

1-1 By: Berman, et al. (Senate Sponsor - Deuell) H.B. No. 5
1-2 (In the Senate - Received from the House March 5, 2007;
1-3 March 12, 2007, read first time and referred to Committee on
1-4 Finance; April 16, 2007, reported favorably by the following vote:
1-5 Yeas 12, Nays 0; April 16, 2007, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to providing for a reduction of the limitation on the total
1-9 amount of ad valorem taxes that may be imposed by a school district
1-10 on the residence homesteads of the elderly or disabled to reflect
1-11 any reduction in the school district's tax rate and protecting a
1-12 school district against any resulting loss in local revenue.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Section 11.26, Tax Code, is amended by adding
1-15 Subsections (a-1), (a-2), and (a-3) to read as follows:

1-16 (a-1) Notwithstanding the other provisions of this section,
1-17 if in the 2007 tax year an individual qualifies for a limitation on
1-18 tax increases provided by this section on the individual's
1-19 residence homestead and the first tax year the individual or the
1-20 individual's spouse qualified for an exemption under Section
1-21 11.13(c) for the same homestead was the 2006 tax year, the amount of
1-22 the limitation provided by this section on the homestead in the 2007
1-23 tax year is equal to the amount computed by:

1-24 (1) multiplying the amount of tax the school district
1-25 imposed on the homestead in the 2006 tax year by a fraction the
1-26 numerator of which is the tax rate of the district for the 2007 tax
1-27 year and the denominator of which is the tax rate of the district
1-28 for the 2006 tax year; and

1-29 (2) adding any tax imposed in the 2007 tax year
1-30 attributable to improvements made in the 2006 tax year as provided
1-31 by Subsection (b) to the lesser of the amount computed under
1-32 Subdivision (1) or the amount of tax the district imposed on the
1-33 homestead in the 2006 tax year.

1-34 (a-2) Notwithstanding the other provisions of this section,
1-35 if in the 2007 tax year an individual qualifies for a limitation on
1-36 tax increases provided by this section on the individual's
1-37 residence homestead and the first tax year the individual or the
1-38 individual's spouse qualified for an exemption under Section
1-39 11.13(c) for the same homestead was a tax year before the 2006 tax
1-40 year, the amount of the limitation provided by this section on the
1-41 homestead in the 2007 tax year is equal to the amount computed by:

1-42 (1) multiplying the amount of tax the school district
1-43 imposed on the homestead in the 2005 tax year by a fraction the
1-44 numerator of which is the tax rate of the district for the 2006 tax
1-45 year and the denominator of which is the tax rate of the district
1-46 for the 2005 tax year;

1-47 (2) adding any tax imposed in the 2006 tax year
1-48 attributable to improvements made in the 2005 tax year as provided
1-49 by Subsection (b) to the lesser of the amount computed under
1-50 Subdivision (1) or the amount of tax the district imposed on the
1-51 homestead in the 2005 tax year;

1-52 (3) multiplying the amount computed under Subdivision
1-53 (2) by a fraction the numerator of which is the tax rate of the
1-54 district for the 2007 tax year and the denominator of which is the
1-55 tax rate of the district for the 2006 tax year; and

1-56 (4) adding to the lesser of the amount computed under
1-57 Subdivision (2) or (3) any tax imposed in the 2007 tax year
1-58 attributable to improvements made in the 2006 tax year, as provided
1-59 by Subsection (b).

1-60 (a-3) Except as provided by Subsection (b), a limitation on
1-61 tax increases provided by this section on a residence homestead
1-62 computed under Subsection (a-1) or (a-2) continues to apply to the
1-63 homestead in subsequent tax years until the limitation expires.

