

By: Bonnen

H.B. No. 359

A BILL TO BE ENTITLED

AN ACT

1
2 relating to limiting the maximum average annual increase in the
3 appraised value of real property for ad valorem tax purposes to
4 three percent.

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

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

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

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

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

19 SECTION 3. Section 23.23, Tax Code, is amended by amending
20 Subsections (a)-(c) and adding Subsections (c-1)-(c-3) to read as
21 follows:

22 (a) The appraised value of real property [~~a residence~~
23 ~~homestead~~] for a tax year may not exceed the lesser of:

- 24 (1) the market value of the property; or

1 (2) the sum of:

2 (A) three [~~10~~] percent of the appraised value of
3 the property for the last year in which the property was appraised
4 for taxation times the number of years since the property was last
5 appraised;

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

8 (C) the market value of all new improvements to
9 the property.

10 (b) When appraising real property [~~a residence homestead~~],
11 the chief appraiser shall:

12 (1) appraise the property at its market value; and

13 (2) include in the appraisal records both the market
14 value of the property and the amount computed under Subsection
15 (a)(2).

16 (c) The limitation provided by Subsection (a) takes effect
17 on January 1 of the tax year following the first tax year in which
18 the owner owns the property on January 1, or, if the property
19 qualifies as the [~~to a~~] residence homestead of the owner under
20 Section 11.13 in the tax year in which the owner acquires the
21 property, the limitation takes effect on January 1 of the tax year
22 following that [~~the first~~] tax year [~~the owner qualifies the~~
23 ~~property for an exemption under Section 11.13~~]. Except as provided
24 by Subsection (c-1) or (c-2), the [~~The~~] limitation expires on
25 January 1 of the first tax year following the year in which [~~that~~
26 ~~neither~~] the owner of the property ceases to own the property.

27 (c-1) If property subject to a limitation under this section

1 qualifies for an exemption under Section 11.13 when the ownership
2 of the property is transferred to the owner's spouse or surviving
3 spouse, the limitation expires on January 1 of the first tax year
4 following the year in which [~~when the limitation took effect nor~~]
5 the owner's spouse or surviving spouse ceases to own the property,
6 unless the limitation is further continued under this subsection on
7 the subsequent transfer to a spouse or surviving spouse [~~qualifies~~
8 ~~for an exemption under Section 11.13~~].

9 (c-2) If property subject to a limitation under Subsection
10 (a), other than a residence homestead, is owned by two or more
11 persons, the limitation expires on January 1 of the first tax year
12 following the year in which the ownership of at least a 50 percent
13 interest in the property is sold or otherwise transferred.

14 (c-3) For purposes of applying the limitation provided by
15 this section in the first tax year after the 2005 tax year in which
16 the property is appraised for taxation:

17 (1) the property is considered to have been appraised
18 for taxation in the 2005 tax year at a market value equal to the
19 appraised value of the property for that tax year;

20 (2) a person who acquired real property in a tax year
21 before the 2005 tax year is considered to have acquired the property
22 on January 1, 2005; and

23 (3) a person who qualified the property for an
24 exemption under Section 11.13 as the person's residence homestead
25 for any portion of the 2005 tax year is considered to have acquired
26 the property in the 2005 tax year.

27 SECTION 4. Section 42.26(d), Tax Code, is amended to read as

1 follows:

2 (d) For purposes of this section, the value of the property
3 subject to the suit and the value of a comparable property or sample
4 property that is used for comparison must be the market value
5 determined by the appraisal district when the property is [~~a~~
6 ~~residence homestead~~] subject to the limitation on appraised value
7 imposed by Section 23.23.

8 SECTION 5. Sections 403.302(d) and (i), Government Code,
9 are amended to read as follows:

10 (d) For the purposes of this section, "taxable value" means
11 the market value of all taxable property less:

12 (1) the total dollar amount of any residence homestead
13 exemptions lawfully granted under Section 11.13(b) or (c), Tax
14 Code, in the year that is the subject of the study for each school
15 district;

16 (2) one-half of the total dollar amount of any
17 residence homestead exemptions granted under Section 11.13(n), Tax
18 Code, in the year that is the subject of the study for each school
19 district;

20 (3) the total dollar amount of any exemptions granted
21 before May 31, 1993, within a reinvestment zone under agreements
22 authorized by Chapter 312, Tax Code;

23 (4) subject to Subsection (e), the total dollar amount
24 of any captured appraised value of property that:

