

By: Metcalf

H.B. No. 196

A BILL TO BE ENTITLED

AN ACT

1
2 relating to a limitation on increases in the appraised value of real
3 property other than a residence homestead for ad valorem tax
4 purposes.

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

6 SECTION 1. Section 1.12(d), Tax Code, is amended to read as
7 follows:

8 (d) For purposes of this section, the appraisal ratio of a
9 homestead to which Section 23.23 applies or of other real property
10 to which Section 23.231 applies is the ratio of the property's
11 market value as determined by the appraisal district or appraisal
12 review board, as applicable, to the market value of the property
13 according to law. The appraisal ratio is not calculated according
14 to the appraised value of the property as limited by Section 23.23
15 or 23.231.

16 SECTION 2. Subchapter B, Chapter 23, Tax Code, is amended by
17 adding Section 23.231 to read as follows:

18 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY
19 OTHER THAN RESIDENCE HOMESTEAD. (a) In this section, "new
20 improvement" means an improvement to real property made after the
21 most recent appraisal of the property that increases the market
22 value of the property and the value of which is not included in the
23 appraised value of the property for the preceding tax year. The
24 term does not include repairs to or ordinary maintenance of an

1 existing structure or the grounds or another feature of the
2 property.

3 (b) This section does not apply to a residence homestead
4 that qualifies for an exemption under Section 11.13.

5 (c) Notwithstanding the requirements of Section 25.18 and
6 regardless of whether the appraisal office has appraised the
7 property and determined the market value of the property for the tax
8 year, an appraisal office may increase the appraised value of real
9 property to which this section applies for a tax year to an amount
10 not to exceed the lesser of:

11 (1) the market value of the property for the most
12 recent tax year that the market value was determined by the
13 appraisal office; or

14 (2) the sum of:

15 (A) five percent of the appraised value of the
16 property for the preceding tax year;

17 (B) the appraised value of the property for the
18 preceding tax year; and

19 (C) the market value of all new improvements to
20 the property.

21 (d) When appraising real property to which this section
22 applies, the chief appraiser shall:

23 (1) appraise the property at its market value; and

24 (2) include in the appraisal records both the market
25 value of the property and the amount computed under Subsection
26 (c)(2).

27 (e) The limitation provided by Subsection (c) takes effect

1 as to a parcel of real property on January 1 of the tax year
2 following the first tax year in which the owner owns the property on
3 January 1. The limitation expires on January 1 of the tax year
4 following the tax year in which the owner of the property ceases to
5 own the property.

6 (f) Notwithstanding Subsections (a) and (c) and except as
7 provided by Subdivision (2) of this subsection, an improvement to
8 real property that would otherwise constitute a new improvement is
9 not treated as a new improvement if the improvement is a replacement
10 structure for a structure that was rendered uninhabitable or
11 unusable by a casualty or by wind or water damage. For purposes of
12 appraising the property under Subsection (c) in the tax year in
13 which the structure would have constituted a new improvement:

14 (1) the appraised value the property would have had in
15 the preceding tax year if the casualty or damage had not occurred is
16 considered to be the appraised value of the property for that year,
17 regardless of whether that appraised value exceeds the actual
18 appraised value of the property for that year as limited by
19 Subsection (c); and

20 (2) the replacement structure is considered to be a
21 new improvement only if:

22 (A) the square footage of the replacement
23 structure exceeds that of the replaced structure as that structure
24 existed before the casualty or damage occurred; or

25 (B) the exterior of the replacement structure is
26 of higher quality construction and composition than that of the
27 replaced structure.

1 (g) In this subsection, "disaster recovery program" means
2 the disaster recovery program administered by the General Land
3 Office that is funded with community development block grant
4 disaster recovery money authorized by the Consolidated Security,
5 Disaster Assistance, and Continuing Appropriations Act, 2009 (Pub.
6 L. No. 110-329), and the Consolidated and Further Continuing
7 Appropriations Act, 2012 (Pub. L. No. 112-55). Notwithstanding
8 Subsection (f)(2), and only to the extent necessary to satisfy the
9 requirements of the disaster recovery program, a replacement
10 structure described by that subdivision is not considered to be a
11 new improvement if to satisfy the requirements of the disaster
12 recovery program it was necessary that:

13 (1) the square footage of the replacement structure
14 exceed that of the replaced structure as that structure existed
15 before the casualty or damage occurred; or

16 (2) the exterior of the replacement structure be of
17 higher quality construction and composition than that of the
18 replaced structure.

19 SECTION 3. Section 42.26(d), Tax Code, is amended to read as
20 follows:

21 (d) For purposes of this section, the value of the property
22 subject to the suit and the value of a comparable property or sample
23 property that is used for comparison must be the market value
24 determined by the appraisal district when the property is [~~a~~
25 ~~residence homestead~~] subject to the limitation on appraised value
26 imposed by Section 23.23 or 23.231.

