

By: Bohac, Hegar, Bonnen, Wong, Howard,
et al.

H.B. No. 3223

Substitute the following for H.B. No. 3223:

By: Quintanilla

C.S.H.B. No. 3223

A BILL TO BE ENTITLED

AN ACT

relating to limiting the maximum average annual increase in the
appraised value of real property for ad valorem tax purposes.

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

ARTICLE 1

SECTION 1.01. Section 1.12(d), Tax Code, is amended to read
as follows:

(d) For purposes of this section, the appraisal ratio of
real property [~~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. 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. The heading to Section 23.23, Tax Code, is
amended to read as follows:

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

SECTION 1.03. Section 23.23(a), Tax Code, is amended to
read as follows:

(a) The appraised value of a residence homestead for
taxation by a school district for a tax year may not exceed the
lesser of:

(1) the market value of the property; or

1 (2) the sum of:

2 (A) 10 percent of the appraised value of the
3 property for the last year in which the property was appraised for
4 taxation times the number of years since the property was last
5 appraised;

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

8 (C) the market value of all new improvements to
9 the property.

10 SECTION 1.04. Subchapter B, Chapter 23, Tax Code, is
11 amended by adding Section 23.231 to read as follows:

12 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY
13 FOR TAXATION BY TAXING UNITS OTHER THAN SCHOOL DISTRICTS. (a) The
14 appraised value of real property for taxation by a taxing unit other
15 than a school district for a tax year may not exceed the lesser of:

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

17 (2) the sum of:

18 (A) five percent of the appraised value of the
19 property for the last year in which the property was appraised for
20 taxation times the number of years since the property was last
21 appraised;

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

24 (C) the market value of all new improvements to
25 the property.

26 (b) When appraising real property for purposes of this
27 section, the chief appraiser shall:

1 (1) appraise the property at its market value; and
2 (2) include in the appraisal records both the market
3 value of the property and the amount computed under Subsection
4 (a)(2).

5 (c) The limitation provided by Subsection (a) takes effect
6 on January 1 of the tax year following the first tax year in which
7 the owner owns the property on January 1, or, if the property
8 qualifies as the residence homestead of the owner under Section
9 11.13 in the tax year in which the owner acquires the property, the
10 limitation takes effect on January 1 of the tax year following that
11 tax year. Except as provided by Subsection (d) or (e), the
12 limitation expires on January 1 of the first tax year following the
13 year in which the owner of the property ceases to own the property.

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

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

27 (f) This section does not apply to property appraised under

1 Subchapter C, D, E, F, or G.

2 (g) In this section, "new improvement" means an improvement
3 to real property that is made after the appraisal of the property
4 for the most recent year in which the property was appraised for
5 taxation and that increases the market value of the property. The
6 term does not include ordinary maintenance of an existing structure
7 or the grounds or another feature of the property.

8 (h) The limitation provided by this section applies only to
9 the appraisal of real property for taxation for a tax year that
10 begins on or after January 1, 2004. For purposes of applying the
11 limitation in the first tax year after the 2003 tax year in which
12 the property is appraised for taxation:

13 (1) the property is considered to have been appraised
14 for taxation in the 2003 tax year at a market value equal to the
15 appraised value of the property for that tax year;

16 (2) a person who acquired real property in a tax year
17 before the 2003 tax year is considered to have acquired the property
18 on January 1, 2003; and

19 (3) a person who qualified the property for an
20 exemption under Section 11.13 as the person's residence homestead
21 for any portion of the 2003 tax year is considered to have acquired
22 the property in the 2003 tax year.

23 (i) This section expires December 31, 2005.

24 ARTICLE 2

25 SECTION 2.01. Section 1.12(d), Tax Code, is amended to read
26 as follows:

27 (d) For purposes of this section, the appraisal ratio of a

1 homestead to which Section 23.23 applies is the ratio of the
2 property's market value as determined by the appraisal district or
3 appraisal review board, as applicable, to the market value of the
4 property according to law. The appraisal ratio is not calculated
5 according to the appraised value of the property as limited by
6 Section 23.23.

7 SECTION 2.02. The heading to Section 23.23, Tax Code, is
8 amended to read as follows:

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

11 SECTION 2.03. Section 23.23(a), Tax Code, is amended to
12 read as follows:

13 (a) The appraised value of a residence homestead for a tax
14 year may not exceed the lesser of:

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

16 (2) the sum of:

17 (A) 10 percent of the appraised value of the
18 property for the last year in which the property was appraised for
19 taxation times the number of years since the property was last
20 appraised;

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

23 (C) the market value of all new improvements to
24 the property.

25 ARTICLE 3

26 SECTION 3.01. Except as provided by Section 3.02 of this
27 Act, this Act takes effect January 1, 2004, and applies only to the

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

9 SECTION 3.02. Article 2 of this Act takes effect January 1,
10 2006, and applies only to the appraisal for ad valorem tax purposes
11 of a residence homestead for a tax year that begins on or after that
12 date.