

By: Gutierrez

H.B. No. 701

A BILL TO BE ENTITLED

1 AN ACT

2 relating to a prohibition on increasing the total amount of ad
3 valorem taxes imposed by a taxing unit other than a hospital
4 district on the residence homestead of a disabled person, an
5 elderly person, or an elderly person's surviving spouse.

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

7 SECTION 1. Section 11.26, Tax Code, is amended to read as
8 follows:

9 Sec. 11.26. LIMITATION OF TAXES [~~SCHOOL TAX~~] ON HOMESTEADS
10 OF DISABLED OR ELDERLY. (a) The limitation on tax increases
11 imposed by this section does not apply to taxes imposed by a
12 hospital district.

13 (b) The tax officials shall appraise the property to which
14 this section applies and calculate taxes as on other property, but
15 if the tax [~~se~~] calculated exceeds the limitation imposed by this
16 section, the tax imposed is the amount of the tax as limited by this
17 section, except as otherwise provided by this section. If an
18 individual qualifies a residence homestead for an exemption
19 provided by Section 11.13(c) or (d) for an individual who is
20 disabled or is 65 years of age or older, a taxing unit [~~A school~~
21 ~~district~~] may not increase the total annual amount of ad valorem tax
22 it imposes on the residence homestead in any tax year following the
23 first tax year in which the individual qualified the residence
24 homestead for the exemption [~~of an individual 65 years or older~~]

1 above the amount of the tax it imposed in the preceding [~~first~~] tax
2 year [~~in which the individual qualified that residence homestead~~
3 ~~for the exemption provided by Section 11.13(c) for an individual 65~~
4 ~~years of age or older. If the individual qualified that residence~~
5 ~~homestead for the exemption after the beginning of that first year~~
6 ~~and the residence homestead remains eligible for the exemption for~~
7 ~~the next year, and if the school district taxes imposed on the~~
8 ~~residence homestead in the next year are less than the amount of~~
9 ~~taxes imposed in that first year, a school district may not~~
10 ~~subsequently increase the total annual amount of ad valorem taxes~~
11 ~~it imposes on the residence homestead above the amount it imposed in~~
12 ~~the year immediately following the first year for which the~~
13 ~~individual qualified that residence homestead for the exemption],~~
14 except as provided by Subsection (c) [~~(b)~~]. ~~If the first tax year~~
15 ~~the individual qualified the residence homestead for the exemption~~
16 ~~provided by Section 11.13(c) was a tax year before the 1997 tax~~
17 ~~year, the amount of the limitation provided by this section is the~~
18 ~~amount of tax the school district imposed for the 1996 tax year less~~
19 ~~an amount equal to the amount determined by multiplying \$10,000~~
20 ~~times the tax rate of the school district for the 1997 tax year,~~
21 ~~plus any 1997 tax attributable to improvements made in 1996, other~~
22 ~~than improvements made to comply with governmental regulations or~~
23 ~~repairs].~~

24 (c) [~~(b)~~] If an individual makes improvements to the
25 individual's residence homestead, other than improvements required
26 to comply with governmental requirements or repairs, a taxing unit
27 [~~the school district~~] may increase the tax on the homestead in the

1 first year the value of the homestead is increased on the appraisal
2 roll because of the enhancement of value by the improvements. The
3 amount of the tax increase is determined by applying the current tax
4 rate to the difference in the assessed value of the homestead with
5 the improvements and the assessed value it would have had without
6 the improvements. A limitation under ~~[imposed by]~~ this section
7 ~~[then]~~ applies to the increased amount of tax in subsequent tax
8 years until more improvements, if any, are made.

9 (d) ~~[(c)]~~ The limitation on tax increases required by this
10 section expires if on January 1:

11 (1) none of the owners of the structure who qualify for
12 the exemption and who owned the structure when the limitation first
13 took effect is using the structure as a residence homestead; or

14 (2) none of the owners of the structure qualifies for
15 an [the] exemption provided by Section 11.13(c) or (d) for an
16 individual who is disabled or is 65 years of age or older.

