

By: Callegari

H.B. No. 979

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to a limitation on the maximum appraised value of real  
3 property for ad valorem tax purposes of 110 percent of the appraised  
4 value of the property for the preceding tax year.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 1.12(d), Tax Code, is amended to read as  
7 follows:

8 (d) For purposes of this section, the appraisal ratio of  
9 real property [~~a homestead~~] to which Section 23.23 applies is the  
10 ratio of the property's market value as determined by the appraisal  
11 district or appraisal review board, as applicable, to the market  
12 value of the property according to law. The appraisal ratio is not  
13 calculated according to the appraised value of the property as  
14 limited by Section 23.23.

15 SECTION 2. The heading to Section 23.23, Tax Code, is  
16 amended to read as follows:

17 Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY  
18 [~~RESIDENCE HOMESTEAD~~].

19 SECTION 3. Section 23.23, Tax Code, is amended by amending  
20 Subsections (a), (b), (c), (e), and (f) and adding Subsections  
21 (c-1), (c-2), and (c-3) to read as follows:

22 (a) Notwithstanding the requirements of Section 25.18 and  
23 regardless of whether the appraisal office has appraised the  
24 property and determined the market value of the property for the tax

1 year, an appraisal office may increase the appraised value of real  
2 property [~~a residence homestead~~] for a tax year to an amount not to  
3 exceed the lesser of:

4 (1) the market value of the property for the most  
5 recent tax year that the market value was determined by the  
6 appraisal office; or

7 (2) the sum of:

8 (A) 10 percent of the appraised value of the  
9 property for the preceding tax year;

10 (B) the appraised value of the property for the  
11 preceding tax year; and

12 (C) the market value of all new improvements to  
13 the property.

14 (b) When appraising real property [~~a residence homestead~~],  
15 the chief appraiser shall:

16 (1) appraise the property at its market value; and

17 (2) include in the appraisal records both the market  
18 value of the property and the amount computed under Subsection  
19 (a)(2).

20 (c) The limitation provided by Subsection (a) takes effect  
21 on January 1 of the tax year following the first tax year in which  
22 the owner owns the property on January 1, or, if the property  
23 qualifies as the [~~to a~~] residence homestead of the owner under  
24 Section 11.13 in the tax year in which the owner acquires the  
25 property, the limitation takes effect on January 1 of the tax year  
26 following that [~~the first~~] tax year [~~the owner qualifies the~~  
27 ~~property for an exemption under Section 11.13~~]. Except as provided

1 by Subsection (c-1) or (c-2), the ~~[The]~~ limitation expires on  
2 January 1 of the first tax year following the year in which ~~[that~~  
3 ~~neither]~~ the owner of the property ceases to own the property.

4 (c-1) If property subject to a limitation under this section  
5 qualifies for an exemption under Section 11.13 when the ownership  
6 of the property is transferred to the owner's spouse or surviving  
7 spouse, the limitation expires on January 1 of the first tax year  
8 following the year in which ~~[when the limitation took effect nor]~~  
9 the owner's spouse or surviving spouse ceases to own the property,  
10 unless the limitation is further continued under this subsection on  
11 the subsequent transfer to a spouse or surviving spouse ~~[qualifies~~  
12 ~~for an exemption under Section 11.13]~~.

13 (c-2) If property subject to a limitation under Subsection  
14 (a), other than a residence homestead, is owned by two or more  
15 persons, the limitation expires on January 1 of the first tax year  
16 following the year in which the ownership of at least a 50 percent  
17 interest in the property is sold or otherwise transferred.

18 (c-3) For purposes of applying the limitation provided by  
19 this section in the first tax year after the 2009 tax year in which  
20 the property is appraised for taxation:

21 (1) the property is considered to have been appraised  
22 for taxation in the 2009 tax year at a market value equal to the  
23 appraised value of the property for that tax year;

24 (2) a person who acquired real property in a tax year  
25 before the 2009 tax year is considered to have acquired the property  
26 on January 1, 2009; and

27 (3) a person who qualified the property for an

1 exemption under Section 11.13 as the person's residence homestead  
2 for any portion of the 2009 tax year is considered to have acquired  
3 the property in the 2009 tax year.

