

BILL ANALYSIS

C.S.H.B. 835
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law caps, for property tax purposes, the amount by which the appraised value of a residence homestead may be annually increased at 10 percent of the appraised value of the property for the preceding tax year. This cap does not apply to new improvements to a property, such as a new structure that increases in size or a new exterior that is of higher quality than the old exterior. Interested parties contend that while this exception makes sense in general, it has unintended consequences for some homeowners who cannot rebuild their homes following a natural disaster to the home's original state because of disaster recovery program requirements. The parties assert that taxpayers whose homes improve only to meet minimum disaster recovery should benefit from the cap so that the appraised tax value of their property increases gradually, like their neighbors who were fortunate enough to have their homes survive a disaster. C.S.H.B. 835 seeks to address this concern.

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. 835 amends the Tax Code to establish, for purposes of the cap on the appraised value of a residence homestead for property tax purposes, that a replacement structure for a structure rendered uninhabitable or unusable by a casualty or by wind or water damage is not considered to be a new improvement if, in order to satisfy the requirements of the disaster recovery program administered by the General Land Office that is funded with community development block grant disaster recovery money authorized by federal law, it was necessary that the square footage of the replacement structure exceed that of the replaced structure as that structure existed before the applicable casualty or damage occurred or it was necessary that the exterior of the replacement structure be of higher quality construction and composition than that of the replaced structure.

EFFECTIVE DATE

January 1, 2014.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 835 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 23.23, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) Notwithstanding Subsection (f)(2), a replacement structure described by that subdivision 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:

(1) the square footage of the replacement structure exceed that of the replaced structure as that structure existed before the casualty or damage occurred; or

(2) the exterior of the replacement structure be of higher quality construction and composition than that of the replaced structure.

SECTION 2. This Act applies only to the appraisal of a residence homestead for ad valorem tax purposes for a tax year that begins on or after January 1, 2014.

SECTION 3. This Act takes effect January 1, 2014.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 23.23, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) In this subsection, "disaster recovery program" means the disaster recovery program administered by the General Land Office that is funded with community development block grant disaster recovery money authorized by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Pub. L. No. 110-329) and the Consolidated and Further Continuing Appropriations Act, 2012 (Pub. L. No. 112-55). Notwithstanding Subsection (f)(2), and only to the extent necessary to satisfy the requirements of the disaster recovery program, a replacement structure described by that subdivision is not considered to be a new improvement if to satisfy the requirements of the disaster recovery program it was necessary that:

(1) the square footage of the replacement structure exceed that of the replaced structure as that structure existed before the casualty or damage occurred; or

(2) the exterior of the replacement structure be of higher quality construction and composition than that of the replaced structure.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.