

BILL ANALYSIS

C.S.H.B. 72
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under Section 1-b(d), Article VIII, of the Texas Constitution, homeowners who are 65 years of age or older, or homeowners who have a disability, are eligible to receive a ceiling on the amount of school property taxes they will owe on their homestead based on the amount they owed the year they qualified for the freeze. During this 3rd Called Session of the 79th Legislature, there are efforts underway to reduce the amount of school property taxes people will pay; and therefore some would like to see a proportional reduction for those whose reap the benefits of the school property tax freeze under Section 1-b(d), Article VIII, of the Texas Constitution.

C.S.H.B. 72, the enabling legislation to C.S.H.J.R. 26, provides for an adjustment of the limitation on the total amount of ad valorem taxes that may be imposed by a school district on the residence homesteads of the elderly or disabled to reflect any change in the school district's tax rate. It also protects a school district against the resulting loss in local revenue.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1 amends Section 11.26, Tax Code, to add that if in the current tax year an individual qualifies for a limitation on tax increases on the individual's residence homestead, and the individual or the individual's spouse qualified for an exemption under Section 11.13(c), Tax Code, for the same homestead in the preceding tax year; the amount of the limitation in the current tax year is equal to the lesser of:

- (1) the amount of tax the school district imposed on the homestead in the preceding tax year multiplied by 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, plus any tax in the current tax year attributable to improvements made in the preceding tax year; or
- (2) the amount of the limitation on tax increases on the homestead as otherwise provided by this section.

If in the 2007 tax year an individual qualifies for a limitation on tax increases 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), Tax Code, for the same homestead was a tax year before the 2006 tax year, the amount of the limitation provided by this section in the 2007 tax year is 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) of Section 11.26, Tax Code, any tax in the 2006 tax year attributable to improvements made in the 2005 tax year;
- (3) multiplying the amount computed under Subdivision (2) of Section 11.26, Tax Code, by the lesser of one or a fraction the numerator of which is the tax rate of the school 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) of Section 11.26, Tax Code, any tax in the 2007 tax year attributable to improvements made in the 2006 tax year.

SECTION 2 amends Section 42.2511(a), Education Code, by stating that 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 the adjustment of the limitation on tax increases to reflect any change in the school district tax rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as applicable.

SECTION 3 amends Section 403.302, Government Code, to add that among other things for the purposes of Section 42.2511, Education Code, the comptroller shall certify to the commissioner of education a final value for each school district computed on the effect of the adjustment of the limitation on tax increases to reflect any change in the school district tax rate as provided by Section 11.26(a-1) or (a-2), Tax Code. Also, for the 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 adjustment of the limitation on tax increases to reflect any change in the school district tax rate as provided by Section 11.26 (a-1) or (a-2), Tax Code, had taken effect in the 2006 tax year. Subsection (j-1) expires September 1, 2008.

SECTION 4 states that this Act applies only to an ad valorem tax year that begins on or after January 1, 2007.

SECTION 5 states that this Act takes effect January 1, 2007, but only if the constitutional amendment proposed by the 79th Legislature, 3rd Called Session, 2006, providing for an adjustment 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 change in the rate of those taxes is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.

EFFECTIVE DATE

The bill takes effect January 1, 2007, but only if the constitutional amendment proposed by the 79th Legislature, 3rd Called Session, 2006, providing for an adjustment 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 change in the rate of those taxes is approved by voters. If that amendment is not approved by the voters, this Act has no effect.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original bill freezes the taxes of seniors, 65 years of age and older, and the disabled, at the lower tax rate. C.S.H.B. 72 creates a floating tax rate which allows the taxes of the elderly and the disabled to increase when the tax rate increases, but only as high as the original freeze. It also allows the taxes of seniors and the disabled to continue to decrease if taxes decline.