1-64 SECTION 2. Section 42.2511(a), Education Code, is amended

2-1 to read as follows:

2-2 (a) Notwithstanding any other provision of this chapter, a
 2-3 school district is entitled to additional state aid to the extent
 2-4 that state aid under this chapter based on the determination of the
 2-5 school district's taxable value of property as provided under
 2-6 Subchapter M, Chapter 403, Government Code, does not fully
 2-7 compensate the district for ad valorem tax revenue lost due to:

2-8 (1) the increase in the homestead exemption under
 2-9 Section 1-b(c), Article VIII, Texas Constitution, as proposed by
 2-10 H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and the
 2-11 additional limitation on tax increases under Section 1-b(d),
 2-12 Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th
 2-13 Legislature, Regular Session, 1997; and

2-14 (2) the reduction of the limitation on tax increases
 2-15 to reflect any reduction in the school district tax rate as provided
 2-16 by Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

2-17 SECTION 3. Section 42.302(a-1), Education Code, is amended
 2-18 to read as follows:

2-19 (a-1) In this section, "wealth per student" has the meaning
 2-20 assigned by Section 41.001. For purposes of Subsection (a), the
 2-21 dollar amount guaranteed level of state and local funds per
 2-22 weighted student per cent of tax effort ("GL") for a school district
 2-23 is:

2-24 (1) the amount of district tax revenue per weighted
 2-25 student per cent of tax effort available to a district at the 88th
 2-26 percentile in wealth per student, as determined by the commissioner
 2-27 in cooperation with the Legislative Budget Board, for the
 2-28 district's maintenance and operations tax effort equal to or less
 2-29 than the rate equal to the product of the state compression
 2-30 percentage, as determined under Section 42.2516, multiplied by the
 2-31 maintenance and operations tax rate adopted by the district for the
 2-32 2005 tax year;

2-33 (2) the amount of district tax revenue per weighted
 2-34 student per cent of tax effort that would be available to the Austin
 2-35 Independent School District, as determined by the commissioner in
 2-36 cooperation with the Legislative Budget Board, if the reduction of
 2-37 the limitation on tax increases as provided by Section 11.26(a-1),
 2-38 (a-2), or (a-3), Tax Code, did not apply, for the first six cents by
 2-39 which the district's maintenance and operations tax rate exceeds
 2-40 the rate equal to the product of the state compression percentage,
 2-41 as determined under Section 42.2516 and notwithstanding the
 2-42 limitation on district enrichment tax rate ("DTR") under Section
 2-43 42.303, multiplied by the maintenance and operations tax rate
 2-44 adopted by the district for the 2005 tax year; and

2-45 (3) \$31.95, for the district's maintenance and
 2-46 operations tax effort that exceeds the amount of tax effort
 2-47 described by Subdivision (2).

2-48 SECTION 4. Section 403.302, Government Code, is amended by
 2-49 amending Subsection (j) and adding Subsection (j-1) to read as
 2-50 follows:

2-51 (j) For purposes of Section 42.2511, Education Code, the
 2-52 comptroller shall certify to the commissioner of education:

2-53 (1) a final value for each school district computed on
 2-54 a residence homestead exemption under Section 1-b(c), Article VIII,
 2-55 Texas Constitution, of \$5,000; ~~and~~

2-56 (2) a final value for each school district computed
 2-57 on:

2-58 (A) a residence homestead exemption under
 2-59 Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

2-60 (B) the effect of the additional limitation on
 2-61 tax increases under Section 1-b(d), Article VIII, Texas
 2-62 Constitution, as proposed by H.J.R. No. 4, 75th Legislature,
 2-63 Regular Session, 1997; and

2-64 (3) a final value for each school district computed on
 2-65 the effect of the reduction of the limitation on tax increases to
 2-66 reflect any reduction in the school district tax rate as provided by
 2-67 Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

2-68 (j-1) For purposes of applying Subsection (j)(3) in the
 2-69 2007-2008 school year, the comptroller shall compute the final

3-1 value under that subsection as if the reduction of the limitation on
3-2 tax increases to reflect any reduction in the school district tax
3-3 rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as
3-4 applicable, had taken effect in the 2006 tax year. This subsection
3-5 expires September 1, 2008.

3-6 SECTION 5. This Act applies beginning with the tax year that
3-7 begins January 1, 2007.

3-8 SECTION 6. This Act takes effect on the date on which the
3-9 constitutional amendment proposed by the 80th Legislature, Regular
3-10 Session, 2007, authorizing the legislature to provide for a
3-11 reduction of the limitation on the total amount of ad valorem taxes
3-12 that may be imposed for public school purposes on the residence
3-13 homesteads of the elderly or disabled to reflect any reduction in
3-14 the rate of those taxes for the 2006 and 2007 tax years takes
3-15 effect, if that constitutional amendment is approved by the voters.
3-16 If that constitutional amendment is not approved by the voters,
3-17 this Act has no effect.

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