

By: Smith of Harris

H.B. No. 172

A BILL TO BE ENTITLED

AN ACT

1
2 relating to authorizing the commissioners court of a county to
3 establish for purposes of ad valorem taxation a limitation on
4 increases in the appraised value of real property in the county that
5 is less than 10 percent but not less than three percent.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Section 1.12(d), Tax Code, is amended to read as
8 follows:

9 (d) For purposes of this section, the appraisal ratio of
10 real property [~~a homestead~~] to which Section 23.23 applies is the
11 ratio of the property's market value as determined by the appraisal
12 district or appraisal review board, as applicable, to the market
13 value of the property according to law. The appraisal ratio is not
14 calculated according to the appraised value of the property as
15 limited by Section 23.23.

16 SECTION 2. The heading to Section 23.23, Tax Code, is
17 amended to read as follows:

18 Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY
19 [~~RESIDENCE HOMESTEAD~~].

20 SECTION 3. Section 23.23, Tax Code, is amended by amending
21 Subsection (a) and adding Subsections (g), (h), (i), (j), and (k) to
22 read as follows:

23 (a) Except as provided under Subsection (g), the [~~The~~]
24 appraised value of a residence homestead for a tax year may not

1 exceed the lesser of:

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

3 (2) the sum of:

4 (A) 10 percent of the appraised value of the
5 property for the last year in which the property was appraised for
6 taxation times the number of years since the property was last
7 appraised;

8 (B) the appraised value of the property for the
9 last year in which the property was appraised; and

10 (C) the market value of all new improvements to
11 the property.

12 (g) The commissioners court of a county, in the manner
13 required by law for official action, may provide that for purposes
14 of taxation in the following and each subsequent tax year a
15 limitation on appraised value determined in the manner provided by
16 Subsection (a)(2) using a percentage of less than 10 percent but not
17 less than three percent in place of 10 percent in Subsection
18 (a)(2)(A) will apply to the taxation of real property in the county
19 by each taxing unit that imposes taxes on that property. The
20 commissioners court may amend, repeal, or rescind the limitation,
21 but the amendment, repeal, or rescission may not take effect before
22 January 1 of the following tax year. The other provisions of this
23 section apply to a limitation established under this subsection in
24 the same manner as they apply to the limitation provided by
25 Subsection (a), except that a limitation established under this
26 subsection:

27 (1) takes effect:

1 (A) in the tax year following the first tax year
2 in which the owner owns the property on January 1; or

3 (B) in the tax year following the tax year in
4 which the owner acquires the property if the property qualifies for
5 an exemption as the residence homestead of the owner under Section
6 11.13 in the tax year in which the owner acquires the property; and

7 (2) except as provided by Subsections (h) and (i),
8 expires on January 1 of the first tax year following the tax year in
9 which the owner of the property when the limitation took effect
10 ceases to own the property.

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

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

25 (j) If in any tax year the limitation on appraised value
26 provided by Subsection (a)(2) applies to residence homesteads in a
27 county and the commissioners court of the county has provided for

1 the application in that tax year of a limitation on appraised value
2 under Subsection (g), the lower limitation applies to residence
3 homesteads in the county for purposes of taxation by each taxing
4 unit that imposes taxes in that county.

5 (k) For purposes of applying a limitation established under
6 Subsection (g) in the first tax year after the tax year in which the
7 limitation is established in which the real property is appraised
8 for taxation:

9 (1) the property is considered to have been appraised
10 for taxation in the year in which the limitation is established at a
11 market value equal to the appraised value of the property for that
12 tax year;

13 (2) a person who acquired in a tax year before the year
14 in which the limitation is established real property that the
15 person owns in the year in which the limitation is established is
16 considered to have acquired the property on January 1 of the year in
17 which the limitation is established; and

18 (3) a person who qualified the property for an
19 exemption under Section 11.13 as the person's residence homestead
20 for any portion of the year in which the limitation is established
21 is considered to have acquired the property in the year in which the
22 limitation is established.

23 SECTION 4. Section 42.26(d), Tax Code, is amended to read as
24 follows:

25 (d) For purposes of this section, the value of the property
26 subject to the suit and the value of a comparable property or sample
27 property that is used for comparison must be the market value

1 determined by the appraisal district when the property is [~~a~~
2 ~~residence homestead~~] subject to the limitation on appraised value
3 imposed by or authorized under Section 23.23.

4 SECTION 5. This Act applies only to the appraisal of real
5 property for ad valorem tax purposes for a tax year that begins on
6 or after January 1, 2007.

7 SECTION 6. This Act takes effect January 1, 2007, but only
8 if the constitutional amendment proposed by the 79th Legislature,
9 3rd Called Session, 2006, authorizing the commissioners court of a
10 county to establish for purposes of ad valorem taxation a
11 limitation on the maximum average annual percentage increase in the
12 appraised value of real property in the county that is less than 10
13 percent but not less than three percent is approved by the voters.
14 If that amendment is not approved by the voters, this Act has no
15 effect.