

## **BILL ANALYSIS**

H.B. 2696  
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Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Observers note that while any annual increase in the appraised value of a homestead is currently capped at 10 percent of the previous year's appraised value, plus the market value of any new improvements, homeowners do not benefit from this cap if a new structure built to replace a structure affected by a casualty or wind or water damage increases in size or if the new exterior of the structure is of higher quality than the old exterior. Interested parties contend that this exception has unintended consequences for homeowners who cannot rebuild their homes as they once were because of disaster recovery program requirements or local building codes. H.B. 2696 seeks to ameliorate these consequences by clarifying the application of the limit on the appraised value of a residence homestead to an improvement that is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage.

### **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**

H.B. 2696 amends the Tax Code to establish, in a statutory provision regarding limitations on the appraised value of a residence homestead for property tax purposes, that a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage with a square footage that exceeds that of the replaced structure as that structure existed before the casualty or damage occurred or with exterior construction and composition of higher quality than that of the replaced structure is not considered to be a new improvement if, to satisfy the requirements of a building code, fire code, or other local ordinance or a government assistance program that provided funding for the construction of the replacement structure, it was necessary that the square footage of the replacement structure exceed that of the replaced structure as that structure existed before the casualty or damage occurred or the exterior of the replacement structure be of higher quality construction and composition than that of the replaced structure. The bill makes its provisions applicable only to the appraisal of a residence homestead for property tax purposes for a tax year that begins on or after January 1, 2012.

### **EFFECTIVE DATE**

January 1, 2012.