

BILL ANALYSIS

Senate Research Center

S.B. 1
By: Nelson et al.
Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1 reduces the property tax burden on homeowners by increasing the homestead exemption for school district taxes from \$15,000 to 25 percent of Texas home median market value. The exemption amounts are estimated to be \$33,625 in 2016 and \$35,979 in 2017.

In addition, S.B. 1 holds harmless the school districts as a result of the increased homestead exemption.

Any local taxing units that currently offer the optional homestead exemption must maintain the current exemptions offered for 10 years.

S.B. 1 also provides local taxing units an additional month, from September 30 to October 31, to adopt their tax rate for 2015. This assists in providing the increased homestead exemption to homeowners in 2015.

As proposed, S.B. 1 amends current law relating to certain restrictions on the imposition of ad valorem taxes and to the duty of the state to reimburse certain political subdivisions for certain revenue loss.

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 11.13, Tax Code, by amending Subsection (b) and adding Subsection (b-1) and (n-1), as follows:

(b) Entitles an adult to exemption from taxation by a school district of a portion of the appraised value of the adult's residence homestead equal to 25 percent of the median market value in the current tax year of all residence homesteads in the state, except that only \$5,000 of the exemption applies to an entity operating under former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301 (Application of Former Law), Education Code, rather than entitling an adult to exemption from taxation by a school district of \$15,000 of the appraised value of the adult's residence homestead, except that \$10,000 of the exemption does not apply to an entity operating under former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code. Requires the Legislative Budget Board (LBB), for the purposes of this subsection, to determine the median market value in the current tax year of all residence homesteads in the state as of July 25 and publish that value in the Texas Register.

(b-1) Requires the LBB, notwithstanding Subsection (b), for purposes of computing the amount of the exemption under that subsection for the 2015 tax year, to determine the median market value in that tax year of all residence homesteads in the state as of September 30 and publish that value in the Texas Register. Provides that this subsection expires December 31, 2016.

(n-1) Prohibits the governing body of the taxing unit that adopted an exemption under Subsection (n) (relating to exemption on homestead taxation) for the 2014 tax year from reducing the amount of or repealing the exemption. Provides that this subsection expires December 31, 2024.

SECTION 2. Amends Section 11.26(a), Tax Code, to provide that if the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) (entitling an adult to exemption from taxation by a school district of a certain amount if the adult meets certain requirements) for individuals 65 years of age or older or disabled was a tax year before the 2015 tax year, rather than the 1997 tax year, the amount of the limitation provided by this section is the amount of tax the school district imposed for the 2014 tax year, rather than the 1996 tax year, less an amount equal to the amount determined by subtracting \$15,000 from the amount of the exemption under Section 11.13(b) for the 2015 tax year and multiplying that amount by the tax rate of the school district for the 2015 tax year, rather than multiplying by \$10,000 times the tax rate of the school district for the 1997 tax year, plus any 2015 tax attributable to improvements made in 2014, other than improvements made to comply with governmental regulations or repairs. Makes conforming changes.

SECTION 3. Amends Section 26.05, Tax Code, by adding Subsection (a-1), to require the governing body of a taxing unit, notwithstanding Subsection (a) (relating to the requirements for the governing body to set the tax rate with certain components), to adopt a tax rate for the 2015 tax year before the later of October 31 or the 60th day after the date the certified appraisal roll is received by the taxing unit. Provides that this subsection expires December 31, 2016.

SECTION 4. Amends Subchapter A, Chapter 41, Education Code, by adding Section 41.0011, as follows:

Sec. 41.0011. COMPUTATION OF WEALTH PER STUDENT FOR 2015-2016 SCHOOL YEAR. Provides that notwithstanding any other provision of this chapter, in computing a school district's wealth per student for the 2015-2016 school year, a school district's taxable value of property under Subchapter M (Study of School District Property Values), Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c) (relating to the exemptions on ad valorem tax for certain individuals), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) (prohibits an increase on individuals previously granted an exemption on ad valorem tax under certain circumstances) of that article in effect for the 2015 tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this section expires September 1, 2016.

SECTION 5. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2518, as follows:

Sec. 42.2518. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES. (a) Entitles a school district, for the 2015-2016 and 2016-2017 school years, to additional state aid to the extent that state and local revenue under this chapter and Chapter 41 (Equalized Wealth Level) is less than the state and local revenue that would have been available to the school district under Chapter 41 and this chapter as those chapters existed on January 1, 2015, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the applicable tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had not occurred.

(b) Provides that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2014 tax year is used for the purpose of determining additional state aid under this section.

(c) Requires the commissioner of education (commissioner), using information provided by the Comptroller of Public Accounts of the State of Texas (comptroller), to compute the amount of additional state aid to which a school district is entitled under this section. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

(d) Provides that this section expires August 31, 2017.

