

BILL ANALYSIS

C.S.H.B. 3240
By: Paxton
Judiciary
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, the Tax Code entitles families or single adults to certain residence homestead tax exemptions. Tax Code 11.13(j) adds to the list of eligible homesteads those which are owned through a beneficial interest in a “qualifying trust” and occupied as a principal residence by a trustor of the trust.

Court created trusts have the same effect as qualifying trusts and virtually all appraisal districts have rightly interpreted the legislative intent of Tax Code 11.13(j) to include these court created trusts. However, because the section does not specifically name court created trusts, there is some ambiguity as to whether these court created trusts are covered by the statute.

The purpose of this bill is to remove any ambiguity and ensure uniform application of the statute throughout the state to include court created trusts.

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

The bill amends Section 11.13, subsection (j)(3), of the Tax Code to clarify that “qualifying trusts” for purposes of the residence homestead tax exemption include trusts in which the agreement or will creating the trust provides that the trustor of the trust or the beneficiary of a court-created trust has the right to use and occupy the residential property as a principal residence rent free.

EFFECTIVE DATE

September 1, 2006, with application only to a tax year beginning on or after such date

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute places the original typed bill in Legislative Council form and clarifies the language to carry out the substantive intent. The effective date is different. The original bill had been effective September 1, 2005.