17 (e) ~~[(d)]~~ If the appraisal roll provides for taxation of
18 appraised value for a prior year because a residence homestead
19 exemption for persons who are disabled or are 65 years of age or
20 older was erroneously allowed, the tax assessor shall add, as back
21 taxes due as provided by ~~[Subsection (d) of]~~ Section 26.09(d)
22 ~~[26.09 of this code]~~, the positive difference if any between the tax
23 that should have been imposed for that year and the tax that was
24 imposed because of the provisions of this section.

25 (f) ~~[(e)]~~ For each school district participating in an
26 appraisal district, the chief appraiser shall determine the portion
27 of the appraised value of residence homesteads ~~[of the elderly]~~ on

1 which school district taxes are not imposed in a tax year because of
2 the limitation on tax increases imposed by this section. That
3 portion is calculated by determining the taxable value that, if
4 multiplied by the tax rate adopted by each [~~the~~] school district for
5 the tax year, would produce an amount equal to the amount of tax
6 that would have been imposed by the school district on those
7 residence homesteads [~~of the elderly~~] if the limitation on tax
8 increases imposed by this section were not in effect, but that was
9 not imposed because of that limitation. The chief appraiser shall
10 determine that taxable value and certify it to the comptroller as
11 soon as practicable for each tax year.

12 (g) [~~(f)~~] The limitation on tax increases required by this
13 section does not expire because the owner of an interest in the
14 structure conveys the interest to a qualifying trust as defined by
15 Section 11.13(j) if the owner or the owner's spouse is a trustor of
16 the trust and is entitled to occupy the structure.

17 (h) [~~(g)~~] Except as provided by Subsection (c) [~~(b)~~], if an
18 individual who receives a limitation on tax increases imposed by
19 this section, including a surviving spouse who receives a
20 limitation under Subsection (j) [~~(i)~~], subsequently qualifies a
21 different residence homestead for an exemption under Section 11.13,
22 a taxing unit [~~school district~~] may not impose ad valorem taxes on
23 the subsequently qualified homestead in a year in an amount that
24 exceeds the amount of taxes the taxing unit [~~school district~~] would
25 have imposed on the subsequently qualified homestead in the first
26 year in which the individual receives the [~~that~~] exemption for the
27 subsequently qualified homestead had the limitation on tax

1 increases imposed by this section not been in effect, multiplied by
2 a fraction the numerator of which is the total amount of [~~school~~
3 ~~district~~] taxes imposed by a taxing unit of the same type on the
4 former homestead in the last year in which the individual received
5 the [~~that~~] exemption for the former homestead and the denominator
6 of which is the total amount of [~~school-district~~] taxes that would
7 have been imposed by the taxing unit of the same type on the former
8 homestead in the last year in which the individual received the
9 [~~that~~] exemption for the former homestead had the limitation on tax
10 increases imposed by this section not been in effect. Except as
11 provided by Subsection (c), if in any year following the year in
12 which the individual qualifies the subsequent homestead for an
13 exemption under Section 11.13 the amount of taxes imposed by a
14 taxing unit on the homestead is less than the amount of taxes
15 imposed by that taxing unit in the preceding year, the taxing unit
16 may not increase the taxes it imposes on the homestead above that
17 amount in any subsequent year. The limitation imposed by this
18 subsection does not apply to a taxing unit if the former homestead
19 was not subject to taxation by a taxing unit of the same type in the
20 last year in which the individual received the exemption for the
21 former homestead. For purposes of this subsection, a taxing unit is
22 of the same type as another taxing unit if the taxing units:

23 (1) are both municipalities, both counties, both
24 school districts, or both junior college districts; or

25 (2) are taxing units not described by Subdivision (1)
26 and one taxing unit provides one or more of the same types of
27 services as the other.