4 (e) In this section, "new improvement" means an improvement  
5 to real property [~~a residence homestead~~] made after the most recent  
6 appraisal of the property that increases the market value of the  
7 property and the value of which is not included in the appraised  
8 value of the property for the preceding tax year. The term does not  
9 include repairs to or ordinary maintenance of an existing structure  
10 or the grounds or another feature of the property.

11 (f) Notwithstanding Subsections (a) and (e) and except as  
12 provided by Subdivision (2), an improvement to property that would  
13 otherwise constitute a new improvement is not treated as a new  
14 improvement if the improvement is a replacement structure for a  
15 structure that was rendered uninhabitable or unusable by a casualty  
16 or by mold or water damage. For purposes of appraising the property  
17 in the tax year in which the structure would have constituted a new  
18 improvement:

19 (1) the appraised value of the property for the last  
20 year in which the property was appraised for taxation before the  
21 casualty or damage occurred is considered to be the appraised value  
22 of the property for the preceding tax [~~last~~] year [~~in which the~~  
23 ~~property was appraised for taxation~~] for purposes of Subsection  
24 (a)(2) [~~(a)(2)(A)~~]; and

25 (2) the replacement structure is considered to be a  
26 new improvement only to the extent it is a significant improvement  
27 over the replaced structure as that structure existed before the

1 casualty or damage occurred.

2 SECTION 4. Section 42.26(d), Tax Code, is amended to read as  
3 follows:

4 (d) For purposes of this section, the value of the property  
5 subject to the suit and the value of a comparable property or sample  
6 property that is used for comparison must be the market value  
7 determined by the appraisal district when the property is [~~a~~  
8 ~~residence homestead~~] subject to the limitation on appraised value  
9 imposed by Section 23.23.

10 SECTION 5. Sections 403.302(d) and (i), Government Code,  
11 are amended to read as follows:

12 (d) For the purposes of this section, "taxable value" means  
13 the market value of all taxable property less:

14 (1) the total dollar amount of any residence homestead  
15 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
16 Code, in the year that is the subject of the study for each school  
17 district;

18 (2) one-half of the total dollar amount of any  
19 residence homestead exemptions granted under Section 11.13(n), Tax  
20 Code, in the year that is the subject of the study for each school  
21 district;

22 (3) the total dollar amount of any exemptions granted  
23 before May 31, 1993, within a reinvestment zone under agreements  
24 authorized by Chapter 312, Tax Code;

25 (4) subject to Subsection (e), the total dollar amount  
26 of any captured appraised value of property that:

27 (A) is within a reinvestment zone created on or

1 before May 31, 1999, or is proposed to be included within the  
2 boundaries of a reinvestment zone as the boundaries of the zone and  
3 the proposed portion of tax increment paid into the tax increment  
4 fund by a school district are described in a written notification  
5 provided by the municipality or the board of directors of the zone  
6 to the governing bodies of the other taxing units in the manner  
7 provided by Section 311.003(e), Tax Code, before May 31, 1999, and  
8 within the boundaries of the zone as those boundaries existed on  
9 September 1, 1999, including subsequent improvements to the  
10 property regardless of when made;

11 (B) generates taxes paid into a tax increment  
12 fund created under Chapter 311, Tax Code, under a reinvestment zone  
13 financing plan approved under Section 311.011(d), Tax Code, on or  
14 before September 1, 1999; and

15 (C) is eligible for tax increment financing under  
16 Chapter 311, Tax Code;

17 (5) for a school district for which a deduction from  
18 taxable value is made under Subdivision (4), an amount equal to the  
19 taxable value required to generate revenue when taxed at the school  
20 district's current tax rate in an amount that, when added to the  
21 taxes of the district paid into a tax increment fund as described by  
22 Subdivision (4)(B), is equal to the total amount of taxes the  
23 district would have paid into the tax increment fund if the district  
24 levied taxes at the rate the district levied in 2005;

25 (6) the total dollar amount of any captured appraised  
26 value of property that:

27 (A) is within a reinvestment zone:

1 (i) created on or before December 31, 2008,  
2 by a municipality with a population of less than 18,000; and

