

Amend CSHB 3 in ARTICLE 1 of the bill by adding the following PART, appropriately lettered, to read as follows:

PART \_\_\_\_ . PROPERTY TAX RELIEF FOR RESIDENTIAL TENANTS

SECTION 1\_.01. Title 1, Tax Code, is amended by adding Chapter 61 to read as follows:

CHAPTER 61. PROPERTY TAX RELIEF FOR RESIDENTIAL TENANTS

Sec. 61.001. PURPOSE. The purpose of this chapter is to ensure that residential rental tenants receive direct and immediate benefit from reductions in local school district ad valorem taxes until the benefit of that tax relief is fully reflected in rental

rates through free market competition and that every residential landlord gives a monthly rent credit or rebate, at the landlord's option, to each tenant who is renting a residential dwelling unit in this state during 2006, 2007, and 2008.

Sec. 61.002. DEFINITIONS. In this chapter:

(1) "Landlord" means the owner, lessor, or sublessor of a dwelling unit, but does not include a manager or agent of the landlord unless the manager or agent purports to be the owner, lessor, or sublessor in a written or oral lease.

(2) "Lease" means a written or oral agreement between a landlord and tenant that establishes or modifies the terms, conditions, rules, or other provisions regarding the use and occupancy of a dwelling unit.

(3) "Multifamily rental dwelling property" means a multiunit residential property with two or more rental dwelling units. The term includes a duplex, apartment building, dormitory, manufactured housing community, retirement center or community, and assisted living center and any other multiunit rental residential property subject to local school district ad valorem taxes.

(4) "Rent" includes the total amount charged by a landlord, or by a person on the landlord's behalf, for the use and occupancy of a dwelling unit. The term does not include a refundable security deposit.

(5) "Rental dwelling unit" means one or more rooms rented for use as a permanent residence under a single lease to one or more tenants.

(6) "Tenant" means an individual who is authorized by a lease to occupy a dwelling to the exclusion of others other than cotenants and who is obligated under the lease to pay rent.

Sec. 61.003. APPLICABILITY. (a) This chapter applies only to a rental dwelling unit or multifamily rental dwelling property that is subject to ad valorem taxation by a school district.

(b) This chapter does not apply to a temporary residential tenancy created by a contract of sale under which the buyer is entitled to occupy the property before closing or the seller is entitled to occupy the property after closing for a term of not more

than 90 days.

Sec. 61.004. CREDIT OR REBATE TO TENANT OF LANDLORD'S PROPERTY TAX SAVINGS. A landlord shall provide each of the landlord's tenants with a monthly credit or rebate on the tenant's rent to reflect a portion of the landlord's school district ad valorem tax savings for 2006, 2007, and 2008.

Sec. 61.005. NOTICE BY CHIEF APPRAISERS. (a) On or before December 1, 2005, or as soon as practicable after that date, the chief appraiser of each appraisal district shall send to all residential property owners a notice describing the requirements of this chapter. The notice shall contain language substantially similar to the following:

"Due to the property tax relief law approved by the 79th Texas Legislature, residential landlords are required to pass along school district ad valorem tax savings to their tenants under all leases in effect as of January 1, 2006, and for all leases entered into in 2006, 2007, and 2008. These savings must be provided to tenants by giving a monthly rent credit or rebate that reflects a portion of the property tax savings on school property taxes. Failure to comply with this law could result in severe penalties, including a civil penalty of \$100, treble damages, and attorney's fees. Information on complying with this law is available by contacting the (name, address, and telephone number of appraisal district) or by contacting the Texas Comptroller of Public Accounts by calling 1-800-252-5555."

(b) The notice required under Subsection (a) may be sent to property owners as part of another communication sent by the appraisal district under Section 31.01 and is not required to be sent to property owners as a separate communication.

(c) In December 2005, each appraisal district shall place at least one advertisement monthly in a newspaper of general circulation in the county for which the appraisal district is established. The advertisement shall be in 14-point or larger type and contain language substantially similar to the language prescribed by Subsection (a).

Sec. 61.006. TECHNICAL ASSISTANCE BY COMPTROLLER. (a) Not later than December 1, 2005, the comptroller shall develop

materials in plain language to assist landlords in complying with this chapter. The materials shall be printed in both English and Spanish and copies shall be sent to each appraisal district on or before December 15, 2005. A copy of the materials shall be provided without cost to any property owner on request.

