

By: Harrison

H.B. No. 698

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the abolition of ad valorem taxes and the creation of a
3 joint interim committee on the abolition of those taxes.

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

5 SECTION 1. (a) In this section, "committee" means the joint
6 interim committee on the abolition of ad valorem taxes.

7 (b) The joint interim committee on the abolition of ad
8 valorem taxes is composed of:

9 (1) five members of the house of representatives
10 appointed by the speaker of the house of representatives; and

11 (2) five senators appointed by the lieutenant
12 governor.

13 (c) The speaker of the house of representatives and the
14 lieutenant governor shall make the appointments under Subsection
15 (b) of this section not later than February 1, 2026.

16 (d) The speaker of the house of representatives and the
17 lieutenant governor shall each designate a co-chair from among the
18 committee members.

19 (e) The committee shall convene at the joint call of the
20 co-chairs.

21 (f) The committee has all other powers and duties provided
22 to a special or select committee by the rules of the senate and
23 house of representatives, by Subchapter B, Chapter 301, Government
24 Code, and by policies of the senate and house committees on

1 administration.

2 (g) The committee shall conduct a comprehensive study to
3 determine how to replace local tax revenue that will be lost when ad
4 valorem taxes are abolished with local sales and use tax revenue.

5 (h) The committee shall:

6 (1) consider whether political subdivisions that
7 currently impose ad valorem taxes would have the authority to
8 impose sales and use taxes;

9 (2) determine the average sales and use tax rate for
10 each type of political subdivision that would be necessary to
11 generate the same amount of tax revenue as the amount of tax revenue
12 lost as a result of the abolition of ad valorem taxes;

13 (3) determine, if appropriate, the effect that
14 broadening the application of sales and use taxes at the local level
15 would have on the tax rates identified under Subdivision (2) of this
16 subsection;

17 (4) identify whether tax revenue generated by sales
18 and use taxes would require redistribution to offset disparities in
19 available local tax revenue as a result of the abolition of ad
20 valorem taxes and, if so, evaluate the different mechanisms of
21 redistribution available; and

22 (5) identify and examine any other issue that would
23 need to be addressed to implement the abolition of ad valorem taxes.

24 (i) On request of the committee, a state agency or political
25 subdivision shall provide information for and assistance in
26 conducting the study under this section.

27 (j) Not later than December 1, 2026, the committee shall

1 prepare and submit to the legislature a written report containing
2 the results of the study and any recommendations for legislative or
3 other action.

4 (k) The committee is abolished and this section expires
5 January 1, 2027.

6 SECTION 2. (a) Title 1, Tax Code, is repealed.

7 (b) Notwithstanding any other law, this state or a political
8 subdivision of this state may not impose an ad valorem tax. To the
9 extent of a conflict, this section controls over a conflicting
10 provision in a general or special law.

11 (c) The change in law made by this section does not affect
12 tax liability accruing before January 1, 2031. That liability
13 continues in effect as if this section had not been enacted, and the
14 former law is continued in effect for the collection of taxes due
15 and for civil and criminal enforcement of the liability for those
16 taxes.

17 SECTION 3. (a) This Act takes effect as provided by
18 Subsections (b) and (c) of this section, but only if the
19 constitutional amendment proposed by the 89th Legislature, Regular
20 Session, 2025, to abolish ad valorem taxes is approved by the
21 voters. If that amendment is not approved by the voters, this Act
22 has no effect.

23 (b) This section and Section 1 of this Act take effect
24 January 1, 2026.

25 (c) Section 2 of this Act takes effect January 1, 2031.