1 (i) [~~(h)~~] An individual who receives a limitation on tax
2 increases under this section, including a surviving spouse who
3 receives a limitation under Subsection (j) [~~(i)~~], and who
4 subsequently qualifies a different residence homestead for an
5 exemption under Section 11.13, or an agent of the individual, is
6 entitled to receive from the chief appraiser of the appraisal
7 district in which the former homestead was located a written
8 certificate providing the information necessary to determine
9 whether the individual may qualify for a limitation on the
10 subsequently qualified homestead under Subsection (h) [~~(g)~~] and to
11 calculate the amount of taxes the taxing units [~~school district~~]
12 may impose on the subsequently qualified homestead.

13 (j) [~~(i)~~] If an individual who qualifies for the exemption
14 provided by Section 11.13(c) or (d) for an individual 65 years of
15 age or older dies, the surviving spouse of the individual is
16 entitled to the limitation applicable to the residence homestead of
17 the individual if:

18 (1) the surviving spouse is 55 years of age or older
19 when the individual dies; and

20 (2) the residence homestead of the individual:

21 (A) is the residence homestead of the surviving
22 spouse on the date that the individual dies; and

23 (B) remains the residence homestead of the
24 surviving spouse.

25 (k) [~~(j)~~] If an individual who qualifies for an exemption
26 provided by Section 11.13(c) or (d) for an individual 65 years of
27 age or older dies in the first year in which the individual

1 qualified for the exemption and the individual first qualified for
2 the exemption after the beginning of that year, except as provided
3 by Subsection (l) [~~(k)~~], the amount to which the surviving spouse's
4 [~~school district~~] taxes imposed by a taxing unit are limited under
5 Subsection (j) [~~(i)~~] is the amount of [~~school district~~] taxes
6 imposed by the taxing unit on the residence homestead in that year
7 determined as if the individual qualifying for the exemption had
8 lived for the entire year.

9 (l) [~~(k)~~] If in a the first tax year after the year in which
10 an individual dies in the circumstances described by Subsection (k)
11 [~~(j)~~] the amount of [~~school district~~] taxes imposed by a taxing unit
12 on the residence homestead of the surviving spouse is less than the
13 amount of [~~school district~~] taxes imposed by the taxing unit [~~in the~~
14 ~~preceding year~~] as limited by Subsection (k) [~~(j)~~], in a subsequent
15 tax year the [~~surviving spouse's school district~~] taxes imposed by
16 that taxing unit on that residence homestead are limited to the
17 lesser amount of taxes imposed by the taxing unit [~~district~~] in that
18 [~~first~~] tax year [~~after the year in which the individual dies~~].

19 (m) For the purpose of calculating a limitation on tax
20 increases by a school district under this section, an individual
21 who qualified a residence homestead before January 1, 2003, for an
22 exemption under Section 11.13(c) or (d) for an individual who is
23 disabled is considered to have qualified the homestead for that
24 exemption on January 1, 2003.

25 (n) For the purpose of calculating a limitation on tax
26 increases by a taxing unit other than a school district under this
27 section, an individual who qualified a residence homestead before

1 January 1, 2003, for an exemption under Section 11.13(c) or (d) for
2 an individual who is disabled or is 65 years of age or older is
3 considered to have qualified the homestead for that exemption on
4 January 1, 2003.

5 (o) For the purpose of qualifying under Subsection (h) for
6 the limitation on taxes on a subsequently qualified homestead
7 imposed by a school district, the residence homestead of an
8 individual who qualified the former homestead for an exemption
9 under Section 11.13(c) or (d) for an individual who is disabled may
10 be considered to be a subsequently qualified homestead only if the
11 individual qualified the former homestead for that exemption for a
12 tax year beginning on or after January 1, 2003.

13 (p) For the purpose of qualifying under Subsection (h) for
14 the limitation on taxes on a subsequently qualified homestead
15 imposed by a taxing unit other than a school district, the residence
16 homestead of an individual may be considered to be a subsequently
17 qualified homestead only if the individual qualified the former
18 homestead for an exemption under Section 11.13(c) or (d) for an
19 individual who is disabled or is 65 years of age or older for a tax
20 year beginning on or after January 1, 2003.

21 (q) The limitations on tax increases provided by this
22 section apply to taxes imposed on a residence homestead by a school
23 district whose boundaries are changed to include the residence
24 homestead as if the taxes imposed on the residence homestead by the
25 school district in which the residence homestead was previously
26 located had been imposed by the school district whose boundaries
27 include the residence homestead after the boundary change.