(b) The comptroller shall provide necessary technical assistance to appraisal districts and landlords in complying with this chapter.

Sec. 61.007. TAX SAVINGS CALCULATIONS BY LANDLORDS. (a) For each year to which this chapter applies, a landlord shall determine the monthly school district ad valorem tax savings payable to the landlord's tenants as follows:

(1) the monthly rent credit or rebate for a single-family rental dwelling unit is equal to 6.25 percent of the difference between the amount of school district ad valorem taxes imposed on the dwelling unit for the preceding year and the amount of the school district ad valorem taxes that would have been imposed on that dwelling unit for that year if the dwelling unit had been taxed at a school district maintenance and operations tax rate of \_\_\_ cents plus the school district enrichment tax rate in that tax year per \$100 of taxable value; and

(2) the monthly rent credit or rebate for a rental dwelling unit in a multifamily rental dwelling property is equal to 6.25 percent of the difference between the amount of school district ad valorem taxes imposed on the dwelling property for the preceding year and the amount of the school district ad valorem taxes that would have been imposed on that dwelling property for that year if the dwelling property had been taxed at a school district maintenance and operations tax rate of \$\_\_\_ per \$100 of taxable value, multiplied by the square footage in the tenant's dwelling unit, and divided by the total net rentable square footage of all rental dwelling units in the multifamily rental dwelling property.

(b) The amount of the rent credit or rebate under Subsection (a) shall be calculated on a per-dwelling-unit basis and not on a per-tenant basis.

(c) If the amount of the rent credit or rebate calculated

under Subsection (a) is less than zero, the rent credit or rebate is zero.

Sec. 61.008. DATE OF REQUIRED CREDIT OR REBATE. (a) If a landlord gives a monthly credit to a tenant under this chapter, the landlord shall give the credit on the due date for each month's rent.

(b) If a landlord pays a monthly rent rebate to the tenant, the landlord shall pay the rebate not later than the 10th day after the date the tenant pays the entire rent due for the month. A landlord is presumed to have timely paid a rebate if the rebate is placed in the United States mail and postmarked on or before that date.

(c) If the tenant's rent is payable weekly, the amount of the weekly credit or rebate is equal to 1/52 of the credit or rebate for the entire year.

Sec. 61.009. LANDLORD'S NOTICE TO TENANTS. (a) In connection with each lease agreement for a rental dwelling unit entered into before January 1, 2006, that has not terminated or expired as of that date, the landlord shall provide a notice to each tenant on or before January 5, 2006, in boldface, 14-point or larger type, that substantially states the following:

"NOTICE OF TAX SAVINGS ON RENT

"Your current monthly rent on (insert unit number or street address) is \$\_\_\_\_ (insert amount of rent).

"Because of the property tax relief law passed by the 79th Texas Legislature in 2005, the amount of school district property taxes for your dwelling unit has been reduced by \_\_\_\_ (insert percentage savings) percent for 2006. The property tax relief law provides that the property owner must pass along tax savings to you and other tenants until sufficient time has elapsed for the tax relief to be fully reflected in rental rates through free market competition.

"Accordingly, you will receive a rent credit (or rebate check) of \$\_\_\_\_ (insert monthly prorated amount) for the current month of January and for each month thereafter until the date your current lease expires or December 31, 2008, whichever date is first. If the amount of taxes imposed on your dwelling unit is not

increased or decreased, the cumulative amount of property tax savings that will be passed on to you during the term of your lease as a result of the 2005 property tax relief legislation is projected to be \$\_\_\_\_\_ (insert cumulative savings for the unit for the term of the lease).

"This means the net rent you will be paying for this month and each subsequent month under your current lease will be \$\_\_\_\_\_ (insert net rent rate), and your rent should also be lower if you enter into a new lease for any rental dwelling unit in Texas any time in 2006, 2007, or 2008, through the date your new lease term expires or December 31, 2008, whichever date is earlier.

"If you have any questions about this new law, please contact the \_\_\_\_\_ County Appraisal District at (insert address and main phone number of the appraisal district established for the county in which the rental dwelling unit is located)."

(b) In connection with each lease agreement for a rental dwelling unit entered into in 2006, 2007, or 2008, the landlord shall provide a notice to each tenant at the time the lease is signed, in boldface, 14-point or larger type, that substantially states the following:

"NOTICE OF TAX SAVINGS ON RENT

"Your current monthly rent on (insert unit number or street address) is \$\_\_\_\_\_ (insert amount of rent).

