

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 835
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Finance
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current Texas tax laws fail to protect some homeowners who rebuild or repair their homes after a natural disaster from experiencing a dramatic and unaffordable increase in their property taxes.

Under existing law, Texas homeowners are generally protected from dramatic property tax increases. The Tax Code provides that the appraised value of a homestead may not increase by more than 10 percent of the previous year's appraised value, plus the market value of any new improvements. Unfortunately, natural disaster victims who rebuild or repair their damaged homes do not benefit from the tax appraisal cap if the reconstructed/repared home increases in size or if the reconstructed home exterior is of higher quality than exterior of the original home.

Some Texas homeowners who suffer major damage or loss of their homes in a natural disaster are particularly vulnerable to these tax increases. Due to federal and state regulations, along with building codes, that govern and impact the disaster recovery reconstruction programs, the General Land Office frequently encounters this situation in its effort to assist lower income families. In order to participate in the disaster recovery programs administered by the State of Texas, disaster victims must follow federal and state program requirements that may require increases in the structure (e.g., bathrooms and bedrooms being made larger than the pre-storm structures), meeting minimum construction standards that the old home may have not or that mandate the use of specific materials that leave the reconstructed/repared home outside the applicability of the tax appraisal cap. Consequently, Texas families with modest means whose homes were heavily damaged by a natural disaster and who are assisted by the state's disaster recovery program may see their property taxes doubled or tripled in a single year through the new valuation.

C.S.S.B. 835 protects Texans whose homes were heavily damaged or destroyed by a natural disaster from losing their reconstructed homes through massive property tax increases. It provides that a replacement structure is not considered to be a new improvement if it was undertaken to satisfy the requirements of the disaster recovery program administered by the State of Texas. C.S.S.B. 835 allows the evaluation of such replacement structures to "float" gradually up to current market value like all other homestead properties, increasing at a rate of no more than 10 percent per year.

C.S.S.B. 835 amends current law relating to the application of the limit on appraised value of a residence homestead for ad valorem tax purposes 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

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.23, Tax Code, by adding Subsection (g), as follows:

(g) Provides that, 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). Provides that, notwithstanding Subsection (f)(2) (relating to the conditions under which a replacement structure would be considered a new improvement), 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. Provides that 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. Effective date: January 1, 2014.