

By: Riddle

H.B. No. 980

A BILL TO BE ENTITLED

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AN ACT

relating to limiting the maximum average annual increase in the appraised value of real property for ad valorem tax purposes.

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

ARTICLE 1

SECTION 1.01. Section 1.12(d), Tax Code, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of real property [~~a homestead~~] to which Section 23.23 or 23.231 applies is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law. The appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23 or 23.231.

SECTION 1.02. The heading to Section 23.23, Tax Code, is amended to read as follows:

Sec. 23.23. LIMITATION ON APPRAISED VALUE OF RESIDENCE HOMESTEAD FOR SCHOOL TAXES.

SECTION 1.03. Section 23.23(a), Tax Code, is amended to read as follows:

(a) The appraised value of a residence homestead for taxation by a school district for a tax year may not exceed the lesser of:

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

1 (2) the sum of:

2 (A) 10 percent of the appraised value of the  
3 property for the last year in which the property was appraised for  
4 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 SECTION 1.04. Subchapter B, Chapter 23, Tax Code, is  
11 amended by adding Section 23.231 to read as follows:

12 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY  
13 FOR TAXATION BY TAXING UNITS OTHER THAN SCHOOL DISTRICTS. (a) The  
14 appraised value of real property for taxation by a taxing unit other  
15 than a school district for a tax year may not exceed the lesser of:

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

17 (2) the sum of:

18 (A) three percent of the appraised value of the  
19 property for the last year in which the property was appraised for  
20 taxation times the number of years since the property was last  
21 appraised;

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

24 (C) the market value of all new improvements to  
25 the property.

26 (b) When appraising real property for purposes of this  
27 section, the chief appraiser shall:

1           (1) appraise the property at its market value; and  
2           (2) include in the appraisal records both the market  
3 value of the property and the amount computed under Subsection  
4 (a)(2).

5           (c) The limitation provided by Subsection (a) takes effect  
6 as to a parcel of real property on January 1 of the tax year  
7 following the first tax year in which the owner owns the property on  
8 January 1, or, if the property qualifies as the residence homestead  
9 of the owner under Section 11.13 in the tax year in which the owner  
10 acquires the property, the limitation takes effect on January 1 of  
11 the tax year following that tax year. Except as provided by  
12 Subsections (d) and (e), the limitation expires on January 1 of the  
13 first tax year following the year in which the owner of the property  
14 ceases to own the property.

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

23           (e) If real property subject to a limitation under  
24 Subsection (a), other than a residence homestead, is owned by two or  
25 more persons, the limitation expires on January 1 of the tax year  
26 following the year in which the ownership of at least a 50 percent  
27 interest in the property is sold or otherwise transferred to a

1 person other than those owners.

2 (f) This section does not apply to property appraised under  
3 Subchapter C, D, E, F, or G.

4 (g) In this section, "new improvement" means an improvement  
5 to real property that is made after the most recent appraisal of the  
6 property and that increases the market value of the property. The  
7 term does not include upkeep, repair, or ordinary maintenance of an  
8 existing structure or the grounds or another feature of the  
9 property.

10 (h) Notwithstanding Subsections (a) and (g) and except as  
11 provided by Subdivision (2), an improvement to property that would  
12 otherwise constitute a new improvement is not treated as a new  
13 improvement if the improvement is a replacement structure for a  
14 structure that was rendered uninhabitable or unusable by a casualty  
15 or by mold or water damage. For purposes of appraising the property  
16 in the tax year in which the structure would have constituted a new  
17 improvement:

18 (1) the last year in which the property was appraised  
19 for taxation before the casualty or damage occurred is considered  
20 to be the last year in which the property was appraised for taxation  
21 for purposes of Subsection (a)(2)(A); and

22 (2) the replacement structure is considered to be a  
23 new improvement only to the extent it is a significant improvement  
24 over the replaced structure as that structure existed before the  
25 casualty or damage occurred.

26 (i) For purposes of applying the limitation provided by  
27 Subsection (a) in the first tax year after the 2005 tax year in

1 which the real property is appraised for taxation:

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

5 (2) a person who acquired in a tax year before the 2005  
6 tax year real property that the person owns in the 2005 tax year is  
7 considered to have acquired the property on January 1, 2005; and

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

12 (j) This section expires December 31, 2007.

13 ARTICLE 2

14 SECTION 2.01. Section 1.12(d), Tax Code, is amended to read  
15 as follows:

16 (d) For purposes of this section, the appraisal ratio of a  
17 homestead to which Section 23.23 applies is the ratio of the  
18 property's market value as determined by the appraisal district or  
19 appraisal review board, as applicable, to the market value of the  
20 property according to law. The appraisal ratio is not calculated  
21 according to the appraised value of the property as limited by  
22 Section 23.23.

23 SECTION 2.02. The heading to Section 23.23, Tax Code, is  
24 amended to read as follows:

25 Sec. 23.23. LIMITATION ON APPRAISED VALUE OF RESIDENCE  
26 HOMESTEAD.

27 SECTION 2.03. Section 23.23(a), Tax Code, is amended to

1 read as follows:

2 (a) The appraised value of a residence homestead for a tax  
3 year may not exceed the lesser of:

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

5 (2) the sum of:

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

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

12 (C) the market value of all new improvements to  
13 the property.

14 ARTICLE 3

15 SECTION 3.01. (a) Except as provided by Subsection (b) of  
16 this section, this Act applies only to the appraisal for ad valorem  
17 tax purposes of real property for a tax year that begins on or after  
18 January 1, 2006.

19 (b) Article 2 of this Act applies only to the appraisal for  
20 ad valorem tax purposes of a residence homestead for a tax year that  
21 begins on or after January 1, 2008.

22 SECTION 3.02. (a) Except as provided by Subsection (b) of  
23 this section, this Act takes effect January 1, 2006, but only if the  
24 constitutional amendment proposed by the 79th Legislature, Regular  
25 Session, 2005, authorizing the legislature to limit the maximum  
26 average annual increase in the appraised value of real property for  
27 ad valorem tax purposes to three percent or more is approved by the

1 voters. If that amendment is not approved by the voters, this Act  
2 has no effect.

3 (b) Article 2 of this Act takes effect January 1, 2008, but  
4 only if the other provisions of this Act take effect as provided by  
5 Subsection (a) of this section.