

1-1 By: Bohac, et al. (Senate Sponsor - Janek) H.B. No. 3223
1-2 (In the Senate - Received from the House May 12, 2003;
1-3 May 13, 2003, read first time and referred to Committee on
1-4 Intergovernmental Relations; May 26, 2003, reported adversely,
1-5 with favorable Committee Substitute by the following vote: Yeas 3,
1-6 Nays 0; May 26, 2003, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 3223 By: Madla

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to limiting the maximum average annual increase in the
1-11 appraised value of real property for ad valorem tax purposes.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 ARTICLE 1

1-14 SECTION 1.01. Section 1.12(d), Tax Code, is amended to read
1-15 as follows:

1-16 (d) For purposes of this section, the appraisal ratio of
1-17 real property [a homestead] to which Section 23.23 or 23.231
1-18 applies is the ratio of the property's market value as determined by
1-19 the appraisal district or appraisal review board, as applicable, to
1-20 the market value of the property according to law. The appraisal
1-21 ratio is not calculated according to the appraised value of the
1-22 property as limited by Section 23.23 or 23.231.

1-23 SECTION 1.02. The heading to Section 23.23, Tax Code, is
1-24 amended to read as follows:

1-25 Sec. 23.23. LIMITATION ON APPRAISED VALUE OF RESIDENCE
1-26 HOMESTEAD FOR SCHOOL OR PUBLIC JUNIOR COLLEGE TAXES.

1-27 SECTION 1.03. Section 23.23(a), Tax Code, is amended to
1-28 read as follows:

1-29 (a) The appraised value of a residence homestead for
1-30 taxation by a school or public junior college district for a tax
1-31 year may not exceed the lesser of:

- 1-32 (1) the market value of the property; or
- 1-33 (2) the sum of:

1-34 (A) 10 percent of the appraised value of the
1-35 property for the last year in which the property was appraised for
1-36 taxation times the number of years since the property was last
1-37 appraised;

1-38 (B) the appraised value of the property for the
1-39 last year in which the property was appraised; and

1-40 (C) the market value of all new improvements to
1-41 the property.

1-42 SECTION 1.04. Subchapter B, Chapter 23, Tax Code, is
1-43 amended by adding Section 23.231 to read as follows:

1-44 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY
1-45 FOR TAXATION BY TAXING UNITS OTHER THAN SCHOOL OR PUBLIC JUNIOR
1-46 COLLEGE DISTRICT. (a) The appraised value of real property for
1-47 taxation by a taxing unit other than a school or public junior
1-48 college district for a tax year may not exceed the lesser of:

- 1-49 (1) the market value of the property; or
- 1-50 (2) the sum of:

1-51 (A) five percent of the appraised value of the
1-52 property for the last year in which the property was appraised for
1-53 taxation times the number of years since the property was last
1-54 appraised;

1-55 (B) the appraised value of the property for the
1-56 last year in which the property was appraised; and

1-57 (C) the market value of all new improvements to
1-58 the property.

1-59 (b) When appraising real property for purposes of this
1-60 section, the chief appraiser shall:

- 1-61 (1) appraise the property at its market value; and

1-62 (2) include in the appraisal records both the market
1-63 value of the property and the amount computed under Subsection

2-1 (a)(2).

2-2 (c) The limitation provided by Subsection (a) takes effect
 2-3 on January 1 of the tax year following the first tax year in which
 2-4 the owner owns the property on January 1, or, if the property
 2-5 qualifies as the residence homestead of the owner under Section
 2-6 11.13 in the tax year in which the owner acquires the property, the
 2-7 limitation takes effect on January 1 of the tax year following that
 2-8 tax year. Except as provided by Subsection (d) or (e), the
 2-9 limitation expires on January 1 of the first tax year following the
 2-10 year in which the owner of the property ceases to own the property.

2-11 (d) If property subject to a limitation under this section
 2-12 qualifies for an exemption under Section 11.13 when the ownership
 2-13 of the property is transferred to the owner's spouse or surviving
 2-14 spouse, the limitation expires on January 1 of the first tax year
 2-15 following the year in which the owner's spouse or surviving spouse
 2-16 ceases to own the property, unless the limitation is further
 2-17 continued under this subsection on the subsequent transfer to a
 2-18 spouse or surviving spouse.

