

By: Howard

H.B. No. 1918

A BILL TO BE ENTITLED

AN ACT

relating to limiting the annual percentage increase in the appraised value of a residence homestead and certain other residential property for ad valorem tax purposes.

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

SECTION 1. Section 1.12(d), Tax Code, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of a residential property [~~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. The appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23.

SECTION 2. Section 23.23, Tax Code, is amended to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF RESIDENTIAL PROPERTY [~~RESIDENCE HOMESTEAD~~]. (a) In this section "residential property" means a property that a person owns that is used or designed for residential purposes and consists of fewer than five dwelling units. The term includes:

(1) property that qualifies as a residence homestead;  
and

(2) a separately owned dwelling unit, including an

1 interest in real property described by Section 11.13(o) that  
2 entitles the owner to occupy a dwelling unit, in a structure that  
3 contains the dwelling unit.

4 (b) The appraised value of a residential property  
5 ~~[residence homestead]~~ for a tax year may not exceed the lesser of:

6 (1) the market value of the property; or

7 (2) the sum of:

8 (A) two ~~[10]~~ percent of the appraised value of  
9 the property for the last year in which the property was appraised  
10 for taxation times the number of years since the property was last  
11 appraised;

12 (B) the appraised value of the property for the  
13 last year in which the property was appraised; and

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

16 (c) ~~[(b)]~~ When appraising a residential property ~~[residence~~  
17 ~~homestead]~~, the chief appraiser shall:

18 (1) appraise the property at its market value; and

19 (2) include in the appraisal records both the market  
20 value of the property and the amount computed under Subsection  
21 (b)(2) ~~[(a)(2)]~~.

22 (d) ~~[(e)]~~ The limitation provided by Subsection (b) ~~[(a)]~~  
23 takes effect as to a residential property ~~[residence homestead]~~ on  
24 January 1 of the tax year following the first tax year in which the  
25 owner owned the property on January 1 and in which ~~[qualifies]~~ the  
26 property was used for residential purposes for the entire year ~~[an~~  
27 ~~exemption under Section 11.13]~~. The limitation expires on January

1 1 of the first tax year after the date the property is diverted to a  
2 use other than residential or is sold or transferred to another  
3 person who is not [~~that neither the owner of the property when the~~  
4 ~~limitation took effect nor~~] the owner's spouse or surviving spouse  
5 [~~qualifies for an exemption under Section 11.13~~].

6 (e) For purposes of this section, ownership of property by a  
7 qualifying trust as defined by Section 11.13(j) is considered to be  
8 ownership by the trustor.

9 (f) For purposes of this section, property does not cease to  
10 be used for residential purposes solely because the property is  
11 temporarily unoccupied or being remodeled or repaired consistent  
12 with residential use.

13 (g) [~~(d)~~] This section does not apply to property appraised  
14 under Subchapter C, D, E, F, [~~or~~] G, or H.

15 (h) [~~(e)~~] In this section, "new improvement" means an  
16 improvement to a residential property [~~residence homestead~~] that is  
17 made after the most recent appraisal of the property [~~for the~~  
18 ~~preceding year~~] and that increases the market value of the  
19 property. The term does not include repairs to or ordinary  
20 maintenance of an existing structure or the grounds or another  
21 feature of the property.

22 SECTION 3. Section 44.004(c), Education Code, is amended to  
23 read as follows:

24 (c) The notice of public meeting to discuss and adopt the  
25 budget and the proposed tax rate may not be smaller than one-quarter  
26 page of a standard-size or a tabloid-size newspaper, and the  
27 headline on the notice must be in 18-point or larger type. Subject

1 to Subsection (d), the notice must:

2 (1) contain a statement in the following form:

3 "NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE

4 "The (name of school district) will hold a public meeting at  
5 (time, date, year) in (name of room, building, physical location,  
6 city, state). The purpose of this meeting is to discuss the school  
7 district's budget that will determine the tax rate that will be  
8 adopted. Public participation in the discussion is invited." The  
9 statement of the purpose of the meeting must be in bold type. In  
10 reduced type, the notice must state: "The tax rate that is  
11 ultimately adopted at this meeting or at a separate meeting at a  
12 later date may not exceed the proposed rate shown below unless the  
13 district publishes a revised notice containing the same information  
14 and comparisons set out below and holds another public meeting to  
15 discuss the revised notice.";