1 ~~[(1) For purposes of the limitation on tax increases provided~~
2 ~~by Subsection (g), the governing body of a school district in a~~
3 ~~county with a population of fewer than 75,000 in a manner provided~~
4 ~~by law for official action by the governing body may elect to apply~~
5 ~~the limitation provided by Subsection (g) to the residence~~
6 ~~homestead of an individual as if that subsection were in effect on~~
7 ~~January 1, 1993. The governing body must make the election before~~
8 ~~January 1, 1999. The election applies only to taxes imposed in a~~
9 ~~tax year that begins after the tax year in which the election is~~
10 ~~made.]~~

11 SECTION 2. Section 23.19(g), Tax Code, is amended to read as
12 follows:

13 (g) A tax bill or a separate statement accompanying the tax
14 bill to a cooperative housing corporation for which interests of
15 stockholders are separately appraised under this section must
16 state, in addition to the information required by Section 31.01 [~~of~~
17 ~~this code~~], the appraised value and taxable value of each interest
18 separately appraised. Each exemption claimed as provided by this
19 title by a person entitled to the exemption shall also be deducted
20 from the total appraised value of the property of the corporation.
21 The total tax imposed by a taxing unit [~~school district~~] shall be
22 reduced by any amount that represents an increase in taxes
23 attributable to separately appraised interests of the real property
24 and improvements that are subject to a the [~~the~~] limitation of taxes
25 prescribed by Section 11.26 [~~of this code~~]. The corporation shall
26 apportion among its stockholders liability for reimbursing the
27 corporation for property taxes according to the relative taxable

1 values of their interests.

2 SECTION 3. Sections 26.012(6), (13), and (14), Tax Code,
3 are amended to read as follows:

4 (6) "Current total value" means the total taxable
5 value of property listed on the appraisal roll for the current year,
6 including all appraisal roll supplements and corrections as of the
7 date of the calculation, less the taxable value of property
8 exempted for the current tax year for the first time under Section
9 11.31, except that:

10 (A) the current total value for a taxing unit
11 other than a hospital [~~school~~] district excludes [+

12 [~~(A)~~] the total value of homesteads that qualify
13 for a tax limitation as provided by Section 11.26; and

14 (B) the current total value for a school district
15 also excludes new property value of property that is subject to an
16 agreement entered into under Chapter 313.

17 (13) "Last year's levy" means the total of:

18 (A) the amount of taxes that would be generated
19 by multiplying the total tax rate adopted by the governing body in
20 the preceding year by the total taxable value of property on the
21 appraisal roll for the preceding year, including:

22 (i) taxable value that was reduced in an
23 appeal under Chapter 42; and

24 (ii) all appraisal roll supplements and
25 corrections other than corrections made pursuant to Section
26 25.25(d), as of the date of the calculation but excluding [~~except~~
27 ~~that last year's taxable value for a school district excludes~~] the

1 total value of homesteads that qualified for a tax limitation as
2 provided by Section 11.26; and

3 (B) the amount of taxes refunded by the taxing
4 unit in the preceding year for tax years before that year.

5 (14) "Last year's total value" means the total taxable
6 value of property listed on the appraisal roll for the preceding
7 year, including all appraisal roll supplements and corrections,
8 other than corrections made pursuant to Section 25.25(d) [~~of this~~
9 ~~code~~], as of the date of the calculation but excluding [~~, except that~~
10 ~~last year's taxable value for a school district excludes~~] the total
11 value of homesteads that qualified for a tax limitation as provided
12 by Section 11.26 [~~of this code~~].

