

## **BILL ANALYSIS**

Senate Research Center  
78R14449 JD-D

H.B. 3223  
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### **DIGEST AND PURPOSE**

Under current law, there is a 10 percent cap on the allowable annual increase in the appraised value of a residence homestead. H.B. 3223 makes the 10 percent cap applicable only to school taxes, and caps real property, including residential and non-residential property, for all other taxing units at five percent. The changes made by H.B. 3223 expire on December 31, 2005, at which time the affected sections of the Tax Code revert to their present state.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

#### ARTICLE 1

SECTION 1.01. Amends Section 1.12(d), Tax Code, as follows:

(d) Provides that for purposes of this section, the appraisal ratio of real property, rather than a homestead, to which Section 23.23 or 23.231 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. Provides that the appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23 or 23.231.

SECTION 1.02. Amends the heading to Section 23.23, Tax Code, to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF RESIDENCE HOMESTEAD FOR SCHOOL TAXES.

SECTION 1.03. Amends Section 23.23(a), Tax Code, as follows:

(a) Prohibits the appraised value of a residence homestead for taxation by a school district for a tax year from exceeding the lesser of the market value of the property, or the sum of: 10 percent of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised; the appraised value of the property for the last year in which the property was appraised; and the market value of all new improvements to the property.

SECTION 1.04. Amends Subchapter B, Chapter 23, Tax Code, by adding Section 23.231, as follows:

Sec. 23.231. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY FOR TAXATION BY TAXING UNITS OTHER THAN SCHOOL DISTRICTS. (a) Prohibits the appraised value of real property for taxation by a taxing unit other than a school district for

a tax year from exceeding the lesser of the market value of the property, or the sum of: five percent of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised; the appraised value of the property for the last year in which the property was appraised; and the market value of all new improvements to the property.

(b) Requires the chief appraiser, when appraising real property for purposes of this section, to appraise the property at its market value, and include in the appraisal records both the market value of the property and the amount computed under Subsection (a)(2).

(c) Provides that the limitation provided by Subsection (a) takes effect on January 1 of the tax year following the first tax year in which the owner owns the property on January 1, or, if the property qualifies as the residence homestead of the owner under Section 11.13 in the tax year in which the owner acquires the property, the limitation takes effect on January 1 of the tax year following that tax year. Provides that, except as provided by Subsection (d) or (e), the limitation expires on January 1 of the first tax year following the year in which the owner of the property ceases to own the property.

(d) Provides that if property subject to a limitation under this section qualifies for an exemption under Section 11.13 when the ownership of the property is transferred to the owner's spouse or surviving spouse, the limitation expires on January 1 of the first tax year following the year in which the owner's spouse or surviving spouse ceases to own the property, unless the limitation is further continued under this subsection on the subsequent transfer to a spouse or surviving spouse.

(e) Provides that if property subject to a limitation under Subsection (a), other than a residence homestead, is owned by two or more persons, the limitation expires on January 1 of the first tax year following the year in which the ownership of at least a 50 percent interest in the property is sold or otherwise transferred.

(f) Provides that this section does not apply to property appraised under Subchapter C, D, E, F, or G.

(g) Defines "new improvement." Provides that the term does not include ordinary maintenance of an existing structure or the grounds or another feature of the property.

(h) Provides that the limitation provided by this section applies only to the appraisal of real property for taxation for a tax year that begins on or after January 1, 2004. Provides that for purposes of applying the limitation in the first tax year after the 2003 tax year in which the property is appraised for taxation: the property is considered to have been appraised for taxation in the 2003 tax year at a market value equal to the appraised value of the property for that tax year; a person who acquired real property in a tax year before the 2003 tax year is considered to have acquired the property on January 1, 2003; and a person who qualified the property for an exemption under Section 11.13 as the person's residence homestead for any portion of the 2003 tax year is considered to have acquired the property in the 2003 tax year.

(i) Provides that this section expires December 31, 2005.

## ARTICLE 2

SECTION 2.01. Amends Section 1.12(d), Tax Code, as follows:

(d) Provides that, for purposes of this section, the appraisal ratio of a homestead to which

Section 23.23 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. Provides that the appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23.

SECTION 2.02. Amends the heading to Section 23.23, Tax Code, to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF RESIDENCE HOMESTEAD.

SECTION 2.03. Amends Section 23.23(a), Tax Code, to prohibit the appraised value of a residence homestead for a tax year from exceeding the lesser of the market value of the property, or the sum of: 10 percent of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised; the appraised value of the property for the last year in which the property was appraised; and the market value of all new improvements to the property.

### ARTICLE 3

SECTION 3.01. Effective date: except as provided by Section 3.02 of this Act, January 1, 2004.

Makes application of this Act to the appraisal for ad valorem tax purposes of real property prospective to a tax year that begins on or after January 1, 2004, but only if the constitutional amendment proposed by the 78th Legislature, Regular Session, 2003, authorizing the legislature to limit the maximum average annual increase in the appraised value of real property for ad valorem tax purposes to five percent or more is approved by the voters. Provides that if that amendment is not approved by the voters, this Act has no effect.

SECTION 3.02. Effective date for Article 2 of this Act: January 1, 2006.

Makes application of Article 2 of this Act to the appraisal for ad valorem tax purposes of a residence homestead prospective to a tax year that begins on or after January 1, 2006.