

AN ACT

relating to the administration of ad valorem taxation and to certain measures involving school district property values.

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

SECTION 1. Subsection (b), Section 403.303, Government Code, is amended to read as follows:

(b) After receipt of a petition, the comptroller shall hold a hearing. The comptroller has the burden to prove the accuracy of the findings. Until a final decision is made by the comptroller, the taxable value of property in the district is determined, with respect to property subject to the protest, according to the value claimed by the school district or property owner, except that the value to be used while a final decision is pending may not be less than the appraisal roll value for the year of the study. If after a hearing the comptroller concludes that the findings should be changed, the comptroller shall order the appropriate changes and shall certify ~~[the changes]~~ to the commissioner of education the changes in the values of the school district that brought the protest, the values of the school district named by the property owner who brought the protest, or, if the comptroller by rule allows an appraisal district to bring a protest, the values of the school district named by the appraisal district that brought the protest. The comptroller may not order a change in the values of a school district as a result of a protest brought by another school

1 district, a property owner in the other school district, or an  
2 appraisal district that appraises property for the other school  
3 district. The comptroller shall complete all protest hearings and  
4 certify all changes as necessary to comply with Chapter 42,  
5 Education Code. A hearing conducted under this subsection is not a  
6 contested case for purposes of Section 2001.003.

7 SECTION 2. Section 1.08, Tax Code, is amended to read as  
8 follows:

9 Sec. 1.08. TIMELINESS OF ACTION BY MAIL. When a property  
10 owner is required by this title to make a payment or to file or  
11 deliver a report, application, statement, or other document or  
12 paper by [~~before~~] a specified due date, his action is timely if:

13 (1) it is sent by regular first-class mail, properly  
14 addressed with postage prepaid; and

15 (2) it bears a post office cancellation mark of a date  
16 earlier than or on the specified due date and within the specified  
17 period or the property owner furnishes satisfactory proof that it  
18 was deposited in the mail on or before the specified due date and  
19 within the specified period.

20 SECTION 3. Subsection (b), Section 1.085, Tax Code, as  
21 amended by Chapters 984 and 1173, Acts of the 78th Legislature,  
22 Regular Session, 2003, is reenacted to read as follows:

23 (b) An agreement between a chief appraiser and a property  
24 owner must:

25 (1) be in writing;

26 (2) be signed by the chief appraiser and the property  
27 owner; and

1 (3) specify:

2 (A) the medium of communication;

3 (B) the type of communication covered;

4 (C) the means for protecting the security of a  
5 communication;

6 (D) the means for confirming delivery of a  
7 communication; and

8 (E) the electronic mail address of the property  
9 owner or person designated to represent the property owner under  
10 Section 1.111, as applicable.

11 SECTION 4. Subsections (a) and (b), Section 5.05, Tax Code,  
12 are amended to read as follows:

13 (a) The comptroller may ~~[shall]~~ prepare and issue  
14 publications relating to the appraisal of property and the  
15 administration of taxes, or may approve other publications relating  
16 to those matters, including materials published by The Appraisal  
17 Foundation, the International Association of Assessing Officers,  
18 or other professionally recognized organizations, for use in the  
19 administration of property taxes, including:

20 (1) a general appraisal manual;

21 (2) special appraisal manuals as authorized by law;

22 (3) cost, price, and depreciation schedules as  
23 authorized by law~~[, with provision for inserting local market index~~  
24 ~~factors and with a standard procedure for determining local market~~  
25 ~~index factors]~~;

26 (4) periodic news and reference bulletins;

27 (5) an annotated version of this title and Title 3

1 ~~[digests of all laws relating to property taxation]~~; and

2 (6) a handbook containing selected laws and ~~[of]~~ all  
3 rules promulgated by the comptroller relating to the property tax  
4 and its administration.

5 (b) The comptroller shall revise or supplement all  
6 materials issued by the comptroller or approve other publications  
7 periodically as necessary to keep them current.

