

Amend **CSHB 1** in Article ___ of the bill by inserting the following appropriately numbered SECTION and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION __. (a) Section 11.26, Tax Code, is amended by adding Subsections (a-1) and (a-2) to read as follows:

(a-1) Notwithstanding the other provisions of this section and except as provided by Subsection (a-2), if in the current tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead in the preceding tax year, the amount of the limitation provided by this section on the homestead in the current tax year is equal to the lesser of:

(1) the amount computed by:

(A) multiplying the amount of tax the school district imposed on the homestead in the preceding tax year by the lesser of one or a fraction the numerator of which is the tax rate of the district for the current tax year and the denominator of which is the tax rate of the district for the preceding tax year; and

(B) adding to the amount computed under Paragraph (A) any tax in the current tax year attributable to improvements made in the preceding tax year, as provided by Subsection (b); or

(2) the amount of the limitation on tax increases on the homestead as otherwise provided by this section.

(a-2) Notwithstanding the other provisions of this section, if in the 2007 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was a tax year before the 2006 tax year, the amount of the limitation provided by this section on the homestead in the 2007 tax year is equal to the amount computed by:

(1) multiplying the amount of tax the school district imposed on the homestead in the 2005 tax year by the lesser of one or

a fraction the numerator of which is the tax rate of the district for the 2006 tax year and the denominator of which is the tax rate of the district for the 2005 tax year;

(2) adding to the amount computed under Subdivision (1) any tax in the 2006 tax year attributable to improvements made in the 2005 tax year, as provided by Subsection (b);

(3) multiplying the amount computed under Subdivision (2) by the lesser of one or a fraction the numerator of which is the tax rate of the district for the 2007 tax year and the denominator of which is the tax rate of the district for the 2006 tax year; and

(4) adding to the amount computed under Subdivision (3) any tax in the 2007 tax year attributable to improvements made in the 2006 tax year, as provided by Subsection (b).

(b) Section 42.2511(a), Education Code, is amended to read as follows:

(a) Notwithstanding any other provision of this chapter, a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, does not fully compensate the district for ad valorem tax revenue lost due to:

(1) the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by HJR 4, 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by HJR 4, 75th Legislature, Regular Session, 1997; and

(2) the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as applicable.

(c) Section 403.302, Government Code, is amended by amending Subsection (j) and adding Subsection (j-1) to read as follows:

(j) For purposes of Section 42.2511, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII,

Texas Constitution, of \$5,000; ~~and~~

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by HJR 4, 75th Legislature, Regular Session, 1997; and

(3) a final value for each school district computed on the effect of the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as applicable.

(j-1) For purposes of applying Subsection (j)(3) in the 2007-2008 school year, the comptroller shall compute the final value under that subsection as if the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as applicable, had taken effect in the 2006 tax year. This subsection expires September 1, 2008.

(d) This section applies only to an ad valorem tax year that begins on or after January 1, 2007.

(e) This section takes effect January 1, 2007, but only if the constitutional amendment proposed by the 79th Legislature, 3rd Called Session, 2006, authorizing the legislature to provide for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed for public school purposes on the residence homesteads of the elderly or disabled to reflect any reduction in the rate of those taxes is approved by the voters. If that amendment is not approved by the voters, this section has no effect.