

By: Nelson, et al.

S.B. No. 1

A BILL TO BE ENTITLED

AN ACT

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.

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

SECTION 1. Section 11.13, Tax Code, is amended by amending Subsection (b) and adding Subsections (b-1) and (n-1) to read as follows:

(b) An adult is entitled to exemption from taxation by a school district of a portion [~~\$15,000~~] 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 [~~\$10,000~~] of the exemption applies [~~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. For purposes of this subsection, the Legislative Budget Board shall 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) Notwithstanding Subsection (b), for purposes of computing the amount of the exemption under that subsection for the 2015 tax year, the Legislative Budget Board shall determine the median market value in that tax year of all residence homesteads in

1 the state as of September 30 and publish that value in the Texas  
2 Register. This subsection expires December 31, 2016.

3 (n-1) The governing body of a taxing unit that adopted an  
4 exemption under Subsection (n) for the 2014 tax year may not reduce  
5 the amount of or repeal the exemption. This subsection expires  
6 December 31, 2024.

7 SECTION 2. Section 11.26(a), Tax Code, is amended to read as  
8 follows:

9 (a) The tax officials shall appraise the property to which  
10 this section applies and calculate taxes as on other property, but  
11 if the tax so calculated exceeds the limitation imposed by this  
12 section, the tax imposed is the amount of the tax as limited by this  
13 section, except as otherwise provided by this section. A school  
14 district may not increase the total annual amount of ad valorem tax  
15 it imposes on the residence homestead of an individual 65 years of  
16 age or older or on the residence homestead of an individual who is  
17 disabled, as defined by Section 11.13, above the amount of the tax  
18 it imposed in the first tax year in which the individual qualified  
19 that residence homestead for the applicable exemption provided by  
20 Section 11.13(c) for an individual who is 65 years of age or older  
21 or is disabled. If the individual qualified that residence  
22 homestead for the exemption after the beginning of that first year  
23 and the residence homestead remains eligible for the same exemption  
24 for the next year, and if the school district taxes imposed on the  
25 residence homestead in the next year are less than the amount of  
26 taxes imposed in that first year, a school district may not  
27 subsequently increase the total annual amount of ad valorem taxes

1 it imposes on the residence homestead above the amount it imposed in  
 2 the year immediately following the first year for which the  
 3 individual qualified that residence homestead for the same  
 4 exemption, except as provided by Subsection (b). If the first tax  
 5 year the individual qualified the residence homestead for the  
 6 exemption provided by Section 11.13(c) for individuals 65 years of  
 7 age or older or disabled was a tax year before the 2015 [~~1997~~] tax  
 8 year, the amount of the limitation provided by this section is the  
 9 amount of tax the school district imposed for the 2014 [~~1996~~] tax  
 10 year less an amount equal to the amount determined by subtracting  
 11 \$15,000 from the amount of the exemption under Section 11.13(b) for  
 12 the 2015 tax year and multiplying that amount by [~~\$10,000 times~~] the  
 13 tax rate of the school district for the 2015 [~~1997~~] tax year, plus  
 14 any 2015 [~~1997~~] tax attributable to improvements made in 2014  
 15 [~~1996~~], other than improvements made to comply with governmental  
 16 regulations or repairs.

17 SECTION 3. Section 26.05, Tax Code, is amended by adding  
 18 Subsection (a-1) to read as follows:

19 (a-1) Notwithstanding Subsection (a), the governing body of  
 20 a taxing unit shall adopt a tax rate for the 2015 tax year before the  
 21 later of October 31 or the 60th day after the date the certified  
 22 appraisal roll is received by the taxing unit. This subsection  
 23 expires December 31, 2016.

