

By: Watson

S.B. No. 278

A BILL TO BE ENTITLED

AN ACT

1
2 relating to an increase in the amount of the residence homestead
3 exemption from ad valorem taxation by a school district and the
4 increase of the exemption amount in subsequent years to reflect
5 inflation, a reduction of the limitation on the total amount of ad
6 valorem taxes that may be imposed by a school district on the
7 homestead of a disabled or elderly person to reflect the increased
8 exemption amounts, and the protection of school districts against
9 the resulting loss in local revenue.

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

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

13 (b) An adult is entitled to exemption from taxation by a
14 school district of a portion [~~\$15,000~~] of the appraised value of the
15 adult's residence homestead in the amount provided by this
16 subsection, except that only \$5,000 [~~\$10,000~~] of the exemption
17 applies [~~does not apply~~] to an entity operating under former
18 Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters
19 existed on May 1, 1995, as permitted by Section 11.301, Education
20 Code. For the 2016 tax year, the amount of the exemption is \$25,000.
21 For each subsequent tax year, the amount of the exemption shall be
22 calculated by the comptroller by multiplying the amount of the
23 exemption under this subsection for the preceding tax year by the
24 inflation rate and adding that amount to the amount of that

1 exemption for the preceding tax year. Each year, not later than
2 March 15, the comptroller shall calculate the amount of the
3 exemption for the current tax year and publish that amount in the
4 Texas Register.

5 (b-1) In this section:

6 (1) "Consumer price index" means the average over a
7 calendar year of the index that the comptroller considers to most
8 accurately report changes in the purchasing power of the dollar for
9 consumers in this state.

10 (2) "Inflation rate" means the positive amount, if
11 any, expressed in decimal form rounded to the nearest thousandth,
12 computed by determining the percentage change in the consumer price
13 index for the preceding calendar year as compared to the consumer
14 price index for the calendar year preceding that calendar year.

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

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

1 Section 11.13(c) for an individual who is 65 years of age or older
2 or is disabled. If the individual qualified that residence
3 homestead for the exemption after the beginning of that first year
4 and the residence homestead remains eligible for the same exemption
5 for the next year, and if the school district taxes imposed on the
6 residence homestead in the next year are less than the amount of
7 taxes imposed in that first year, a school district may not
8 subsequently increase the total annual amount of ad valorem taxes
9 it imposes on the residence homestead above the amount it imposed in
10 the year immediately following the first year for which the
11 individual qualified that residence homestead for the same
12 exemption, except as provided by Subsection (b). If the first tax
13 year the individual qualified the residence homestead for the
14 exemption provided by Section 11.13(c) for individuals 65 years of
15 age or older or disabled was a tax year before the 2016 [~~1997~~] tax
16 year, the amount of the limitation provided by this section is the
17 amount of tax the school district imposed for the 2015 [~~1996~~] tax
18 year less an amount equal to the amount determined by multiplying
19 \$10,000 times the tax rate of the school district for the 2016
20 [~~1997~~] tax year, plus any 2016 [~~1997~~] tax attributable to
21 improvements made in 2015 [~~1996~~], other than improvements made to
22 comply with governmental regulations or repairs. If the first tax
23 year the individual qualified the residence homestead for the
24 exemption provided by Section 11.13(c) for individuals 65 years of
25 age or older or disabled was a tax year before a tax year in which
26 the amount of the exemption provided by Section 11.13(b) is
27 increased to reflect inflation, the amount of the limitation

1 provided by this section is the amount of tax the school district
2 imposed for the tax year preceding the tax year in which the amount
3 of the exemption is increased less an amount equal to the amount
4 determined by multiplying the amount of the increase times the tax
5 rate of the school district for the year in which the amount of the
6 exemption is increased, plus any tax for the tax year in which the
7 amount of the exemption is increased attributable to improvements
8 made in the preceding tax year, other than improvements made to
9 comply with governmental regulations or repairs. Except as provided
10 by Subsection (b), a limitation on tax increases provided by this
11 section on a residence homestead computed under this subsection
12 continues to apply to the homestead in subsequent tax years until
13 the limitation expires.

14 SECTION 3. Subchapter A, Chapter 41, Education Code, is
15 amended by adding Section 41.0011 to read as follows:

16 Sec. 41.0011. COMPUTATION OF WEALTH PER STUDENT FOR SCHOOL
17 YEAR IN WHICH HOMESTEAD EXEMPTION INCREASED. Notwithstanding any
18 other provision of this chapter, in computing a school district's
19 wealth per student for a school year that begins in a tax year in
20 which the amount of the residence homestead exemption under Section
21 1-b(c), Article VIII, Texas Constitution, is increased and the
22 amount of the limitation on tax increases under Section 1-b(d),
23 Article VIII, Texas Constitution, is reduced to reflect the
24 increased exemption amount, a school district's taxable value of
25 property under Subchapter M, Chapter 403, Government Code, is
26 determined as if the increase in the homestead exemption under
27 Section 1-b(c), Article VIII, Texas Constitution, and the

1 additional limitation on tax increases under Section 1-b(d),
2 Article VIII, Texas Constitution, had been in effect for the
3 preceding tax year.

