

By: Raymond

H.B. No. 190

A BILL TO BE ENTITLED

AN ACT

relating to a temporary increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district, a temporary reduction in the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect the increased exemption amount, and a temporary protection of school districts against the resulting temporary loss in local revenue.

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 \$71,000 [~~\$25,000~~] of the appraised value of the adult's residence homestead, 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, Education Code.

SECTION 2. Effective January 1, 2019, 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 \$25,000 of the appraised value of the adult's residence homestead, 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, Education Code.

SECTION 3. Section 11.26(a), Tax Code, is amended to read as follows:

(a) The tax officials shall appraise the property to which this section applies and calculate taxes as on other property, but if the tax so calculated exceeds the limitation imposed by this section, the tax imposed is the amount of the tax as limited by this section, except as otherwise provided by this section. A school district may not increase the total annual amount of ad valorem tax it imposes on the residence homestead of an individual 65 years of age or older or on the residence homestead of an individual who is disabled, as defined by Section 11.13, above the amount of the tax it imposed in the first tax year in which the individual qualified that residence homestead for the applicable exemption provided by Section 11.13(c) for an individual who is 65 years of age or older or is disabled. If the individual qualified that residence homestead for the exemption after the beginning of that first year and the residence homestead remains eligible for the same exemption for the next year, and if the school district taxes imposed on the residence homestead in the next year are less than the amount of taxes imposed in that first year, a school district may not subsequently increase the total annual amount of ad valorem taxes it imposes on the residence homestead above the amount it imposed in the year immediately following the first year for which the individual qualified that residence homestead for the same exemption, except as provided by Subsection (b). If the first tax year the individual qualified the residence homestead for the

1 exemption provided by Section 11.13(c) for individuals 65 years of
 2 age or older or disabled was a tax year before the 2018 [2015] tax
 3 year, the amount of the limitation provided by this section for the
 4 2018 tax year is the amount of tax the school district imposed for
 5 the 2017 [2014] tax year less an amount equal to the amount
 6 determined by multiplying \$46,000 [~~\$10,000~~] times the tax rate of
 7 the school district for the 2018 [2015] tax year, plus any 2018
 8 [~~2015~~] tax attributable to improvements made in 2017 [2014], other
 9 than improvements made to comply with governmental regulations or
 10 repairs. If the first tax year the individual qualified the
 11 residence homestead for the exemption provided by Section 11.13(c)
 12 for individuals 65 years of age or older or disabled was the 2018
 13 tax year or an earlier tax year, the amount of the limitation
 14 provided by this section for the 2019 and subsequent tax years is
 15 the amount of tax the school district imposed for the 2018 tax year
 16 plus an amount equal to the amount determined by multiplying
 17 \$46,000 times the tax rate of the school district for the 2018 tax
 18 year, plus any 2019 tax attributable to improvements made in 2018,
 19 other than improvements made to comply with governmental
 20 regulations or repairs.

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

23 Sec. 41.0011. COMPUTATION OF WEALTH PER STUDENT FOR
 24 2018-2019 SCHOOL YEAR. Notwithstanding any other provision of
 25 this chapter, in computing a school district's wealth per student
 26 for the 2018-2019 school year, a school district's taxable value of
 27 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 2018 tax year as proposed by the 85th Legislature, 1st Called Session, 2017, had been in effect for the 2017 tax year. This section expires September 1, 2019.

SECTION 5. Section 42.2518, Education Code, as effective September 1, 2017, is amended by adding Subsections (a-1) and (b-1) to read as follows:

(a-1) Notwithstanding Subsection (a), for the 2018-2019 school year, a school district is entitled 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 district under Chapter 41 and this chapter as those chapters existed on September 1, 2017, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the joint resolution to amend that subsection adopted by the 85th Legislature, 1st Called Session, 2017, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by the joint resolution to amend that subsection adopted by the 85th Legislature, 1st Called Session, 2017, had not occurred. This subsection expires September 1, 2019.

(b-1) Notwithstanding Subsection (b), for the 2018-2019 school year, the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2017 tax year is used for the purpose of

1 determining additional state aid under Subsection (a-1). This
2 subsection expires September 1, 2019.

