

BILL ANALYSIS

Senate Research Center
80R8555 SMH-D

S.B. 1099
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the Tax Code limits the appraisal creep of residential homestead property to the sum of 10 percent of the appraised value of the property times the number of years since the property was last appraised. As a result, homeowners across the state face a hidden annual property tax increase that has little relationship to the actual market value.

In previous sessions, the legislature has been reluctant to advance a lowering of the appraisal cap for fear of a negative impact on local governments.

As proposed, S.B. 1099 enables homeowners in Harris County to lower the current 10 percent appraisal cap to three percent. Should S.B. 1099 and S.J.R. 39 be approved, the Harris County Commissioners Court would be authorized to call an election to permit the voters to reduce the annual appraisal cap to not less than a three percent annual increase.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.23, Tax Code, by amending Subsection (a) and adding Subsections (g) and (h), as follows:

(a) Provides an exception for this subsection as provided by Subsection (g).

(g) Authorizes the Commissioners Court of Harris County to call an election to permit the voters to determine whether a percentage limitation on increases in appraised value determined in the manner provided by Subsection (a)(2) using a percentage of not less than three percent in place of the percentage specified by Subsection (a)(2)(A) will apply to the taxation of residence homesteads by each taxing unit having territory in the country. Requires the election to be held on the date of the next general election for state and county officers. Requires the ballot proposition to specify the proposed percentage limitation on increases in appraised value. Provides that if a majority of the votes cast at the election favor the establishment of the proposed limitation, the limitation applies beginning with the tax year following the year in which the election is held and remains in effect until amended or repealed by the voters of the county at a subsequent election called by the commissioners court of the county. Requires an election to amend or repeal a limitation to be held on the date of the next general election for state and county officers. Provides that if the voters of the county amend or repeal a limitation, the amendment or repeal applies beginning with the tax year after the year in which the election is held. Provides that a limitation established under this subsection applies to the taxation of all residence homesteads by each taxing unit having territory in the county, including residence homesteads located outside the county.

(h) Provides that if in any tax year the limitation on increases in appraised value provided by Subsection (a)(2) applies to residence homesteads taxable by a taxing unit having territory in Harris County and the voters of the county have established for application in that tax year a limitation on increases in appraised value under Subsection (g), the lower the limitation applies to the taxation of residence homesteads by the taxing unit.

SECTION 2. Amends Section 42.26(d), Tax Code, to refer to a limitation on appraised value imposed by or established under Section 23.23 (Limitation on Appraised Value of Residence Homestead).

SECTION 3. Makes application of this Act prospective to a tax year that begins on or after January 1, 2008.

SECTION 4. Effective date: January 1, 2008, contingent upon approval by the voters of the constitutional amendment authorizing the legislature to provide for a local option election in Harris County to set a limitation of not less than three percent on the maximum average annual increase in the appraised value of residence homesteads for purposes of ad valorem taxation by each political subdivision in the county.