25 (A) is within a reinvestment zone created on or
26 before May 31, 1999, or is proposed to be included within the
27 boundaries of a reinvestment zone as the boundaries of the zone and

1 the proposed portion of tax increment paid into the tax increment
2 fund by a school district are described in a written notification
3 provided by the municipality or the board of directors of the zone
4 to the governing bodies of the other taxing units in the manner
5 provided by Section 311.003(e), Tax Code, before May 31, 1999, and
6 within the boundaries of the zone as those boundaries existed on
7 September 1, 1999, including subsequent improvements to the
8 property regardless of when made;

9 (B) generates taxes paid into a tax increment
10 fund created under Chapter 311, Tax Code, under a reinvestment zone
11 financing plan approved under Section 311.011(d), Tax Code, on or
12 before September 1, 1999; and

13 (C) is eligible for tax increment financing under
14 Chapter 311, Tax Code;

15 (5) the total dollar amount of any exemptions granted
16 under Section 11.251, Tax Code;

17 (6) the difference between the comptroller's estimate
18 of the market value and the productivity value of land that
19 qualifies for appraisal on the basis of its productive capacity,
20 except that the productivity value estimated by the comptroller may
21 not exceed the fair market value of the land;

22 (7) the portion of the appraised value of residence
23 homesteads of individuals who receive a tax limitation under
24 Section 11.26, Tax Code, on which school district taxes are not
25 imposed in the year that is the subject of the study, calculated as
26 if the residence homesteads were appraised at the full value
27 required by law;

1 (8) a portion of the market value of property not
2 otherwise fully taxable by the district at market value because of:

3 (A) action required by statute or the
4 constitution of this state that, if the tax rate adopted by the
5 district is applied to it, produces an amount equal to the
6 difference between the tax that the district would have imposed on
7 the property if the property were fully taxable at market value and
8 the tax that the district is actually authorized to impose on the
9 property, if this subsection does not otherwise require that
10 portion to be deducted; or

11 (B) action taken by the district under Subchapter
12 B or C, Chapter 313, Tax Code;

13 (9) the market value of all tangible personal
14 property, other than manufactured homes, owned by a family or
15 individual and not held or used for the production of income;

16 (10) the appraised value of property the collection of
17 delinquent taxes on which is deferred under Section 33.06, Tax
18 Code;

19 (11) the portion of the appraised value of property
20 the collection of delinquent taxes on which is deferred under
21 Section 33.065, Tax Code; and

22 (12) the amount by which the market value of real
23 property [~~a residence homestead~~] to which Section 23.23, Tax Code,
24 applies exceeds the appraised value of that property as calculated
25 under that section.

26 (i) If the comptroller determines in the annual study that
27 the market value of property in a school district as determined by

1 the appraisal district that appraises property for the school
2 district, less the total of the amounts and values listed in
3 Subsection (d) as determined by that appraisal district, is valid,
4 the comptroller, in determining the taxable value of property in
5 the school district under Subsection (d), shall for purposes of
6 Subsection (d)(12) subtract from the market value as determined by
7 the appraisal district of real properties [~~residence homesteads~~] to
8 which Section 23.23, Tax Code, applies the amount by which that
9 amount exceeds the appraised value of those properties as
10 calculated by the appraisal district under Section 23.23, Tax Code.
11 If the comptroller determines in the annual study that the market
12 value of property in a school district as determined by the
13 appraisal district that appraises property for the school district,
14 less the total of the amounts and values listed in Subsection (d) as
15 determined by that appraisal district, is not valid, the
16 comptroller, in determining the taxable value of property in the
17 school district under Subsection (d), shall for purposes of
18 Subsection (d)(12) subtract from the market value as estimated by
19 the comptroller of real properties [~~residence homesteads~~] to which
20 Section 23.23, Tax Code, applies the amount by which that amount
21 exceeds the appraised value of those properties as calculated by
22 the appraisal district under Section 23.23, Tax Code.

23 SECTION 6. This Act takes effect January 1, 2006, and
24 applies only to the appraisal for ad valorem tax purposes of real
25 property for a tax year that begins on or after January 1, 2006, but
26 only if the constitutional amendment proposed by the 79th
27 Legislature, Regular Session, 2005, authorizing the legislature to

1 limit the maximum average annual increase in the appraised value of
2 real property for ad valorem tax purposes to three percent or more
3 is approved by the voters. If that amendment is not approved by the
4 voters, this Act has no effect.