3 SECTION 6. Section 42.252, Education Code, is amended by
4 adding Subsection (e) to read as follows:

5 (e) Notwithstanding any other provision of this chapter, in
6 computing each school district's local share of program cost under
7 this section for the 2018-2019 school year, a school district's
8 taxable value of property under Subchapter M, Chapter 403,
9 Government Code, is determined as if the increase in the residence
10 homestead exemption under Section 1-b(c), Article VIII, Texas
11 Constitution, and the additional limitation on tax increases under
12 Section 1-b(d) of that article in effect for the 2018 tax year as
13 proposed by the 85th Legislature, 1st Called Session, 2017, had
14 been in effect for the 2017 tax year. This subsection expires
15 September 1, 2019.

16 SECTION 7. Section 42.302, Education Code, is amended by
17 adding Subsection (g) to read as follows:

18 (g) Notwithstanding any other provision of this chapter, in
19 computing a school district's enrichment tax rate ("DTR") and local
20 revenue ("LR") for the 2018-2019 school year, a school district's
21 taxable value of property under Subchapter M, Chapter 403,
22 Government Code, is determined as if the increase in the residence
23 homestead exemption under Section 1-b(c), Article VIII, Texas
24 Constitution, and the additional limitation on tax increases under
25 Section 1-b(d) of that article in effect for the 2018 tax year as
26 proposed by the 85th Legislature, 1st Called Session, 2017, had
27 been in effect for the 2017 tax year. This subsection expires

1 September 1, 2019.

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

4 (i) Notwithstanding any other provision of this chapter, in
5 computing a district's bond tax rate ("BTR") and taxable value of
6 property ("DPV") for the 2018-2019 school year, a school district's
7 taxable value of property under Subchapter M, Chapter 403,
8 Government Code, is determined as if the increase in the residence
9 homestead exemption under Section 1-b(c), Article VIII, Texas
10 Constitution, and the additional limitation on tax increases under
11 Section 1-b(d) of that article in effect for the 2018 tax year as
12 proposed by the 85th Legislature, 1st Called Session, 2017, had
13 been in effect for the 2017 tax year. This subsection expires
14 September 1, 2019.

15 SECTION 9. Section 46.032, Education Code, is amended by
16 adding Subsection (d) to read as follows:

17 (d) Notwithstanding any other provision of this chapter, in
18 computing a district's existing debt tax rate ("EDTR") and taxable
19 value of property ("DPV") for the 2018-2019 school year, a school
20 district's taxable value of property under Subchapter M, Chapter
21 403, Government Code, is determined as if the increase in the
22 residence homestead exemption under Section 1-b(c), Article VIII,
23 Texas Constitution, and the additional limitation on tax increases
24 under Section 1-b(d) of that article in effect for the 2018 tax year
25 as proposed by the 85th Legislature, 1st Called Session, 2017, had
26 been in effect for the 2017 tax year. This subsection expires
27 September 1, 2019.

SECTION 10. Section 46.071, Education Code, is amended by adding Subsections (a-1), (b-1), and (c-1) to read as follows:

(a-1) Notwithstanding Subsection (a), for the 2018-2019 school year, a school district is entitled to additional state aid under this subchapter to the extent that state and local revenue used to service debt eligible 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 September 1, 2017, 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 as proposed by the 85th Legislature, 1st Called Session, 2017, had not occurred. This subsection expires September 1, 2019.

(b-1) Notwithstanding Subsection (b), subject to Subsections (c-1), (d), and (e), additional state aid under this section for the 2018-2019 school year 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 as proposed by the 85th Legislature, 1st Called Session, 2017, is not offset by a gain in state aid under this chapter. This subsection expires September 1, 2019.

(c-1) Notwithstanding Subsection (c), for the purpose of determining state aid under Subsections (a-1) and (b-1), local interest and sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of

1 September 1, 2017, including refunding of that debt, subject to
2 Section 46.061. The limitation imposed by Section 46.034(a) does
3 not apply for the purpose of determining state aid under this
4 section. This subsection expires September 1, 2019.

5 SECTION 11. The changes in law made by this Act to Sections
6 11.13 and 11.26, Tax Code, apply only to an ad valorem tax year that
7 begins on or after January 1, 2018.

8 SECTION 12. This Act takes effect January 1, 2018, but only
9 if the constitutional amendment proposed by the 85th Legislature,
10 1st Called Session, 2017, to appropriate money from the economic
11 stabilization fund to the foundation school fund and use the money
12 to finance a temporary increase in the amount of the exemption of
13 residence homesteads from ad valorem taxation by a school district
14 and a temporary reduction in the amount of the limitation on school
15 district ad valorem taxes imposed on the residence homesteads of
16 the elderly or disabled to reflect the increased exemption amount
17 is approved by the voters. If that constitutional amendment is not
18 approved by the voters, this Act has no effect.