

By: Bohac

H.B. No. 3223

A BILL TO BE ENTITLED

1 AN ACT

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

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

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

8 (d) For purposes of this section, the appraisal ratio of
9 real property [~~a homestead~~] to which Section 23.23 applies is the
10 ratio of the property's market value as determined by the appraisal
11 district or appraisal review board, as applicable, to the market
12 value of the property according to law. The appraisal ratio is not
13 calculated according to the appraised value of the property as
14 limited by Section 23.23.

15 SECTION 2. The heading to Section 23.23, Tax Code, is
16 amended to read as follows:

17 Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY
18 [~~RESIDENCE HOMESTEAD~~].

19 SECTION 3. Section 23.23, Tax Code, is amended by amending
20 Subsections (a)-(c) and adding Subsections (c-1)-(c-3) to read as
21 follows:

22 (a) The appraised value of real property [~~a residence~~
23 ~~homestead~~] for a tax year may not exceed the lesser of:

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

1 (2) the sum of:

2 (A) five [~~10~~] percent of the appraised value of
3 the property for the last year in which the property was appraised
4 for 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 (b) When appraising real property [~~a residence homestead~~],
11 the chief appraiser shall:

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

13 (2) include in the appraisal records both the market
14 value of the property and the amount computed under Subsection
15 (a)(2).

16 (c) Except as provided by Subsection (c-1), the [~~The~~]
17 limitation provided by Subsection (a) takes effect on January 1 of
18 the tax year following the first tax year in which the owner owns
19 the property on January 1, or, if the property is [~~as to~~] a
20 residence homestead, on January 1 of the tax year following the
21 first tax year in which the owner qualifies the property for an
22 exemption under Section 11.13. Except as provided by Subsection
23 (c-1), (c-2), or (c-3), the [~~The~~] limitation expires on January 1 of
24 the first tax year following the year in which [~~that neither~~]
25 owner of the property sells or otherwise transfers ownership of the
26 property.

27 (c-1) If on January 1, 2003, the property was a residence

1 homestead and qualified for a limitation under Subsection (a), as
2 that subsection existed on that date, the limitation is continued
3 in effect and does not expire until January 1 of the first tax year
4 following the year in which the owner sells or otherwise transfers
5 ownership of the property, except as provided by Subsection (c-2).

6 (c-2) If property subject to a limitation under this section
7 qualifies for an exemption under Section 11.13 when the ownership
8 of the property is transferred to the owner's spouse or surviving
9 spouse, the limitation expires on January 1 of the first tax year
10 following the year in which [~~when the limitation took effect nor~~]
11 the owner's spouse or surviving spouse sells the property or
12 transfers ownership of the property, unless the limitation is
13 continued under this subsection [~~qualifies for an exemption under~~
14 ~~Section 11.13~~].

15 (c-3) If property subject to a limitation under Subsection
16 (a), other than a residence homestead, is owned by two or more
17 persons, the limitation expires on January 1 of the first tax year
18 following the year in which the ownership of at least a 50 percent
19 interest in the property is sold or otherwise transferred.

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

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

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

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

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

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

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

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

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

27 (5) the total dollar amount of any exemptions granted

1 under Section 11.251, Tax Code;

2 (6) the difference between the comptroller's estimate
3 of the market value and the productivity value of land that
4 qualifies for appraisal on the basis of its productive capacity,
5 except that the productivity value estimated by the comptroller may
6 not exceed the fair market value of the land;

7 (7) the portion of the appraised value of residence
8 homesteads of the elderly on which school district taxes are not
9 imposed in the year that is the subject of the study, calculated as
10 if the residence homesteads were appraised at the full value
11 required by law;

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

14 (A) action required by statute or the
15 constitution of this state that, if the tax rate adopted by the
16 district is applied to it, produces an amount equal to the
17 difference between the tax that the district would have imposed on
18 the property if the property were fully taxable at market value and
19 the tax that the district is actually authorized to impose on the
20 property, if this subsection does not otherwise require that
21 portion to be deducted; or

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

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

27 (10) the appraised value of property the collection of

1 delinquent taxes on which is deferred under Section 33.06, Tax
2 Code;

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

6 (12) the amount by which the market value of real
7 property [~~a residence homestead~~] to which Section 23.23, Tax Code,
8 applies exceeds the appraised value of that property as calculated
9 under that section.

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

1 school district under Subsection (d), shall for purposes of
2 Subsection (d)(12) subtract from the market value as estimated by
3 the comptroller of real properties [~~residence homesteads~~] to which
4 Section 23.23, Tax Code, applies the amount by which that amount
5 exceeds the appraised value of those properties as calculated by
6 the appraisal district under Section 23.23, Tax Code.

7 SECTION 5. This Act takes effect January 1, 2004, and
8 applies only to the appraisal for ad valorem tax purposes of real
9 property for a tax year that begins on or after January 1, 2004, but
10 only if the constitutional amendment proposed by the 78th
11 Legislature, Regular Session, 2003, authorizing the legislature to
12 limit the maximum average annual increase in the appraised value of
13 real property for ad valorem tax purposes to five percent or more is
14 approved by the voters. If that amendment is not approved by the
15 voters, this Act has no effect.