"Because of the property tax relief law passed by the 79th Texas Legislature in 2005, the amount of school district property taxes for your dwelling unit has been reduced by \_\_\_\_\_ (insert percentage savings) percent for 2006 (or 2007 or 2008). The property tax relief law provides that the property owner must pass along tax savings to you and other tenants until sufficient time has elapsed for the tax relief to be fully reflected in rental rates through free market competition.

"Accordingly, you will receive a rent credit (or rebate check) of \$\_\_\_\_\_ (insert monthly prorated amount) for the current month and for each month thereafter until the date your current lease expires or December 31, 2008, whichever date is first. If the amount of taxes imposed on your dwelling unit is not increased or decreased, the cumulative amount of property tax savings that will

be passed on to you during the term of your lease as a result of the 2005 property tax relief legislation is projected to be \$\_\_\_\_\_ (insert cumulative savings for the unit for the term of the lease).

"This means the net rent you will be paying for this month and each subsequent month under your current lease will be \$\_\_\_\_\_ (insert net rent rate), and your rent should also be lower if you enter into a new lease for any rental dwelling unit in Texas any time in 2006, 2007, or 2008, through the date your new lease term expires or December 31, 2008, whichever date is earlier.

"If you have any questions about this new law, please contact the \_\_\_\_\_ County Appraisal District at (insert address and main phone number of the appraisal district established for the county in which the rental dwelling unit is located)."

(c) The notice required by Subsections (a) and (b) shall be translated and printed in English and Spanish. A notice provided by a landlord under this section must be provided in both languages if the rental dwelling unit is located in a county in which the Hispanic population exceeds 25 percent of the total population of that county according to the most recent federal census information available.

Sec. 61.010. CREDIT OR REBATE FOR MULTIPLE TENANTS. If two or more tenants are on a lease for the same rental dwelling unit, the credit or rebate under this chapter shall be provided jointly to all tenants renting the dwelling.

Sec. 61.011. PENALTIES. (a) A landlord who fails to comply with this chapter is liable to the affected tenant for a civil penalty of \$100 and treble the amount of any required rent credit or rebate that was not provided to the tenant.

(b) In a suit involving the payment of a rent credit or rebate, the prevailing party is entitled to recover reasonable attorney's fees from the nonprevailing party.

Sec. 61.012. TAX APPRAISALS. In tax years 2006-2008, a chief appraiser or an appraisal district may not consider a reduction of school district ad valorem taxes attributable to this chapter in any determination of the appraised value of a rental dwelling unit, real property containing a rental dwelling unit, or a multifamily rental dwelling property.

Sec. 61.013. COMPTROLLER STUDY. (a) The comptroller shall issue a preliminary report not later than March 1, 2007, if sufficient data is available, and shall issue a final report not later than December 1, 2008, to the governor, the lieutenant governor, and the speaker of the house of representatives on the implementation, administration, and effect of this chapter, including findings as to the following:

(1) the impact of property tax relief on rental rates throughout this state considering competitive market conditions, new construction, operating expenses, and other relevant factors impacting rental rates;

(2) the number of civil actions filed by tenants against landlords to enforce the provisions of this chapter and the type of properties owned by those landlords;

(3) the number and amount of civil penalties levied against landlords for noncompliance with this chapter and the type of properties owned by those landlords;

(4) the administrative costs associated with this chapter incurred by the comptroller, appraisal districts, and landlords; and

(5) any effect of reduced school district ad valorem tax rates on increasing the supply of affordable housing for purchase or rent by a person for use as a dwelling.

(b) In preparing the report, the comptroller shall consider the need to recommend alternative methods for providing school district ad valorem tax relief to persons who rent their homes.

Sec. 61.014. EXPIRATION. This chapter expires January 1, 2009.

SECTION 1\_.02. Chapter 1, Tax Code, is amended by adding Section 1.16 to read as follows:

Sec. 1.16. LANDLORD LIABILITY FOR RESIDENTIAL TENANT'S PROPERTY TAX RELIEF. The expiration of Chapter 61 does not affect the liability of a landlord or other person for any amount arising under Chapter 61 before the expiration, and the law governing that liability remains in effect notwithstanding the expiration for purposes of enforcing or satisfying the liability.