8 SECTION 5. Section 6.05, Tax Code, is amended by adding  
9 Subsection (i) to read as follows:

10 (i) To ensure adherence with generally accepted appraisal  
11 practices, the board of directors of an appraisal district shall  
12 develop biennially a written plan for the periodic reappraisal of  
13 all property within the boundaries of the district according to the  
14 requirements of Section 25.18 and shall hold a public hearing to  
15 consider the proposed plan. Not later than the 10th day before the  
16 date of the hearing, the secretary of the board shall deliver to the  
17 presiding officer of the governing body of each taxing unit  
18 participating in the district a written notice of the date, time,  
19 and place for the hearing. Not later than September 15 of each  
20 even-numbered year, the board shall complete its hearings, make any  
21 amendments, and by resolution finally approve the plan. Copies of  
22 the approved plan shall be distributed to the presiding officer of  
23 the governing body of each taxing unit participating in the  
24 district and to the comptroller within 60 days of the approval date.

25 SECTION 6. Section 11.161, Tax Code, is amended to read as  
26 follows:

27 Sec. 11.161. IMPLEMENTS OF HUSBANDRY. Machinery and

1 equipment items [~~Implements of husbandry~~] that are used in the  
2 production of farm or ranch products or of timber, regardless of  
3 their primary design, are considered to be implements of husbandry  
4 and are exempt from ad valorem taxation.

5 SECTION 7. Subsection (a), Section 11.439, Tax Code, is  
6 amended to read as follows:

7 (a) The chief appraiser shall accept and approve or deny an  
8 application for an exemption under Section 11.22 after the filing  
9 deadline provided by Section 11.43 if the application is filed not  
10 later than one year after the delinquency date for the taxes on the  
11 property [~~the first anniversary of the earlier of:~~

- 12 [~~(1) the date the taxes on the property were paid; or~~  
13 [~~(2) the date the taxes became delinquent~~].

14 SECTION 8. Section 21.02, Tax Code, is amended by adding  
15 Subsection (d) to read as follows:

16 (d) A motor vehicle does not have taxable situs in a taxing  
17 unit under Subsection (a)(1) if, on January 1, the vehicle:

18 (1) has been located for less than 60 days at a place  
19 of business of a person who holds a wholesale motor vehicle auction  
20 general distinguishing number issued by the Texas Department of  
21 Transportation under Chapter 503, Transportation Code, for that  
22 place of business; and

23 (2) is offered for resale.

24 SECTION 9. Section 22.04, Tax Code, is amended by adding  
25 Subsection (d) to read as follows:

26 (d) This section does not apply to a motor vehicle that on  
27 January 1 is located at a place of business of a person who holds a

1 wholesale motor vehicle auction general distinguishing number  
2 issued by the Texas Department of Transportation under Chapter 503,  
3 Transportation Code, for that place of business, and that:

4 (1) has not acquired taxable situs under Section  
5 21.02(a)(1) in a taxing unit that participates in the appraisal  
6 district because the vehicle is described by Section 21.02(d);

7 (2) is offered for sale by a dealer who holds a  
8 dealer's general distinguishing number issued by the Texas  
9 Department of Transportation under Chapter 503, Transportation  
10 Code, and whose inventory of motor vehicles is subject to taxation  
11 in the manner provided by Sections 23.121 and 23.122; or

12 (3) is collateral possessed by a lienholder and  
13 offered for sale in foreclosure of a security interest.

14 SECTION 10. Subsections (a) and (b), Section 25.18, Tax  
15 Code, are amended to read as follows:

16 (a) Each appraisal office shall implement the [a] plan for  
17 periodic reappraisal of property approved by the board of directors  
18 under Section 6.05(i) [to update appraised values].

19 (b) The plan shall provide for the following reappraisal  
20 activities for [of] all real and personal property in the district  
21 at least once every three years:

22 (1) identifying properties to be appraised through  
23 physical inspection or by other reliable means of identification,  
24 including deeds or other legal documentation, aerial photographs,  
25 land-based photographs, surveys, maps, and property sketches;

26 (2) identifying and updating relevant characteristics  
27 of each property in the appraisal records;

1           (3) defining market areas in the district;

2           (4) identifying property characteristics that affect  
3 property value in each market area, including:

4                   (A) the location and market area of property;

5                   (B) physical attributes of property, such as  
6 size, age, and condition;

7                   (C) legal and economic attributes; and

8                   (D) easements, covenants, leases, reservations,  
9 contracts, declarations, special assessments, ordinances, or legal  
10 restrictions;

11           (5) developing an appraisal model that reflects the  
12 relationship among the property characteristics affecting value in  
13 each market area and determines the contribution of individual  
14 property characteristics;

15           (6) applying the conclusions reflected in the model to  
16 the characteristics of the properties being appraised; and

17           (7) reviewing the appraisal results to determine  
18 value.

