BILL ANALYSIS

H.B. 784
By: Bohac
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In 1997, the Texas Legislature amended the Tax Code to set a 10 percent cap on the annual increases of the appraised value of residence homesteads. H.B. 784 would lower the current appraisal cap to 5 percent and would extend the cap to all real property, including residential and nonresidential property. One of the goals of H.B. 784 is to allow property to reach market value over a longer length of time rather than through severe increases. This bill seeks to require local taxing units to raise tax rates, rather than appraisals, to collect more revenue. Taxing units that propose higher tax rates are subject to truth-in-taxation provisions, which call for certain notice and public hearing requirements. Appraisal districts are not subject to these provisions when raising property appraisals. Furthermore, H.B. 784 requires that taxpayers are given a five-year property tax analysis on their annual tax bill to make it clear how their property taxes have changed from year to year.

RULEMAKING AUTHORITY

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

ANALYSIS

H.B. 784 amends Section 23.23 of the Tax Code by lowering the current residential homestead annual appraisal cap from 10 percent to 5 percent. The bill also extends the type of property to which the cap applies from residential homesteads to all real property and makes applicable conforming changes in the Tax Code and sections 403.302(d) and (i) of the Government Code.

H.B. 784 provides that the cap takes effect on January 1 of the tax year following the first tax year in which the owner owns the property on January 1. If the property qualifies as the residence homestead of the owner in the tax year in which the owner acquires the property, the limitation takes effect on January 1 of the tax year following that tax year. H.B. 784 also provides that the cap expires on January 1 of the tax year following the year in which the owner of the property ceases to own the property.

H.B. 784 provides that if the property qualifies as a residence homestead when ownership is transferred to the owner's spouse or surviving spouse, the cap expires on January 1 of the first tax year after the year the owner's spouse or surviving spouse ceases ownership. If the property is not a residence homestead and has more than one owner, the cap expires on January 1 of the first tax year following the year in which the ownership of at least 50 percent interest in the property is sold or transferred.

H.B. 784 prevents the cap from applying to mineral interests or property appraised as restricted-use timber land. H.B. 784 also limits the definition of "new improvement" in Sec. 23.23 of the Tax Code to exclude upkeep or repair of an existing structure.

H.B. 784 provides that, for purposes of applying the limitation in the first tax year after the 2005 tax year in which the property is appraised for taxation, the property is considered to have been appraised for taxation in the 2005 tax year at market value equal to the appraised value of the property for that tax year. A person who acquired the real property before the 2005 tax year is considered to have acquired it on January 1, 2005. A person who qualified the property for a residence homestead exemption for any portion of the 2005 tax year is considered to have acquired the property in the 2005 tax year.

H.B. 784 requires the following to be included on the tax bill or separate statement accompanying the tax bill: the appraised value; taxable value; tax rate; total amount of taxes imposed on the property by each taxing unit for each of the previous five years; the difference, expressed as a percent increase or decrease, in the amount of taxes imposed on the property by each taxing unit compared to the amount imposed for the preceding tax year; the difference, expressed as a percent increase or decrease, in appraised value, taxable value, total tax rate, and amount of taxes imposed on the property by the taxing unit for the current year as compared to the fifth tax year before that tax year.

H.B. 784 provides that if any of the information for a certain tax year required in this section is unavailable, the tax bill must state that the information is not available for that tax year. This exception expires December 31, 2011.

EFFECTIVE DATE

January 1, 2006, if the constitutional amendment authorizing the legislature to limit the maximum average annual increase in the appraised value of real property for ad valorem tax purposes to three percent or more is approved by voters.