

BILL ANALYSIS

C.S.H.J.R. 26
By: Berman
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.J.R. 26 is a proposed constitutional amendment to allow for the reduction of the total amount of ad valorem taxes that may be imposed by a school district on the residence homestead of an elderly or disabled person in proportion to any reduction in the tax rate of the school district.

RULEMAKING AUTHORITY

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

ANALYSIS

SECTION 1 amends Section 1-b(d), Article VIII, Texas Constitution, to state that if a person qualifies for the limitation on the person's residence homestead, the person or the person's spouse qualified for the exemption for the same homestead for the preceding tax year, and the tax rate for general elementary and secondary public school purposes applicable to the homestead for the current tax year is higher or lower than the tax rate for those purposes applicable to that homestead for the preceding tax year, the limitation on the total amount of ad valorem taxes that may be imposed for those purposes on the homestead is increased or reduced, as applicable, for the current and subsequent tax years in proportion to the increase or reduction in the tax rate, except that the total amount of ad valorem taxes that may be imposed for those purposes on the homestead may not exceed the amount of taxes imposed for those purposes for the later of the 2006 tax year or the tax year in which the person first qualified for the limitation, as that limitation may have been increased in subsequent tax years or may be increased for the current tax year because of improvements. The legislature by general law may provide that, for purposes of computing the amount of a limitation on a person's residence homestead for the 2007 tax year and subsequent tax years, any reduction in the tax rate for general elementary and secondary public school purposes from the 2005 tax year to the 2006 tax year applicable to the homestead shall also be taken into account if the first tax year the person or the person's spouse qualified for the exemption for the homestead was a tax year before the 2006 tax year.

SECTION 2 adds a temporary provision to the Texas Constitution to provide that 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 takes effect January 1, 2007, and applies only to a tax year that begins on or after that date. This temporary provision expires January 1, 2008.

SECTION 3 states that this proposed constitutional amendment shall be submitted to the voters at an election to be held November 7, 2006. The ballot shall be printed to permit voting for or

against the proposition: "The constitutional amendment 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."

EFFECTIVE DATE

This proposed constitutional amendment shall be submitted to the voters at an election to be held November 7, 2006. The amendment to Section 1-b(d), Article VIII, of the Texas Constitution will, with voter approval, take effect on January 1, 2007, and applies only to a tax year that begins on or after that date.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original proposed joint resolution, H.J.R. 26, refreezes the taxes of seniors, 65 years of age and older, and the disabled at the lower tax rate. This committee substitute, C.S.H.J.R. 26, 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.