SECTION 6. Amends Subchapter E, Chapter 42, Education Code, effective September 1, 2017, by adding Section 42.2518, as follows:

Sec. 42.2518. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES. (a) Entitles a school district, beginning with the 2017-2018 school year, to additional state aid to the extent that state and local revenue under this chapter and Chapter 41 is less than the state and local revenue that would have been available to the school district under Chapter 41 and this chapter as those chapters existed on January 1, 2015, excluding any state aid that would have been provided under former Section 42.2516 (Additional State Aid For Tax Reduction), if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the applicable tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had not occurred.

(b) Provides that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2014 tax year is used for the purpose of determining additional state aid under this section.

(c) Requires commissioner, using information provided by the comptroller, to compute the amount of additional state aid to which a school district is entitled under this section. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

SECTION 7. Amends Section 42.252, Education Code, by adding Subsection (e), to provide that, notwithstanding any other provision of this chapter, in computing each school district's local share of program cost under this section for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 8. Amends Section 42.302, Education Code, by adding Subsection (g), to provide that notwithstanding any other provision of this chapter, in computing a school district's enrichment tax rate ("DTR") and local revenue ("LR") for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 9. Amends Section 46.003, Education Code, by adding Subsection (i), to provide that, notwithstanding any other provision of this chapter, in computing a school district's bond tax rate ("BTR") and taxable value of property ("DPV") for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by the joint resolution to amend that article adopted by

the 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 10. Amends Section 46.032, Education Code, by adding Subsection (d), to provide that, notwithstanding any other provision of this chapter, in computing a school district's existing debt tax rate ("EDTR") and taxable value of property ("DPV") for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 11. Amends Chapter 46, Education Code, by adding Subchapter D, as follows:

SUBCHAPTER D. STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON
TAX INCREASES

Sec. 46.071. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES. (a) Entitles a school district, beginning with the 2015-2016 school year, to additional state aid under this subchapter to the extent that state and local revenue used to service debt eligible for assistance under this chapter is less than the state and local revenue that would have been available to the district under this chapter as it existed on January 1, 2015, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the applicable tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had not occurred.

(b) Provides that subject to Subsections (c)-(g), additional state aid under this section is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the applicable tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, is not offset by a gain in state aid under this chapter.

(c) Provides that for the purpose of determining state aid under this section, local interest and sinking revenue for debt service is limited to revenue required to service debt eligible for assistance under this chapter that was issued on or before January 1, 2015, including refunding of that debt, subject to Section 46.061 (State Assistance for Refinancing).

(d) Provides that to the extent that the revenue is not included in the calculation of state aid under Section 42.2518, local maintenance and operations revenue for lease-purchase agreements eligible for assistance under this chapter as described by Section 46.004 (Lease-Purchase Agreement) is included for the purpose of calculating state aid under this section.

(e) Prohibits the effective tax rate used to calculate state aid under this section from exceeding the lesser of the school district's current effective tax rate or the tax rate that would have been necessary for the current year to make payments for eligible debt service, as defined under this section, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the applicable tax year as proposed by the joint resolution to amend that article adopted by the 84th Legislature, Regular Session, 2015, had not occurred.

(f) Prohibits the school district, if the amount required to pay debt service eligible under this section is less than the sum of state and local assistance provided under this chapter, including the amount of additional aid provided under this section, from receiving aid under this section in excess of the amount that, when added to the district's local interest and sinking revenue for debt service for the school year, as defined by this section, and state aid under Subchapters A (Instructional Facilities Allotment) and B (Assistance With Payment of Existing Debt), equals the amount required to pay the eligible debt service.

(g) Requires the commissioner, using information provided by the comptroller and other information as necessary, to compute the amount of additional state aid to which a district is entitled under this section. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

SECTION 12. Amends Section 403.302(j), Government Code, to add the requirement that the comptroller certify to the commissioner of education a final value for each school district computed on the amount of the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, in effect for the applicable tax year; and the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by the joint resolution to amend that subsection adopted by the 84th Legislature, Regular Session, 2015.

SECTION 13. Provides that this Act applies to each tax year that begins on or after January 1, 2015.

SECTION 14. Effective date: contingent upon approval of the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, providing for an exemption from ad valorem taxation for public school purposes of a portion of the market value of a residence homestead equal to 25 percent of the median market value of all residence homesteads in the state, providing for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed for those purposes on the homestead of an elderly or disabled person to reflect the increased exemption amount, authorizing the legislature to prohibit a political subdivision that has adopted an optional residence homestead exemption from reducing the amount of or repealing the exemption, and prohibiting the imposition or collection of a tax on the conveyance, including by sale, lease, or other transfer, of an interest in real property.