19           SECTION 11. Subsection (b), Section 25.19, Tax Code, as  
20 amended by Chapters 1358 and 1517, Acts of the 76th Legislature,  
21 Regular Session, 1999, is reenacted to read as follows:

22           (b) The chief appraiser shall separate real from personal  
23 property and include in the notice for each:

24                   (1) a list of the taxing units in which the property is  
25 taxable;

26                   (2) the appraised value of the property in the  
27 preceding year;

1           (3) the taxable value of the property in the preceding  
2 year for each taxing unit taxing the property;

3           (4) the appraised value of the property for the  
4 current year and the kind and amount of each partial exemption, if  
5 any, approved for the current year;

6           (5) if the appraised value is greater than it was in  
7 the preceding year, the amount of tax that would be imposed on the  
8 property on the basis of the tax rate for the preceding year;

9           (6) in italic typeface, the following statement: "The  
10 Texas Legislature does not set the amount of your local taxes. Your  
11 property tax burden is decided by your locally elected officials,  
12 and all inquiries concerning your taxes should be directed to those  
13 officials";

14           (7) a detailed explanation of the time and procedure  
15 for protesting the value;

16           (8) the date and place the appraisal review board will  
17 begin hearing protests; and

18           (9) a brief explanation that the governing body of  
19 each taxing unit decides whether or not taxes on the property will  
20 increase and the appraisal district only determines the value of  
21 the property.

22           SECTION 12. Subsection (c), Section 25.19, Tax Code, is  
23 amended to read as follows:

24           (c) In the case of the residence homestead of a person 65  
25 years of age or older or disabled that is subject to the limitation  
26 on a tax increase over the preceding year for school tax purposes,  
27 the chief appraiser shall indicate on the notice that the preceding



1 year's taxes may not be increased.

2 SECTION 13. Subsection (a), Section 26.05, Tax Code, is  
3 amended to read as follows:

4 (a) The governing body of each taxing unit, before the later  
5 of September 30 or the 60th day after the date the certified  
6 appraisal roll is received by the taxing unit, shall adopt a tax  
7 rate for the current tax year and shall notify the assessor for the  
8 unit of the rate adopted. The tax rate consists of two components,  
9 each of which must be approved separately. The components are:

10 (1) for a taxing unit other than a school district, the  
11 rate that, if applied to the total taxable value, will impose the  
12 total amount published under Section 26.04(e)(3)(C), less any  
13 amount of additional sales and use tax revenue that will be used to  
14 pay debt service, or, for a school district, the rate published  
15 under Section 44.004(c)(2)(A)(ii)(b), Education Code; and

16 (2) the rate that, if applied to the total taxable  
17 value, will impose the amount of taxes needed to fund maintenance  
18 and operation expenditures of the unit for the next year.

19 SECTION 14. Subsection (a), Section 111.301, Tax Code, is  
20 amended to read as follows:

21 (a) An eligible person is entitled to a refund of state  
22 sales and use taxes imposed under Chapter 151 and state franchise  
23 taxes imposed under Chapter 171 paid in a calendar year for which  
24 the person paid ad valorem taxes to a school district on property  
25 that in that year is:

26 (1) located in a reinvestment zone established under  
27 Chapter 312;

1           (2) exempt in whole or in part from the payment of ad  
2 valorem taxes imposed by a municipality or a county under a tax  
3 abatement agreement entered into with the municipality or county  
4 under Chapter 312; and

5           (3) not subject to a tax abatement agreement or an  
6 agreement to limit the appraised value of property under Chapter  
7 313 entered into by the school district.

8           SECTION 15. Section 111.304, Tax Code, is amended to read as  
9 follows:

10           Sec. 111.304. EVALUATION; BIENNIAL [~~ANNUAL~~] REPORT. Not  
11 later than December 31 [~~1~~] of each even-numbered year, the  
12 comptroller shall submit a [~~an annual~~] report to the legislature.  
13 The report:

14           (1) must document the applications for refunds filed  
15 with the comptroller under this subchapter;

16           (2) must document the refunds paid by the comptroller  
17 under this chapter; and

18           (3) may include any other relevant information that  
19 the comptroller determines is applicable to this subchapter or to  
20 Chapter 312.