16 (2) contain a section entitled "Comparison of Proposed  
17 Rates with Last Year's Rates," which must:

18 (A) show in rows the tax rates described by  
19 Subparagraphs (i)-(iii), expressed as amounts per \$100 valuation of  
20 property, for columns entitled "Maintenance & Operations,"  
21 "Interest & Sinking Fund," and "Total," which is the sum of  
22 "Maintenance & Operations" and "Interest & Sinking Fund":

23 (i) the school district's "Last Year's  
24 Rate";

25 (ii) the "Rate to Maintain Same Level of  
26 Maintenance & Operations Revenue & Pay Debt Service," which:

27 (a) in the case of "Maintenance &

1 Operations," is the tax rate that, when applied to the current  
2 taxable value for the district, as certified by the chief appraiser  
3 under Section 26.01, Tax Code, and as adjusted to reflect changes  
4 made by the chief appraiser as of the time the notice is prepared,  
5 would impose taxes in an amount that, when added to state funds to  
6 be distributed to the district under Chapter 42, would provide the  
7 same amount of maintenance and operations taxes and state funds  
8 distributed under Chapter 42 per student in average daily  
9 attendance for the applicable school year that was available to the  
10 district in the preceding school year; and

11 (b) in the case of "Interest & Sinking  
12 Fund," is the tax rate that, when applied to the current taxable  
13 value for the district, as certified by the chief appraiser under  
14 Section 26.01, Tax Code, and as adjusted to reflect changes made by  
15 the chief appraiser as of the time the notice is prepared, and when  
16 multiplied by the district's anticipated collection rate, would  
17 impose taxes in an amount that, when added to state funds to be  
18 distributed to the district under Chapter 46 and any excess taxes  
19 collected to service the district's debt during the preceding year  
20 but not used for that purpose during that year, would provide the  
21 amount required to service the district's debt; and

22 (iii) the "Proposed Rate";

23 (B) contain fourth and fifth columns aligned with  
24 the columns required by Paragraph (A) that show, for each row  
25 required by Paragraph (A):

26 (i) the "Local Revenue per Student," which  
27 is computed by multiplying the district's total taxable value of

1 property, as certified by the chief appraiser for the applicable  
2 school year under Section 26.01, Tax Code, and as adjusted to  
3 reflect changes made by the chief appraiser as of the time the  
4 notice is prepared, by the total tax rate, and dividing the product  
5 by the number of students in average daily attendance in the  
6 district for the applicable school year; and

7 (ii) the "State Revenue per Student," which  
8 is computed by determining the amount of state aid received or to be  
9 received by the district under Chapters 42, 43, and 46 and dividing  
10 that amount by the number of students in average daily attendance in  
11 the district for the applicable school year; and

12 (C) contain an asterisk after each calculation  
13 for "Interest & Sinking Fund" and a footnote to the section that, in  
14 reduced type, states "The Interest & Sinking Fund tax revenue is  
15 used to pay for bonded indebtedness on construction, equipment, or  
16 both. The bonds, and the tax rate necessary to pay those bonds,  
17 were approved by the voters of this district.";

18 (3) contain a section entitled "Comparison of Proposed  
19 Levy with Last Year's Levy on Average Residence," which must:

20 (A) show in rows the information described by  
21 Subparagraphs (i)-(iv), rounded to the nearest dollar, for columns  
22 entitled "Last Year" and "This Year":

23 (i) "Average Market Value of Residences,"  
24 determined using the same group of residences for each year;

25 (ii) "Average Taxable Value of Residences,"  
26 determined after taking into account the limitation on the  
27 appraised value of residential properties [~~residences~~] under

1 Section 23.23, Tax Code, and after subtracting all homestead  
2 exemptions applicable in each year, other than exemptions available  
3 only to disabled persons or persons 65 years of age or older or  
4 their surviving spouses, and using the same group of residences for  
5 each year;

6 (iii) "Last Year's Rate Versus Proposed  
7 Rate per \$100 Value"; and

8 (iv) "Taxes Due on Average Residence,"  
9 determined using the same group of residences for each year; and