27 SECTION 4. Sections 403.302(d) and (i), Government Code,

1 are amended to read as follows:

2 (d) For the purposes of this section, "taxable value" means
3 the market value of all taxable property less:

4 (1) the total dollar amount of any residence homestead
5 exemptions lawfully granted under Section 11.13(b) or (c), Tax
6 Code, in the year that is the subject of the study for each school
7 district;

8 (2) one-half of the total dollar amount of any
9 residence homestead exemptions granted under Section 11.13(n), Tax
10 Code, in the year that is the subject of the study for each school
11 district;

12 (3) the total dollar amount of any exemptions granted
13 before May 31, 1993, within a reinvestment zone under agreements
14 authorized by Chapter 312, Tax Code;

15 (4) subject to Subsection (e), the total dollar amount
16 of any captured appraised value of property that:

17 (A) is within a reinvestment zone created on or
18 before May 31, 1999, or is proposed to be included within the
19 boundaries of a reinvestment zone as the boundaries of the zone and
20 the proposed portion of tax increment paid into the tax increment
21 fund by a school district are described in a written notification
22 provided by the municipality or the board of directors of the zone
23 to the governing bodies of the other taxing units in the manner
24 provided by former Section 311.003(e), Tax Code, before May 31,
25 1999, and within the boundaries of the zone as those boundaries
26 existed on September 1, 1999, including subsequent improvements to
27 the property regardless of when made;

1 (B) generates taxes paid into a tax increment
2 fund created under Chapter 311, Tax Code, under a reinvestment zone
3 financing plan approved under Section 311.011(d), Tax Code, on or
4 before September 1, 1999; and

5 (C) is eligible for tax increment financing under
6 Chapter 311, Tax Code;

7 (5) the total dollar amount of any captured appraised
8 value of property that:

9 (A) is within a reinvestment zone:

10 (i) created on or before December 31, 2008,
11 by a municipality with a population of less than 18,000; and

12 (ii) the project plan for which includes
13 the alteration, remodeling, repair, or reconstruction of a
14 structure that is included on the National Register of Historic
15 Places and requires that a portion of the tax increment of the zone
16 be used for the improvement or construction of related facilities
17 or for affordable housing;

18 (B) generates school district taxes that are paid
19 into a tax increment fund created under Chapter 311, Tax Code; and

20 (C) is eligible for tax increment financing under
21 Chapter 311, Tax Code;

22 (6) the total dollar amount of any exemptions granted
23 under Section 11.251 or 11.253, Tax Code;

24 (7) the difference between the comptroller's estimate
25 of the market value and the productivity value of land that
26 qualifies for appraisal on the basis of its productive capacity,
27 except that the productivity value estimated by the comptroller may

1 not exceed the fair market value of the land;

2 (8) the portion of the appraised value of residence
3 homesteads of individuals who receive a tax limitation under
4 Section 11.26, Tax Code, on which school district taxes are not
5 imposed in the year that is the subject of the study, calculated as
6 if the residence homesteads were appraised at the full value
7 required by law;

8 (9) a portion of the market value of property not
9 otherwise fully taxable by the district at market value because of:

10 (A) action required by statute or the
11 constitution of this state, other than Section 11.311, Tax Code,
12 that, if the tax rate adopted by the district is applied to it,
13 produces an amount equal to the difference between the tax that the
14 district would have imposed on the property if the property were
15 fully taxable at market value and the tax that the district is
16 actually authorized to impose on the property, if this subsection
17 does not otherwise require that portion to be deducted; or

18 (B) action taken by the district under Subchapter
19 B or C, Chapter 313, Tax Code, before the expiration of the
20 subchapter;

21 (10) the market value of all tangible personal
22 property, other than manufactured homes, owned by a family or
23 individual and not held or used for the production of income;

24 (11) the appraised value of property the collection of
25 delinquent taxes on which is deferred under Section 33.06, Tax
26 Code;

27 (12) the portion of the appraised value of property

1 the collection of delinquent taxes on which is deferred under
2 Section 33.065, Tax Code; and

3 (13) the amount by which the market value of property
4 [~~a residence homestead~~] to which Section 23.23 or 23.231, Tax Code,
5 applies exceeds the appraised value of that property as calculated
6 under Section 23.23 or 23.231, Tax Code, as applicable [~~that~~
7 ~~section~~].

8 (i) If the comptroller determines in the study that the
9 market value of property in a school district as determined by the
10 appraisal district that appraises property for the school district,
11 less the total of the amounts and values listed in Subsection (d) as
12 determined by that appraisal district, is valid, the comptroller,
13 in determining the taxable value of property in the school district
14 under Subsection (d), shall for purposes of Subsection (d)(13)
15 subtract from the market value as determined by the appraisal
16 district of properties [~~residence homesteads~~] to which Section
17 23.23 or 23.231, Tax Code, applies the amount by which that amount
18 exceeds the appraised value of those properties as calculated by
19 the appraisal district under Section 23.23 or 23.231, Tax Code, as
20 applicable. If the comptroller determines in the study that the
21 market value of property in a school district as determined by the
22 appraisal district that appraises property for the school district,
23 less the total of the amounts and values listed in Subsection (d) as
24 determined by that appraisal district, is not valid, the
25 comptroller, in determining the taxable value of property in the
26 school district under Subsection (d), shall for purposes of
27 Subsection (d)(13) subtract from the market value as estimated by

1 the comptroller of properties [~~residence homesteads~~] to which
2 Section 23.23 or 23.231, Tax Code, applies the amount by which that
3 amount exceeds the appraised value of those properties as
4 calculated by the appraisal district under Section 23.23 or 23.231,
5 Tax Code, as applicable.

6 SECTION 5. This Act applies only to the appraisal of real
7 property other than a residence homestead for ad valorem tax
8 purposes for a tax year that begins on or after the effective date
9 of this Act.

10 SECTION 6. This Act takes effect January 1, 2018, but only
11 if the constitutional amendment proposed by the 85th Legislature,
12 1st Called Session, 2017, to authorize the legislature to establish
13 a limit on the maximum appraised value of real property other than a
14 residence homestead for ad valorem tax purposes of 105 percent or
15 more of the appraised value of the property for the preceding tax
16 year is approved by the voters. If that amendment is not approved
17 by the voters, this Act has no effect.