

By: Bettencourt

S.B. No. 1694

A BILL TO BE ENTITLED

AN ACT

relating to certain exemptions from ad valorem taxation.

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

SECTION 1. Section 11.13(b), Tax Code, is amended to read as follows:

(b) An adult is entitled to exemption from taxation by a school district of \$30,000 [~~\$15,000~~] of the appraised value of the adult's residence homestead, 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.

SECTION 2. Sections 11.251(e), (g), and (k), Tax Code, are amended to read as follows:

(e) In determining the market value of freeport goods that in the preceding year were assembled, manufactured, repaired, maintained, processed, or fabricated in this state or used by the person who acquired or imported the property in the repair or maintenance of aircraft operated by a certificated air carrier, the chief appraiser shall exclude the cost of equipment, machinery, or materials that entered into and became component parts of the freeport goods but were not themselves freeport goods or that were not transported outside the state before the expiration of 365 [~~175~~] days, or, if applicable, the greater number of days adopted by

1 the taxing unit as authorized by Subsection (1), after they were  
2 brought into this state by the property owner or acquired by the  
3 property owner in this state. For component parts held in bulk, the  
4 chief appraiser may use the average length of time a component part  
5 was held in this state by the property owner during the preceding  
6 year in determining whether the component parts were transported  
7 out of this state before the expiration of 365 [~~175~~] days or, if  
8 applicable, the greater number of days adopted by the taxing unit as  
9 authorized by Subsection (1).

10 (g) If the property owner or the chief appraiser  
11 demonstrates that the method provided by Subsection (d)  
12 significantly understates or overstates the market value of the  
13 property qualified for an exemption under Subsection (b) in the  
14 current year, the chief appraiser shall determine the market value  
15 of the freeport goods to be exempt by determining, according to the  
16 property owner's records and any other available information, the  
17 market value of those freeport goods owned by the property owner on  
18 January 1 of the current year, excluding the cost of equipment,  
19 machinery, or materials that entered into and became component  
20 parts of the freeport goods but were not themselves freeport goods  
21 or that were not transported outside the state before the  
22 expiration of 365 [~~175~~] days, or, if applicable, the greater number  
23 of days adopted by the taxing unit as authorized by Subsection (1),  
24 after they were brought into this state by the property owner or  
25 acquired by the property owner in this state.

26 (k) Property that meets the requirements of Article VIII,  
27 Sections 1-j(a)(1) and (2), of the Texas Constitution and that is

1 transported outside of this state not later than 365 [~~175~~] days, or,  
2 if applicable, the greater number of days adopted by the taxing unit  
3 as authorized by Subsection (1), after the date the person who owns  
4 it on January 1 acquired it or imported it into this state is  
5 freeport goods regardless of whether the person who owns it on  
6 January 1 is the person who transports it outside of this state.

7 SECTION 3. 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 2016 [~~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 2015 [~~1996~~] tax  
10 year less an amount equal to the amount determined by multiplying  
11 \$15,000 [~~\$10,000~~] times the tax rate of the school district for the  
12 2016 [~~1997~~] tax year, plus any 2016 [~~1997~~] tax attributable to  
13 improvements made in 2015 [~~1996~~], other than improvements made to  
14 comply with governmental regulations or repairs.

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

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

18 (a) Notwithstanding Section 42.2516 or any other provision of this  
19 chapter, a school district is entitled to additional state aid to  
20 the extent that state aid under this chapter based on the  
21 determination of the school district's taxable value of property as  
22 provided under Subchapter M, Chapter 403, Government Code, does not  
23 fully compensate the district for ad valorem tax revenue lost due to  
24 the increase in the homestead exemption under Section 1-b(c),  
25 Article VIII, Texas Constitution, as proposed by the joint  
26 resolution to amend that section adopted by the 84th Legislature,  
27 Regular Session, 2015, and the additional limitation on tax

1 increases under Section 1-b(d), Article VIII, Texas Constitution,  
2 as proposed by the joint resolution to amend that section adopted by  
3 the 84th Legislature, Regular Session, 2015.

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

9 (c) Notwithstanding any other provision of this chapter, in  
10 computing state aid for the 2016-2017 school year, a school  
11 district's taxable value of property under Subchapter M, Chapter  
12 403, Government Code, is determined as if the increase in the  
13 homestead exemption under Section 1-b(c), Article VIII, Texas  
14 Constitution, as proposed by the joint resolution to amend that  
15 section adopted by the 84th Legislature, Regular Session, 2015, and  
16 the additional limitation on tax increases under Section 1-b(d),  
17 Article VIII, Texas Constitution, as proposed by the joint  
18 resolution to amend that section adopted by the 84th Legislature,  
19 Regular Session, 2015, had been in effect for the 2015 tax year.  
20 This subsection expires September 1, 2018.

21 SECTION 5. Section 403.302(j), Government Code, is amended  
22 to read as follows:

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

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

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

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

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

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

13           (4) a final value for each school district computed  
14 on:

15                   (A) a residence homestead exemption under  
16 Section 1-b(c), Article VIII, Texas Constitution, of \$30,000; and

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

21           SECTION 6. The changes in law made by this Act to Sections  
22 11.13, 11.251, and 11.26, Tax Code, apply only to an ad valorem tax  
23 year that begins on or after January 1, 2016.

24           SECTION 7. This Act takes effect January 1, 2016, but only  
25 if the constitutional amendment proposed by the 84th Legislature,  
26 Regular Session, 2015, increasing the amount of the residence  
27 homestead exemption from ad valorem taxation for public school

1 purposes from \$15,000 to \$30,000, providing for a reduction of the  
2 limitation on the total amount of ad valorem taxes that may be  
3 imposed for those purposes on the homestead of an elderly or  
4 disabled person to reflect the increased exemption amount, and  
5 extending the number of days that certain tangible personal  
6 property that is exempt from ad valorem taxation due to its  
7 temporary location in this state may remain located in this state  
8 before forfeiting the right to the exemption is approved by the  
9 voters. If that constitutional amendment is not approved by the  
10 voters, this Act has no effect.