

## **BILL ANALYSIS**

Senate Research Center  
78R1954 JD-D

H.B. 217  
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Finance  
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Engrossed

### **DIGEST AND PURPOSE**

Several provisions of the Tax Code provide benefits to over-65 and disabled homeowners occupying a home as their principal residence. Not all of the provisions apply to both over-65 and disabled homeowners.

Currently, the amount of ad valorem school taxes that can be imposed on the homestead residence of an over-65 homeowner is limited (frozen) to the amount paid in the first year the homeowner qualifies for the over-65 exemption.

The limitation on the amount of the school tax that can be imposed on the homestead residence of an over-65 homeowner has not been extended to disabled homeowners. H.B. 217 limits the school taxes paid by a disabled homeowner to the amount paid in the year the homeowner qualifies for the disabled exemption.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends the heading of Section 11.26, Tax Code, to read as follows:

Sec. 11.26. LIMITATION OF SCHOOL TAX ON HOMESTEADS OF ELDERLY OR DISABLED.

SECTION 2. Amends Section 11.26, Tax Code, by amending Subsections (a), (d), (e), (g), (h), and (l) and adding Subsection (m), as follows:

(a) Prohibits a school district from increasing the total annual amount of ad valorem tax it imposes on the residence homestead of an individual 65 years of age or older or on the residence homestead of an individual who is disabled, as defined by Section 11.13, above the amount of the tax it imposed in the first tax year in which the individual qualified that residence homestead for the applicable exemption provided by Section 11.13(c) for an individual who is 65 years of age or older or is disabled. Provides that if the individual qualified that residence homestead for the exemption after the beginning of that first year and the residence homestead remains eligible for the same exemption for the next year, and if the school district taxes imposed on the residence homestead in the next year are less than the amount of taxes imposed in that first year, a school district may not subsequently increase the total annual amount of ad valorem taxes it imposes on the residence homestead above the amount it imposed in the year immediately following the first year for which the individual qualified that residence homestead for the same exemption, except as provided by Subsection (b). Provides that if the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals 65 years of age or older was a tax year before the 1997 tax year, the amount of the limitation provided by this section is the amount of tax the school district imposed for the 1996 tax year less an amount equal to the amount determined by multiplying \$10,000 times the tax rate of the school district for the 1997 tax year, plus

any 1997 tax attributable to improvements made in 1996, other than improvements made to comply with governmental regulations or repairs.

(d) Provides that if the appraisal roll provides for taxation of appraised value for a prior year because a residence homestead exemption for individuals 65 years of age or older or for disabled individuals was erroneously allowed, the tax assessor is required to add, as back taxes due as provided by Section 26.09(d), the positive difference if any between the tax that should have been imposed for that year and the tax that was imposed because of the provisions of this section.

(e), (g), and (h) Make conforming changes.

(l) Provides that for the purpose of calculating a limitation on ad valorem tax increases by a school district under this section, an individual who qualified a residence homestead before January 1, 2003, for an exemption under Section 11.13(c) for a disabled individual is considered to have first qualified the homestead for that exemption on January 1, 2003.

(m) Provides that for the purpose of qualifying under Subsection (g) for the limitation on ad valorem taxes on a subsequently qualified homestead imposed by a school district, the residence homestead of an individual may be considered to be a subsequently qualified homestead only if the individual qualified the former homestead for an exemption under Section 11.13(c) for a disabled individual for a tax year beginning on or after January 1, 2003. Deletes existing text "For purposes of the limitation on tax increases provided by Subsection (g), the governing body of a school district in a county with a population of fewer than 75,000 in a manner provided by law for official action by the governing body may elect to apply the limitation provided by Subsection (g) to the residence homestead of an individual as if that subsection were in effect on January 1, 1993. The governing body must make the election before January 1, 1999. The election applies only to taxes imposed in a tax year that begins after the tax year in which the election is made."

SECTION 3. Amends Section 403.302(d), Government Code, to redefine "taxable value."

SECTION 4. Effective date: January 1, 2004.

Provides that this Act applies only to taxes imposed for tax years that begin on or after that date, but only if the constitutional amendment proposed by the 78th Legislature, Regular Session, 2003, to prohibit an increase in the total amount of school district ad valorem taxes that may be imposed on the residence homestead of a disabled person is approved by the voters. Provides that if that amendment is not approved by the voters, this Act has no effect.