24 SECTION 4. Subchapter A, Chapter 41, Education Code, is  
 25 amended by adding Section 41.0011 to read as follows:

26 Sec. 41.0011. COMPUTATION OF WEALTH PER STUDENT FOR  
 27 2015-2016 SCHOOL YEAR. Notwithstanding any other provision of this

1 chapter, in computing a school district's wealth per student for  
2 the 2015-2016 school year, a school district's taxable value of  
3 property under Subchapter M, Chapter 403, Government Code, is  
4 determined as if the increase in the residence homestead exemption  
5 under Section 1-b(c), Article VIII, Texas Constitution, and the  
6 additional limitation on tax increases under Section 1-b(d) of that  
7 article in effect for the 2015 tax year as proposed by the joint  
8 resolution to amend that article adopted by the 84th Legislature,  
9 Regular Session, 2015, had been in effect for the 2014 tax year.  
10 This section expires September 1, 2016.

11 SECTION 5. Subchapter E, Chapter 42, Education Code, is  
12 amended by adding Section 42.2518 to read as follows:

13 Sec. 42.2518. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION  
14 AND LIMITATION ON TAX INCREASES. (a) For the 2015-2016 and  
15 2016-2017 school years, a school district is entitled to additional  
16 state aid to the extent that state and local revenue under this  
17 chapter and Chapter 41 is less than the state and local revenue that  
18 would have been available to the district under Chapter 41 and this  
19 chapter as those chapters existed on January 1, 2015, if the  
20 increase in the residence homestead exemption under Section 1-b(c),  
21 Article VIII, Texas Constitution, and the additional limitation on  
22 tax increases under Section 1-b(d) of that article in effect for the  
23 applicable tax year as proposed by the joint resolution to amend  
24 that article adopted by the 84th Legislature, Regular Session,  
25 2015, had not occurred.

26 (b) The lesser of the school district's currently adopted  
27 maintenance and operations tax rate or the adopted maintenance and

1 operations tax rate for the 2014 tax year is used for the purpose of  
2 determining additional state aid under this section.

3 (c) The commissioner, using information provided by the  
4 comptroller and other information as necessary, shall compute the  
5 amount of additional state aid to which a district is entitled under  
6 this section. A determination by the commissioner under this  
7 section is final and may not be appealed.

8 (d) This section expires August 31, 2017.

9 SECTION 6. Effective September 1, 2017, Subchapter E,  
10 Chapter 42, Education Code, is amended by adding Section 42.2518 to  
11 read as follows:

12 Sec. 42.2518. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION  
13 AND LIMITATION ON TAX INCREASES. (a) Beginning with the 2017-2018  
14 school year, a school district is entitled to additional state aid  
15 to the extent that state and local revenue under this chapter and  
16 Chapter 41 is less than the state and local revenue that would have  
17 been available to the district under Chapter 41 and this chapter as  
18 those chapters existed on January 1, 2015, excluding any state aid  
19 that would have been provided under former Section 42.2516, if the  
20 increase in the residence homestead exemption under Section 1-b(c),  
21 Article VIII, Texas Constitution, and the additional limitation on  
22 tax increases under Section 1-b(d) of that article in effect for the  
23 applicable tax year as proposed by the joint resolution to amend  
24 that article adopted by the 84th Legislature, Regular Session,  
25 2015, had not occurred.

26 (b) The lesser of the school district's currently adopted  
27 maintenance and operations tax rate or the adopted maintenance and

1 operations tax rate for the 2014 tax year is used for the purpose of  
2 determining additional state aid under this section.

3 (c) The commissioner, using information provided by the  
4 comptroller and other information as necessary, shall compute the  
5 amount of additional state aid to which a district is entitled under  
6 this section. A determination by the commissioner under this  
7 section is final and may not be appealed.