10 (B) contain the following information:  
11 "Increase (Decrease) in Taxes" expressed in dollars and cents,  
12 which is computed by subtracting the "Taxes Due on Average  
13 Residence" for the preceding tax year from the "Taxes Due on Average  
14 Residence" for the current tax year;

15 (4) contain the following statement in bold print:  
16 "Under state law, the dollar amount of school taxes imposed on the  
17 residence of a person 65 years of age or older or of the surviving  
18 spouse of such a person, if the surviving spouse was 55 years of age  
19 or older when the person died, may not be increased above the amount  
20 paid in the first year after the person turned 65, regardless of  
21 changes in tax rate or property value.";

22 (5) contain the following statement in bold print:  
23 "Notice of Rollback Rate: The highest tax rate the district can  
24 adopt before requiring voter approval at an election is (the school  
25 district rollback rate determined under Section 26.08, Tax Code).  
26 This election will be automatically held if the district adopts a  
27 rate in excess of the rollback rate of (the school district rollback

1 rate)."; and

2 (6) contain a section entitled "Fund Balances," which  
3 must include the estimated amount of interest and sinking fund  
4 balances and the estimated amount of maintenance and operation or  
5 general fund balances remaining at the end of the current fiscal  
6 year that are not encumbered with or by corresponding debt  
7 obligation, less estimated funds necessary for the operation of the  
8 district before the receipt of the first payment under Chapter 42 in  
9 the succeeding school year.

10 SECTION 4. Sections 403.302(d) and (i), Government Code,  
11 are amended to read as follows:

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

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

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

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

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

27 (A) is within a reinvestment zone created on or

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

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

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

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

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

24 (7) the portion of the appraised value of residence  
25 homesteads of the elderly on which school district taxes are not  
26 imposed in the year that is the subject of the study, calculated as  
27 if the residence homesteads were appraised at the full value

1 required by law;

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

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

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

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

17 (10) the appraised value of property the collection of  
18 delinquent taxes on which is deferred under Section 33.06, Tax  
19 Code;

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

23 (12) the amount by which the market value of a  
24 residential property [~~residence-homestead~~] to which Section 23.23,  
25 Tax Code, applies exceeds the appraised value of that property as  
26 calculated under that section.

27 (i) If the comptroller determines in the annual study that

1 the market value of property in a school district as determined by  
 2 the appraisal district that appraises property for the school  
 3 district, less the total of the amounts and values listed in  
 4 Subsection (d) as determined by that appraisal district, is valid,  
 5 the comptroller, in determining the taxable value of property in  
 6 the school district under Subsection (d), shall for purposes of  
 7 Subsection (d)(12) subtract from the market value as determined by  
 8 the appraisal district of residential properties [~~residence~~  
 9 ~~homesteads~~] to which Section 23.23, Tax Code, applies the amount by  
 10 which that amount exceeds the appraised value of those properties  
 11 as calculated by the appraisal district under Section 23.23, Tax  
 12 Code. If the comptroller determines in the annual study that the  
 13 market value of property in a school district as determined by the  
 14 appraisal district that appraises property for the school district,  
 15 less the total of the amounts and values listed in Subsection (d) as  
 16 determined by that appraisal district, is not valid, the  
 17 comptroller, in determining the taxable value of property in the  
 18 school district under Subsection (d), shall for purposes of  
 19 Subsection (d)(12) subtract from the market value as estimated by  
 20 the comptroller of residential properties [~~residence homesteads~~]  
 21 to which Section 23.23, Tax Code, applies the amount by which that  
 22 amount exceeds the appraised value of those properties as  
 23 calculated by the appraisal district under Section 23.23, Tax Code.

24 SECTION 5. This Act takes effect January 1, 2004, and  
 25 applies only to the appraisal for ad valorem tax purposes of a  
 26 residence homestead for a tax year that begins on or after that  
 27 date, but only if the constitutional amendment proposed by the 78th

H.B. No. 1918

1 Legislature, Regular Session, 2003, to authorize the legislature to  
2 set a limit of two percent on the annual percentage increase in the  
3 appraised value of residence homesteads and certain other  
4 residential property is approved by the voters. If that amendment  
5 is not approved by the voters, this Act has no effect.