13 SECTION 4. Section 403.302(d), Government Code, is amended
14 to read as follows:

15 (d) For the purposes of this section, "taxable value" means
16 the market value of all taxable property less:

17 (1) the total dollar amount of any residence homestead
18 exemptions lawfully granted under Section 11.13(b) or (c), Tax
19 Code, in the year that is the subject of the study for each school
20 district;

21 (2) one-half of the total dollar amount of any
22 residence homestead exemptions granted under Section 11.13(n), Tax
23 Code, in the year that is the subject of the study for each school
24 district;

25 (3) the total dollar amount of any exemptions granted
26 before May 31, 1993, within a reinvestment zone under agreements
27 authorized by Chapter 312, Tax Code;

1 (4) subject to Subsection (e), the total dollar amount
2 of any captured appraised value of property that:

3 (A) is within a reinvestment zone created on or
4 before May 31, 1999, or is proposed to be included within the
5 boundaries of a reinvestment zone as the boundaries of the zone and
6 the proposed portion of tax increment paid into the tax increment
7 fund by a school district are described in a written notification
8 provided by the municipality or the board of directors of the zone
9 to the governing bodies of the other taxing units in the manner
10 provided by Section 311.003(e), Tax Code, before May 31, 1999, and
11 within the boundaries of the zone as those boundaries existed on
12 September 1, 1999, including subsequent improvements to the
13 property regardless of when made;

14 (B) generates taxes paid into a tax increment
15 fund created under Chapter 311, Tax Code, under a reinvestment zone
16 financing plan approved under Section 311.011(d), Tax Code, on or
17 before September 1, 1999; and

18 (C) is eligible for tax increment financing under
19 Chapter 311, Tax Code;

20 (5) the total dollar amount of any exemptions granted
21 under Section 11.251, Tax Code;

22 (6) the difference between the comptroller's estimate
23 of the market value and the productivity value of land that
24 qualifies for appraisal on the basis of its productive capacity,
25 except that the productivity value estimated by the comptroller may
26 not exceed the fair market value of the land;

27 (7) the portion of the appraised value of residence

1 homesteads of the disabled or elderly on which school district
2 taxes are not imposed in the year that is the subject of the study,
3 calculated as if the residence homesteads were appraised at the
4 full value required by law;

5 (8) a portion of the market value of property not
6 otherwise fully taxable by the district at market value because of:

7 (A) action required by statute or the
8 constitution of this state that, if the tax rate adopted by the
9 district is applied to it, produces an amount equal to the
10 difference between the tax that the district would have imposed on
11 the property if the property were fully taxable at market value and
12 the tax that the district is actually authorized to impose on the
13 property, if this subsection does not otherwise require that
14 portion to be deducted; or

15 (B) action taken by the district under Subchapter
16 B or C, Chapter 313, Tax Code;

17 (9) the market value of all tangible personal
18 property, other than manufactured homes, owned by a family or
19 individual and not held or used for the production of income;

20 (10) the appraised value of property the collection of
21 delinquent taxes on which is deferred under Section 33.06, Tax
22 Code;

23 (11) the portion of the appraised value of property
24 the collection of delinquent taxes on which is deferred under
25 Section 33.065, Tax Code; and

26 (12) the amount by which the market value of a
27 residence homestead to which Section 23.23, Tax Code, applies

1 exceeds the appraised value of that property as calculated under
2 that section.

3 SECTION 5. (a) The limitations provided by Section 11.26,
4 Tax Code, as amended by this Act, on ad valorem tax increases by
5 school districts on residence homesteads that were not covered by
6 Section 11.26, Tax Code, before the amendment of that section by
7 this Act apply beginning with ad valorem taxes imposed for the 2004
8 tax year.

9 (b) The limitations provided by Section 11.26, Tax Code, as
10 amended by this Act, on tax increases on residence homesteads by
11 taxing units that were not covered by Section 11.26, Tax Code,
12 before the amendment of that section by this Act apply beginning
13 with taxes imposed for the 2004 tax year.

14 SECTION 6. This Act takes effect January 1, 2004, but only
15 if the constitutional amendment proposed by the 78th Legislature,
16 Regular Session, 2003, to prohibit a political subdivision other
17 than a hospital district from increasing ad valorem taxes on the
18 residence homestead of a disabled person, an elderly person, or the
19 surviving spouse of an elderly person is approved by the voters. If
20 that amendment is not approved by the voters, this Act has no
21 effect.