]~~

6 SECTION 4. The following provisions are repealed:

7 (1) Sections 23.231(b), (j), and (k), Tax Code;

8 (2) Section 4.02, Chapter 1 (S.B. 2), Acts of the 88th
9 Legislature, 2nd Called Session, 2023, which amended Section
10 1.12(d), Tax Code, as effective January 1, 2027;

11 (3) Section 4.05, Chapter 1 (S.B. 2), Acts of the 88th
12 Legislature, 2nd Called Session, 2023, which amended Sections
13 25.19(b) and (g), Tax Code, as effective January 1, 2027;

14 (4) Section 4.08, Chapter 1 (S.B. 2), Acts of the 88th
15 Legislature, 2nd Called Session, 2023, which amended Section
16 41.41(a), Tax Code, as effective January 1, 2027;

17 (5) Section 4.10, Chapter 1 (S.B. 2), Acts of the 88th
18 Legislature, 2nd Called Session, 2023, which amended Section
19 42.26(d), Tax Code, as effective January 1, 2027; and

20 (6) Section 4.12, Chapter 1 (S.B. 2), Acts of the 88th
21 Legislature, 2nd Called Session, 2023, which amended Sections
22 403.302(d) and (i), Government Code, as effective January 1, 2027.

23 SECTION 5. This Act applies only to the appraisal of
24 property for ad valorem tax purposes for a tax year that begins on
25 or after the effective date of this Act.

26 SECTION 6. This Act takes effect January 1, 2026, but only
27 if the constitutional amendment proposed by the 89th Legislature,

1 Regular Session, 2025, to authorize the legislature to set lower
2 limits on the maximum appraised value of residence homesteads and
3 of real property other than a residence homestead for ad valorem tax
4 purposes and to make permanent the limit on the maximum appraised
5 value of real property other than a residence homestead is approved
6 by the voters. If that amendment is not approved by the voters,
7 this Act has no effect.