

BILL ANALYSIS

C.S.H.B. 2878
By: Sheffield
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under current law, persons who construct or rehabilitate their home as a replacement residence under the housing rehabilitation program of the Texas Department of Housing and Community Affairs lose their current residence homestead tax limitation.

C.S.H.B. 2878 remedies this situation by establishing a cap on the appraised value of certain residence homesteads of disabled or elderly persons.

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

C.S.H.B. 2878 amends the Tax Code to adopt provisions applicable only to the residence homestead of a disabled person or a person who is 65 years of age or older that the person previously qualified for a residence homestead exemption and that was rehabilitated or constructed as a replacement residence under the federal community development block grant program or under a housing rehabilitation program of the Texas Department of Housing and Community Affairs or a successor program. The bill defines "disabled" and "residence homestead." The bill establishes that for the first tax year following the year in which the residence homestead was rehabilitated or constructed, the appraised value of the property is equal to the lesser of the market value of the property or the sum of 10 percent of the appraised value of the property for the preceding tax year and the appraised value of the property for the preceding tax year. The bill requires the chief appraiser, when appraising the property for the first tax year following the year in which the residence homestead was rehabilitated or constructed, to appraise the property at its market value and to include in the appraisal records both the market value of the property and the amount of the sum described above. The bill requires the chief appraiser, if the owner of the property immediately before the residence homestead was rehabilitated or constructed, or that owner's spouse or surviving spouse, ceases to qualify the property for a residence homestead exemption, to appraise the property at its market value for the following tax year as of January 1 of that year. The bill makes changes to the statutes regarding the median level of appraisals and remedies for unequal appraisals to clarify, for such a property, the appraised value that applies to certain calculations and certain determinations, respectively, under those two statutes.

C.S.H.B. 2878 amends the Education Code to make similar changes to a provision relating to including the limitation on the appraised value of residences under the bill's provisions on the contents of the required notice for a public meeting to discuss and adopt a school district budget.

C.S.H.B. 2878 amends provisions of the Government Code relating to the annual study of school district property values by the comptroller of public accounts to redefine "taxable value" to subtract the portion of the appraised value of residence homesteads of individuals who receive a

tax limitation under the provisions of the bill and to make other conforming changes.

EFFECTIVE DATE

January 1, 2010, if the constitutional amendment authorizing the legislature to establish for purposes of property taxation an initial limit on the appraised value of the residence homestead of a disabled or elderly person that was rehabilitated or constructed as a replacement residence under the federal community development block grant program or a housing rehabilitation program of the Texas Department of Housing and Community Affairs is approved by the voters.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2878 adds provisions capping the appraised value of a residence homestead of a disabled person or a person who is 65 years of age or older that the person previously qualified for a residence homestead exemption and that was rehabilitated or constructed as a replacement residence under the federal community development block grant program or under a housing rehabilitation program of the Texas Department of Housing and Community Affairs (TDHCA) or a successor program, and defining "disabled" and "residence homestead" for such purposes. The substitute removes provisions in the original capping, for such a person, the taxes on a residence homestead of a similar person that consists of a structure built on land that the person previously qualified as part of the person's former residence homestead and that was constructed under the federal community development block grant program using a nonentitlement grant or under a housing rehabilitation program of TDHCA or a successor program. The substitute removes provisions included in the original making a related change to the statute governing the appraisal of property occupied by stockholders of a corporation incorporated under the Cooperative Association Act. The substitute removes provisions included in the original making related changes to the definitions of "current total value," "last year's levy," and "last year's total value" for purposes of the statutes on assessment.

C.S.H.B. 2878 adds provisions, not included in the original, amending provisions in the Education Code relating to the notice for a public meeting on a school district budget to make changes relating to the appraised value of residence homesteads affected by the substitute's cap.

C.S.H.B. 2878 differs from the original, in provisions of the Government Code relating to the comptroller of public accounts' annual study of school district property values, to make technical changes reflecting the substitute's capping of appraised value, rather than the original's capping of taxes. The substitute differs from the original by making similar changes in effective date provisions describing the constitutional amendment on which the bill is contingent.