8 SECTION 7. Section 42.252, Education Code, is amended by  
9 adding Subsection (e) to read as follows:

10 (e) Notwithstanding any other provision of this chapter, in  
11 computing each school district's local share of program cost under  
12 this section for the 2015-2016 school year, a school district's  
13 taxable value of property under Subchapter M, Chapter 403,  
14 Government Code, is determined as if the increase in the residence  
15 homestead exemption under Section 1-b(c), Article VIII, Texas  
16 Constitution, and the additional limitation on tax increases under  
17 Section 1-b(d) of that article in effect for the 2015 tax year as  
18 proposed by the joint resolution to amend that article adopted by  
19 the 84th Legislature, Regular Session, 2015, had been in effect for  
20 the 2014 tax year. This subsection expires September 1, 2016.

21 SECTION 8. Section 42.302, Education Code, is amended by  
22 adding Subsection (g) to read as follows:

23 (g) Notwithstanding any other provision of this chapter, in  
24 computing a school district's enrichment tax rate ("DTR") and local  
25 revenue ("LR") for the 2015-2016 school year, a school district's  
26 taxable value of property under Subchapter M, Chapter 403,  
27 Government Code, is determined as if the increase in the residence

1 homestead exemption under Section 1-b(c), Article VIII, Texas  
2 Constitution, and the additional limitation on tax increases under  
3 Section 1-b(d) of that article in effect for the 2015 tax year as  
4 proposed by the joint resolution to amend that article adopted by  
5 the 84th Legislature, Regular Session, 2015, had been in effect for  
6 the 2014 tax year. This subsection expires September 1, 2016.

7 SECTION 9. Section 46.003, Education Code, is amended by  
8 adding Subsection (i) to read as follows:

9 (i) Notwithstanding any other provision of this chapter, in  
10 computing a district's bond tax rate ("BTR") and taxable value of  
11 property ("DPV") for the 2015-2016 school year, a school district's  
12 taxable value of property under Subchapter M, Chapter 403,  
13 Government Code, is determined as if the increase in the residence  
14 homestead exemption under Section 1-b(c), Article VIII, Texas  
15 Constitution, and the additional limitation on tax increases under  
16 Section 1-b(d) of that article in effect for the 2015 tax year as  
17 proposed by the joint resolution to amend that article adopted by  
18 the 84th Legislature, Regular Session, 2015, had been in effect for  
19 the 2014 tax year. This subsection expires September 1, 2016.

20 SECTION 10. Section 46.032, Education Code, is amended by  
21 adding Subsection (d) to read as follows:

22 (d) Notwithstanding any other provision of this chapter, in  
23 computing a district's existing debt tax rate ("EDTR") and taxable  
24 value of property ("DPV") for the 2015-2016 school year, a school  
25 district's taxable value of property under Subchapter M, Chapter  
26 403, Government Code, is determined as if the increase in the  
27 residence homestead exemption under Section 1-b(c), Article VIII,

1 Texas Constitution, and the additional limitation on tax increases  
2 under Section 1-b(d) of that article in effect for the 2015 tax year  
3 as proposed by the joint resolution to amend that article adopted by  
4 the 84th Legislature, Regular Session, 2015, had been in effect for  
5 the 2014 tax year. This subsection expires September 1, 2016.

6 SECTION 11. Chapter 46, Education Code, is amended by  
7 adding Subchapter D to read as follows:

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

10 Sec. 46.071. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION  
11 AND LIMITATION ON TAX INCREASES. (a) Beginning with the 2015-2016  
12 school year, a school district is entitled to additional state aid  
13 under this subchapter to the extent that state and local revenue  
14 used to service debt eligible for assistance under this chapter is  
15 less than the state and local revenue that would have been available  
16 to the district under this chapter as it existed on January 1, 2015,  
17 if the increase in the residence homestead exemption under Section  
18 1-b(c), Article VIII, Texas Constitution, and the additional  
19 limitation on tax increases under Section 1-b(d) of that article in  
20 effect for the applicable tax year as proposed by the joint  
21 resolution to amend that article adopted by the 84th Legislature,  
22 Regular Session, 2015, had not occurred.

