

By: Menéndez

S.B. No. 1328

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 in homestead values, a reduction of the limitation on the  
6 total amount of ad valorem taxes that may be imposed by a school  
7 district on the homestead of a disabled or elderly person to reflect  
8 the increased exemption amounts, and the protection of school  
9 districts against 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 \$35,000.  
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 residence homestead inflation rate and adding that amount to the

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

5 (b-1) In this section, "residence homestead inflation rate"  
6 means the positive amount, if any, expressed in decimal form  
7 rounded to the nearest thousandth, computed by determining the  
8 percentage change in the median market value of residence  
9 homesteads in this state for the preceding calendar year as  
10 compared to the calendar year preceding that calendar year.

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

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

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

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

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

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

27 SECTION 4. Subchapter E, Chapter 42, Education Code, is

1 amended by adding Section 42.2512 to read as follows:

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

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

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

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

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

3 SUBCHAPTER D. ADDITIONAL STATE ASSISTANCE

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

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

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

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

23 (1) ~~[a final value for each school district computed~~  
24 ~~on a residence homestead exemption under Section 1-b(c), Article~~  
25 ~~VIII, Texas Constitution, of \$5,000,~~

26 [(2)] a final value for each school district computed  
27 on:

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

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

7 (2) [~~(3)~~ a final value for each school district  
8 computed on the effect of the reduction of the limitation on tax  
9 increases to reflect any reduction in the school district tax rate  
10 as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, as  
11 applicable;

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

14 (A) a residence homestead exemption under  
15 Section 1-b(c), Article VIII, Texas Constitution, of \$35,000; and

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

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

22 (A) the amount of the residence homestead  
23 exemption under Section 1-b(c), Article VIII, Texas Constitution,  
24 in effect for that tax year; and

25 (B) the effect of any reduction of the limitation  
26 on ad valorem tax increases under Section 1-b(d), Article VIII,  
27 Texas Constitution, to reflect any increase in the amount of the

1 exemption from the amount in effect for the 2016 tax year.

2 SECTION 7. The changes in law made by this Act to Sections  
3 11.13 and 11.26, Tax Code, apply only to an ad valorem tax year that  
4 begins on or after January 1, 2016.

5 SECTION 8. This Act takes effect January 1, 2016, but only  
6 if the constitutional amendment proposed by the 84th Legislature,  
7 Regular Session, 2015, increasing the amount of the residence  
8 homestead exemption from ad valorem taxation for public school  
9 purposes from \$15,000 to \$35,000, providing for the increase of the  
10 exemption amount in subsequent years to reflect inflation in  
11 homestead values, and providing for a reduction of the limitation  
12 on the total amount of ad valorem taxes that may be imposed for  
13 those purposes on the homestead of a disabled or elderly person to  
14 reflect the increased exemption amounts is approved by the voters.  
15 If that constitutional amendment is not approved by the voters,  
16 this Act has no effect.