3 (ii) the project plan for which includes  
4 the alteration, remodeling, repair, or reconstruction of a  
5 structure that is included on the National Register of Historic  
6 Places and requires that a portion of the tax increment of the zone  
7 be used for the improvement or construction of related facilities  
8 or for affordable housing;

9 (B) generates school district taxes that are paid  
10 into a tax increment fund created under Chapter 311, Tax Code; and

11 (C) is eligible for tax increment financing under  
12 Chapter 311, Tax Code;

13 (7) the total dollar amount of any exemptions granted  
14 under Section 11.251 or 11.253, Tax Code;

15 (8) the difference between the comptroller's estimate  
16 of the market value and the productivity value of land that  
17 qualifies for appraisal on the basis of its productive capacity,  
18 except that the productivity value estimated by the comptroller may  
19 not exceed the fair market value of the land;

20 (9) the portion of the appraised value of residence  
21 homesteads of individuals who receive a tax limitation under  
22 Section 11.26, Tax Code, on which school district taxes are not  
23 imposed in the year that is the subject of the study, calculated as  
24 if the residence homesteads were appraised at the full value  
25 required by law;

26 (10) a portion of the market value of property not  
27 otherwise fully taxable by the district at market value because of:

1 (A) action required by statute or the  
2 constitution of this state that, if the tax rate adopted by the  
3 district is applied to it, produces an amount equal to the  
4 difference between the tax that the district would have imposed on  
5 the property if the property were fully taxable at market value and  
6 the tax that the district is actually authorized to impose on the  
7 property, if this subsection does not otherwise require that  
8 portion to be deducted; or

9 (B) action taken by the district under Subchapter  
10 B or C, Chapter 313, Tax Code;

11 (11) the market value of all tangible personal  
12 property, other than manufactured homes, owned by a family or  
13 individual and not held or used for the production of income;

14 (12) the appraised value of property the collection of  
15 delinquent taxes on which is deferred under Section 33.06, Tax  
16 Code;

17 (13) the portion of the appraised value of property  
18 the collection of delinquent taxes on which is deferred under  
19 Section 33.065, Tax Code; and

20 (14) the amount by which the market value of real  
21 property [~~a residence homestead~~] to which Section 23.23, Tax Code,  
22 applies exceeds the appraised value of that property as calculated  
23 under that section.

24 (i) If the comptroller determines in the annual study that  
25 the market value of property in a school district as determined by  
26 the appraisal district that appraises property for the school  
27 district, less the total of the amounts and values listed in

1 Subsection (d) as determined by that appraisal district, is valid,  
2 the comptroller, in determining the taxable value of property in  
3 the school district under Subsection (d), shall for purposes of  
4 Subsection (d)(14) subtract from the market value as determined by  
5 the appraisal district of properties [~~residence-homesteads~~] to  
6 which Section 23.23, Tax Code, applies the amount by which that  
7 amount exceeds the appraised value of those properties as  
8 calculated by the appraisal district under Section 23.23, Tax Code.  
9 If the comptroller determines in the annual study that the market  
10 value of property in a school district as determined by the  
11 appraisal district that appraises property for the school district,  
12 less the total of the amounts and values listed in Subsection (d) as  
13 determined by that appraisal district, is not valid, the  
14 comptroller, in determining the taxable value of property in the  
15 school district under Subsection (d), shall for purposes of  
16 Subsection (d)(14) subtract from the market value as estimated by  
17 the comptroller of properties [~~residence-homesteads~~] to which  
18 Section 23.23, Tax Code, applies the amount by which that amount  
19 exceeds the appraised value of those properties as calculated by  
20 the appraisal district under Section 23.23, Tax Code.

21 SECTION 6. This Act applies only to the appraisal for ad  
22 valorem tax purposes of real property for a tax year that begins on  
23 or after the effective date of this Act.

24 SECTION 7. This Act takes effect January 1, 2010, but only  
25 if the constitutional amendment proposed by the 81st Legislature,  
26 Regular Session, 2009, to authorize the legislature to limit the  
27 maximum appraised value of real property for ad valorem tax

1 purposes to 110 percent or more of the appraised value of the  
2 property for the preceding tax year is approved by the voters. If  
3 that amendment is not approved by the voters, this Act has no  
4 effect.