

BILL ANALYSIS

H.B. 5
By: Berman
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

During the 79th Legislative, 3rd Called Session, legislation was passed to provide homeowners with a reduction in their ad valorem taxes. Under Section 1-b (d), Article VIII, of the Texas Constitution, homeowners who are 65 years of age or older, or homeowners who have a disability, are eligible to receive a ceiling on the amount of school property taxes they will owe on their homestead based on the amount they owed the year they qualified for the freeze. Therefore, in order for elderly and disabled Texans to receive a proportional reduction in ad valorem taxes, there must be an allowance for such a reduction in the Texas Constitution and a statutory change in law.

HB 5 would provide a reduction of the limitation on the total amount of ad valorem taxes that school districts may impose on residence homesteads of the elderly or disabled to reflect any reduction in the school districts tax rate and would provide protection to a school district that would lose any local revenue.

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

SECTION 1. Amends Section 11.26, Tax Code, by adding Subsections (a-1), (a-2), and (a-3) to read: (a-1) Notwithstanding the other provisions of this section and except as provided by Subsection (a-2), if in the current tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead, the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead in the preceding tax year, and the tax rate of the school district for the current tax year is lower than the tax rate of the district for the preceding tax year, the amount of the limitation provided by this section on the homestead in the current tax year is equal to the amount computed by: (1) multiplying the amount of tax the district imposed on the homestead in the preceding tax year by a fraction the numerator of which is the tax rate of the district for the current tax year and the denominator of which is the tax rate of the district for the preceding tax year; and (2) adding to the amount computed under Subdivision (1) any tax imposed in the current tax year attributable to improvements made in the preceding tax year, as provided by Subsection (b). (a-2) Notwithstanding the other provisions of this section, if in the 2007 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was a tax year before the 2006 tax year, the amount of the limitation provided by this section on the homestead in the 2007 tax year is equal to the amount computed by: (1) multiplying the amount of tax the school district imposed on the homestead in the 2005 tax year by a fraction the numerator of which is the tax rate of the district for the 2006 tax year and the denominator of which is the tax rate of the district for the 2005 tax year; (2) adding any tax imposed in the 2006 tax year attributable to improvements made in the 2005 tax year as provided by Subsection (b) to the lesser of the amount computed under Subdivision (1) or the amount of tax the district imposed on the homestead in the 2005 school tax year; (3) multiplying the amount computed under Subdivision (2) by a fraction the numerator of which is the tax rate of the district for the 2007 tax year and the denominator of which is the tax rate of the district for the 2006 tax year; and (4) adding to the lesser of the amount computed under Subdivision (2) or (3) any tax imposed in the 2007 tax year

attributable to improvements made in the 2006 tax year, as provided by Subsection (b). (a-3) Except as provided by Subsection (b), a limitation on tax increases provided by this section on a residence homestead computed under Subsection (a-1) or (a-2) continues to apply to the homestead in subsequent tax years until the limitation expires.

SECTION 2. Amends Section 42.2511 (a), Education Code to add Subsection (a)(2) to provide that notwithstanding any other provision of Chapter 42, Education Code, a school district is entitled to additional state aid to the extent that state aid under Chapter 42, Education Code, based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, does not fully compensate the district for ad valorem tax revenue lost due to the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

SECTION 3. Amends Section 403.302, Government Code, by amending Subsection (j) and adding Subsection (j-1) to read as follows: (j) For purposes of Section 42.2511, Education Code, the comptroller shall certify to the commissioner of education: (1) a final value for each school district computed on a residence homestead exemption under Section n1-b (c), Article VIII, Texas Constitution, of \$5,000; (2) a final value for each school district computed on: (A) a residence homestead exemption under Section 1-b(c), Article VIII Texas Constitution, of \$15,000; and (B) the effect of the additional limitation on the tax increases under Section 1-b(d), Article VIII, Texas Constitution as proposed by HJR No. 4, 75th Legislature, Regular Session, 1997; and (3) a final value for each school district computed on the effect of the reduction of the limitation on tax in creases to reflect any reduction in the school district tax rate as provided by Section 11.26, (a-1), (a-2), or (a-3), Tax Code, as applicable.

(j-1) For purposes of applying Subsection n (j)(3) in the 2007-2008 school year, the comptroller shall compute the final value under that subsection as if the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26 (a-1) or (a-2), Tax Code as applicable, had taken effect in the 2006 tax year. This subsection expires on September 1, 2008.

SECTION 4. States that this Act applies beginning with the tax year that begins January 1, 2007.

SECTION 5. Provides that this Act takes effect on the date on which the constitutional amendment proposed by the 80th Legislature, Regular Session, 2007, authorizing the legislature to provide for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed for public school purposes on the residence homesteads of the elderly or disabled to reflect any reduction in the rate of those taxes takes effect, if that constitutional amendment is approved by the voters. If that constitutional amendment is not approved by the voters, this Act has no effect.

EFFECTIVE DATE

This Act takes effect on the date on which the constitutional amendment proposed by the 80th Legislature, Regular Session, 2007, authorizing the legislature to provide for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed for public school purposes on the residence home steads of the elderly or disabled to reflect any reduction in the rate of those taxes takes effect, if that constitutional amendment is approved by the voters. This Act applies beginning with the tax year that begins January 1, 2007. If that constitutional amendment is not approved by the voters, this Act has no effect.