2-19 (e) If property subject to a limitation under Subsection
 2-20 (a), other than a residence homestead, is owned by two or more
 2-21 persons, the limitation expires on January 1 of the first tax year
 2-22 following the year in which the ownership of at least a 50 percent
 2-23 interest in the property is sold or otherwise transferred.

2-24 (f) This section does not apply to property appraised under
 2-25 Subchapter C, D, E, F, or G or mineral interests.

2-26 (g) In this section, "new improvement" means an improvement
 2-27 to real property that is made after the appraisal of the property
 2-28 for the most recent year in which the property was appraised for
 2-29 taxation and that increases the market value of the property. The
 2-30 term does not include ordinary maintenance of an existing structure
 2-31 or the grounds or another feature of the property.

2-32 (h) The limitation provided by this section applies only to
 2-33 the appraisal of real property for taxation for a tax year that
 2-34 begins on or after January 1, 2004. For purposes of applying the
 2-35 limitation in the first tax year after the 2003 tax year in which
 2-36 the property is appraised for taxation:

2-37 (1) the property is considered to have been appraised
 2-38 for taxation in the 2003 tax year at a market value equal to the
 2-39 appraised value of the property for that tax year;

2-40 (2) a person who acquired real property in a tax year
 2-41 before the 2003 tax year is considered to have acquired the property
 2-42 on January 1, 2003; and

2-43 (3) a person who qualified the property for an
 2-44 exemption under Section 11.13 as the person's residence homestead
 2-45 for any portion of the 2003 tax year is considered to have acquired
 2-46 the property in the 2003 tax year.

2-47 ARTICLE 2

2-48 SECTION 2.01. Section 1.12(d), Tax Code, is amended to read
 2-49 as follows:

2-50 (d) For purposes of this section, the appraisal ratio of a
 2-51 homestead to which Section 23.23 applies is the ratio of the
 2-52 property's market value as determined by the appraisal district or
 2-53 appraisal review board, as applicable, to the market value of the
 2-54 property according to law. The appraisal ratio is not calculated
 2-55 according to the appraised value of the property as limited by
 2-56 Section 23.23.

2-57 SECTION 2.02. The heading to Section 23.23, Tax Code, is
 2-58 amended to read as follows:

2-59 Sec. 23.23. LIMITATION ON APPRAISED VALUE OF RESIDENCE
 2-60 HOMESTEAD.

2-61 SECTION 2.03. Section 23.23(a), Tax Code, is amended to
 2-62 read as follows:

2-63 (a) The appraised value of a residence homestead for a tax
 2-64 year may not exceed the lesser of:

2-65 (1) the market value of the property; or

2-66 (2) the sum of:

2-67 (A) 10 percent of the appraised value of the
 2-68 property for the last year in which the property was appraised for
 2-69 taxation times the number of years since the property was last

3-1 appraised;
 3-2 (B) the appraised value of the property for the
 3-3 last year in which the property was appraised; and
 3-4 (C) the market value of all new improvements to
 3-5 the property.

ARTICLE 3

3-6
 3-7 SECTION 3.01. Except as provided by Section 3.02 of this
 3-8 Act, this Act takes effect January 1, 2004, and applies only to the
 3-9 appraisal for ad valorem tax purposes of real property for a tax
 3-10 year that begins on or after January 1, 2004, but only if the
 3-11 constitutional amendment proposed by the 78th Legislature, Regular
 3-12 Session, 2003, authorizing the legislature to limit the maximum
 3-13 average annual increase in the appraised value of real property for
 3-14 ad valorem tax purposes to five percent or more is approved by the
 3-15 voters. If that amendment is not approved by the voters, this Act
 3-16 has no effect.

3-17 SECTION 3.02. Article 2 of this Act takes effect January 1,
 3-18 2006, and applies only to the appraisal for a valorem tax purposes
 3-19 of a residence homestead for a tax year that begins on or after that
 3-20 date.

3-21 * * * * *