23 (b) Subject to Subsections (c)-(g), additional state aid  
24 under this section is equal to the amount by which the loss of local  
25 interest and sinking revenue for debt service attributable to the  
26 increase in the residence homestead exemption under Section 1-b(c),  
27 Article VIII, Texas Constitution, and the additional limitation on



1 tax increases under Section 1-b(d) of that article in effect for the  
2 applicable tax year as proposed by the joint resolution to amend  
3 that article adopted by the 84th Legislature, Regular Session,  
4 2015, is not offset by a gain in state aid under this chapter.

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

10 (d) To the extent that the revenue is not included in the  
11 calculation of state aid under Section 42.2518, local maintenance  
12 and operations revenue for lease-purchase agreements eligible for  
13 assistance under this chapter as described by Section 46.004 is  
14 included for the purpose of calculating state aid under this  
15 section.

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

26 (f) If the amount required to pay debt service eligible  
27 under this section is less than the sum of state and local

1 assistance provided under this chapter, including the amount of  
2 additional aid provided under this section, the district may not  
3 receive aid under this section in excess of the amount that, when  
4 added to the district's local interest and sinking revenue for debt  
5 service for the school year, as defined by this section, and state  
6 aid under Subchapters A and B, equals the amount required to pay the  
7 eligible debt service.

8 (g) The commissioner, using information provided by the  
9 comptroller and other information as necessary, shall compute the  
10 amount of additional state aid to which a district is entitled under  
11 this section. A determination by the commissioner under this  
12 section is final and may not be appealed.

13 SECTION 12. Section 403.302(j), Government Code, is amended  
14 to read as follows:

15 (j) For purposes of Chapter 42, Education Code, the  
16 comptroller shall certify to the commissioner of education:

17 (1) a final value for each school district computed on  
18 a residence homestead exemption under Section 1-b(c), Article VIII,  
19 Texas Constitution, of \$5,000;

20 (2) a final value for each school district computed  
21 on:

22 (A) a residence homestead exemption under  
23 Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

24 (B) the effect of the additional limitation on  
25 tax increases under Section 1-b(d), Article VIII, Texas  
26 Constitution, as proposed by H.J.R. No. 4, 75th Legislature,  
27 Regular Session, 1997; [~~and~~]

1 (3) a final value for each school district computed on  
2 the effect of the reduction of the limitation on tax increases to  
3 reflect any reduction in the school district tax rate as provided by  
4 Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable; and

5 (4) a final value for each school district computed  
6 on:

7 (A) the amount of the residence homestead  
8 exemption under Section 1-b(c), Article VIII, Texas Constitution,  
9 in effect for the applicable tax year; and

10 (B) the effect of the additional limitation on  
11 tax increases under Section 1-b(d), Article VIII, Texas  
12 Constitution, as proposed by the joint resolution to amend that  
13 subsection adopted by the 84th Legislature, Regular Session, 2015.

14 SECTION 13. This Act applies to each tax year that begins on  
15 or after January 1, 2015.

16 SECTION 14. Except as otherwise provided by this Act, this  
17 Act takes effect on the date that the constitutional amendment  
18 proposed by the 84th Legislature, Regular Session, 2015, providing  
19 for an exemption from ad valorem taxation for public school  
20 purposes of a portion of the market value of a residence homestead  
21 equal to 25 percent of the median market value of all residence  
22 homesteads in the state, providing for a reduction of the  
23 limitation on the total amount of ad valorem taxes that may be  
24 imposed for those purposes on the homestead of an elderly or  
25 disabled person to reflect the increased exemption amount,  
26 authorizing the legislature to prohibit a political subdivision  
27 that has adopted an optional residence homestead exemption from

S.B. No. 1

1 reducing the amount of or repealing the exemption, and prohibiting  
2 the imposition or collection of a tax on the conveyance, including  
3 by sale, lease, or other transfer, of an interest in real property  
4 takes effect. If that constitutional amendment is not approved by  
5 the voters, this Act has no effect.