4 SECTION 4. Subchapter E, Chapter 42, Education Code, is
5 amended by adding Section 42.2512 to read as follows:

6 Sec. 42.2512. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION.

7 (a) This section applies only to a school year that begins in a tax
8 year in which the amount of the residence homestead exemption under
9 Section 1-b(c), Article VIII, Texas Constitution, is increased and
10 the amount of the limitation on tax increases under Section 1-b(d),
11 Article VIII, Texas Constitution, is reduced to reflect the
12 increased exemption amount.

13 (b) Notwithstanding any other provision of this chapter, in
14 computing state aid to a school district for a school year to which
15 this section applies, the district's taxable value of property
16 under Subchapter M, Chapter 403, Government Code, is determined as
17 if the increase in the residence homestead exemption and the
18 additional limitation on tax increases described by Subsection (a)
19 had been in effect for the preceding tax year.

20 (c) A school district is entitled to additional state aid
21 for a school year to which this section applies to the extent that
22 state aid under this chapter based on the determination of the
23 district's taxable value of property as provided by Subsection (b)
24 does not fully compensate the district for ad valorem tax revenue
25 lost due to the increase in the residence homestead exemption and
26 the additional limitation on tax increases described by Subsection
27 (a). The commissioner, using information provided by the

1 comptroller, shall compute the amount of additional state aid to
2 which a district is entitled under this subsection. A determination
3 by the commissioner under this subsection is final and may not be
4 appealed.

5 SECTION 5. Chapter 46, Education Code, is amended by adding
6 Subchapter D to read as follows:

7 SUBCHAPTER D. ADDITIONAL STATE ASSISTANCE

8 Sec. 46.101. ADDITIONAL STATE ASSISTANCE FOR HOMESTEAD
9 EXEMPTION. (a) A school district that does not receive state
10 assistance under Subchapter B for the district's tax effort to pay
11 the principal of and interest on eligible bonds, as defined by
12 Section 46.033, is entitled to state assistance to fully compensate
13 the district for ad valorem tax revenue for that tax effort lost due
14 to an increase in the residence homestead exemption under Section
15 1-b(c), Article VIII, Texas Constitution, and a reduction of the
16 amount of the limitation on tax increases under Section 1-b(d),
17 Article VIII, Texas Constitution, to reflect the increased
18 exemption amount.

19 (b) The commissioner shall compute the amount of assistance
20 to which a school district is entitled under Subsection (a). A
21 determination by the commissioner under this section is final and
22 may not be appealed.

23 SECTION 6. Section 403.302(j), Government Code, is amended
24 to read as follows:

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

27 (1) ~~[a final value for each school district computed~~

1 ~~on a residence homestead exemption under Section 1-b(c), Article~~
2 ~~VIII, Texas Constitution, of \$5,000,~~

3 [~~2~~] a final value for each school district computed
4 on:

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

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

11 (2) [~~3~~] a final value for each school district
12 computed on the effect of the reduction of the limitation on tax
13 increases to reflect any reduction in the school district tax rate
14 as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, as
15 applicable;

16 (3) for the 2016 tax year, a final value for each
17 school district computed on:

18 (A) a residence homestead exemption under
19 Section 1-b(c), Article VIII, Texas Constitution, of \$25,000; and

20 (B) the effect of the additional limitation on ad
21 valorem tax increases under Section 1-b(d), Article VIII, Texas
22 Constitution, as proposed by the joint resolution to amend that
23 section adopted by the 84th Legislature, Regular Session, 2015; and

24 (4) for each tax year after the 2016 tax year, a final
25 value for each school district computed on:

26 (A) the amount of the residence homestead
27 exemption under Section 1-b(c), Article VIII, Texas Constitution,

1 in effect for that tax year; and

2 (B) the effect of any reduction of the limitation
3 on ad valorem tax increases under Section 1-b(d), Article VIII,
4 Texas Constitution, to reflect any increase in the amount of the
5 exemption from the amount in effect for the 2016 tax year.

6 SECTION 7. The changes in law made by this Act to Sections
7 11.13 and 11.26, Tax Code, apply only to an ad valorem tax year that
8 begins on or after January 1, 2016.

9 SECTION 8. This Act takes effect January 1, 2016, but only
10 if the constitutional amendment proposed by the 84th Legislature,
11 Regular Session, 2015, increasing the amount of the residence
12 homestead exemption from ad valorem taxation for public school
13 purposes from \$15,000 to \$25,000, providing for the increase of the
14 exemption amount in subsequent years to reflect inflation, and
15 providing for a reduction of the limitation on the total amount of
16 ad valorem taxes that may be imposed for those purposes on the
17 homestead of a disabled or elderly person to reflect the increased
18 exemption amounts is approved by the voters. If that constitutional
19 amendment is not approved by the voters, this Act has no effect.