BILL ANALYSIS

C.S.H.B. 438
By: Hochberg
Local Government Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law limits the rate at which a homestead can increase in value for tax purposes to a maximum of 10 percent of the property's last appraisal value for each year since the last appraisal. Current law also requires every appraisal district to have a plan for periodic reappraisals, lists a number of steps that districts need to take during the reappraisal process, and requires that appraisal districts appraise properties for tax purposes at least once every three years.

Despite this limit, a homeowner who has not had a reappraisal in several years can still be assessed a huge increase. If 3 years pass between property reappraisals, the taxable value of a property can increase by 30 percent. Committee Substitute House Bill 438 revises the homestead appraisal cap law to limit the increase in the taxable value of a property to 10 percent in a year, regardless of how long has passed since the last reappraisal.

C.S.H.B 438 also clarifies the law by adding repairs to those items excluded from consideration as new improvements to a property between appraisals that may increase market values.

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

Committee Substitute House Bill 438 amends the Tax Code to limit the increase in the appraised value of a residence homestead in a tax year to 10 percent, regardless of how many years have passed since the last reappraisal. C.S.H.B 438 allows appraisal districts to increase the appraised value of a property in a non-reappraisal year, up to the 10 percent homestead appraisal cap, as long as the appraised value does not exceed the most recently determined market value.

C.S.H.B 438 also clarifies the Tax Code to add repairs to those items excluded from consideration as new improvements to a property between appraisals that may increase market values.

C.S.H.B 438 makes application of this Act contingent on the passage of the constitutional amendment proposed by the 80th Legislature, Regular Session, 2007, authorizing the legislature to limit the maximum appraised value of a residence homestead for ad valorem taxation to the lesser of the most recent market value of the property as determined by the appraisal entity or 110 percent, or a greater percentage, of the appraised value of the property for the preceding tax year.

EFFECTIVE DATE

This Act takes effect January 1, 2008 providing that the constitutional amendment as proposed by H.J.R. 40 is approved by the voters. If the constitutional amendment is not approved by the voters, this Act has no effect.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Committee Substitute House Bill 438 modifies the original by allowing an appraisal district to increase the appraised value of a residence homestead for a tax year notwithstanding periodic reappraisal requirements and any other type of appraisal a district may perform.

The substitute specifies that the appraised value of a residence homestead cannot exceed the market value for the most recent tax year that the market value was determined by the appraisal office.

The substitute replaces "year in which the property was appraised for taxation" with "preceding tax year."

The substitute amends the definition of "new improvement." The substitute specifies that "new improvement" means an improvement to a residence homestead made after the most recent appraisal of the property, deletes language which references an appraisal for the preceding year, and clarifies that the value of the new improvement is not included in the appraised value of the property for the preceding tax year.