21           SECTION 16. Subsection (a), Section 312.204, Tax Code, as  
22 amended by Chapters 560, 640, and 1258, Acts of the 77th  
23 Legislature, Regular Session, 2001, is reenacted to read as  
24 follows:

25           (a) The governing body of a municipality eligible to enter  
26 into tax abatement agreements under Section 312.002 may agree in  
27 writing with the owner of taxable real property that is located in a

1 reinvestment zone, but that is not in an improvement project  
2 financed by tax increment bonds, to exempt from taxation a portion  
3 of the value of the real property or of tangible personal property  
4 located on the real property, or both, for a period not to exceed 10  
5 years, on the condition that the owner of the property make specific  
6 improvements or repairs to the property. The governing body of an  
7 eligible municipality may agree in writing with the owner of a  
8 leasehold interest in tax-exempt real property that is located in a  
9 reinvestment zone, but that is not in an improvement project  
10 financed by tax increment bonds, to exempt a portion of the value of  
11 property subject to ad valorem taxation, including the leasehold  
12 interest, improvements, or tangible personal property located on  
13 the real property, for a period not to exceed 10 years, on the  
14 condition that the owner of the leasehold interest make specific  
15 improvements or repairs to the real property. A tax abatement  
16 agreement under this section is subject to the rights of holders of  
17 outstanding bonds of the municipality. An agreement exempting  
18 taxable real property or leasehold interests or improvements on  
19 tax-exempt real property may provide for the exemption of such  
20 taxable interests in each year covered by the agreement only to the  
21 extent its value for that year exceeds its value for the year in  
22 which the agreement is executed. An agreement exempting tangible  
23 personal property located on taxable or tax-exempt real property  
24 may provide for the exemption of tangible personal property located  
25 on the real property in each year covered by the agreement other  
26 than tangible personal property that was located on the real  
27 property at any time before the period covered by the agreement with

1 the municipality, including inventory and supplies. In a  
2 municipality that has a comprehensive zoning ordinance, an  
3 improvement, repair, development, or redevelopment taking place  
4 under an agreement under this section must conform to the  
5 comprehensive zoning ordinance.

6 SECTION 17. Subsection (e), Section 39.903, Utilities Code,  
7 as amended by Chapters 1394, 1451, and 1466, Acts of the 77th  
8 Legislature, Regular Session, 2001, is reenacted and amended to  
9 read as follows:

10 (e) Money in the system benefit fund may be appropriated to  
11 provide funding solely for the following regulatory purposes, and ~~and~~  
12 in the following order of priority:

13 (1) programs to assist low-income electric customers  
14 by providing the 10 percent reduced rate prescribed by Subsection  
15 (h);

16 (2) customer education programs, administrative  
17 expenses incurred by the commission in implementing and  
18 administering this chapter, and expenses incurred by the office  
19 under this chapter;

20 (3) programs to assist low-income electric customers  
21 by providing the targeted energy efficiency programs described by  
22 Subsection (f)(2);

23 (4) ~~[the school funding loss mechanism provided by~~  
24 ~~Section 39.901,~~

25 ~~(5)]~~ programs to assist low-income electric  
26 customers by providing the 20 percent reduced rate prescribed by  
27 Subsection (h); and

1           (5) [~~(6)~~] reimbursement to the commission and the  
2 Health and Human Services Commission [~~Texas Department of Human~~  
3 ~~Services~~] for expenses incurred in the implementation and  
4 administration of an integrated eligibility process created under  
5 Section 17.007 for customer service discounts relating to retail  
6 electric service, including outreach expenses the commission  
7 determines are reasonable and necessary.

8           SECTION 18. The following statutes are repealed:

9           (1) Subsections (e) and (f), Section 1.085, Tax Code,  
10 as added by Chapter 984, Acts of the 78th Legislature, Regular  
11 Session, 2003; and

12           (2) Section 39.901, Utilities Code.

13           SECTION 19. (a) Except as provided by Subsection (b) of  
14 this section, this Act takes effect September 1, 2005.

15           (b) Section 6 of this Act takes effect January 1, 2006.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1652 passed the Senate on May 17, 2005, by the following vote: Yeas 30, Nays 0; and that the Senate concurred in House amendment on May 27, 2005, by the following vote: Yeas 29, Nays 0.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1652 passed the House, with amendment, on May 25, 2005, by a non-record vote.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor