

By: Cospers

H.B. No. 298

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to limitations on increases in the appraised value for ad  
3 valorem tax purposes of residence homesteads and other real  
4 property.

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. Section 23.23(a), Tax Code, is amended to read as  
17 follows:

18 (a) Notwithstanding the requirements of Section 25.18 and  
19 regardless of whether the appraisal office has appraised the  
20 property and determined the market value of the property for the tax  
21 year, an appraisal office may increase the appraised value of a  
22 residence homestead for a tax year to an amount not to exceed the  
23 lesser of:

24 (1) the market value of the property for the most

1 recent tax year that the market value was determined by the  
2 appraisal office; or

3 (2) the sum of:

4 (A) seven [~~10~~] percent of the appraised value of  
5 the property for the preceding tax year;

6 (B) the appraised value of the property for the  
7 preceding tax year; and

8 (C) the market value of all new improvements to  
9 the property.

10 SECTION 3. Subchapter B, Chapter 23, Tax Code, is amended by  
11 adding Section 23.231 to read as follows:

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

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

23 (c) Notwithstanding the requirements of Section 25.18 and  
24 regardless of whether the appraisal office has appraised the  
25 property and determined the market value of the property for the tax  
26 year, an appraisal office may increase the appraised value of real  
27 property to which this section applies for a tax year to an amount

1 not to exceed the lesser of:

2 (1) the market value of the property for the most  
3 recent tax year that the market value was determined by the  
4 appraisal office; or

5 (2) the sum of:

6 (A) 20 percent of the appraised value of the  
7 property for the preceding tax year;

8 (B) the appraised value of the property for the  
9 preceding tax year; and

10 (C) the market value of all new improvements to  
11 the property.

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

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

15 (2) include in the appraisal records both the market  
16 value of the property and the amount computed under Subsection  
17 (c)(2).

18 (e) The limitation provided by Subsection (c) takes effect  
19 as to a parcel of real property on January 1 of the tax year  
20 following the first tax year in which the owner owns the property on  
21 January 1. The limitation expires on January 1 of the tax year  
22 following the tax year in which the owner of the property ceases to  
23 own the property.

24 (f) Notwithstanding Subsections (a) and (c) and except as  
25 provided by Subdivision (2) of this subsection, an improvement to  
26 real property that would otherwise constitute a new improvement is  
27 not treated as a new improvement if the improvement is a replacement

1 structure for a structure that was rendered uninhabitable or  
2 unusable by a casualty or by wind or water damage. For purposes of  
3 appraising the property under Subsection (c) in the tax year in  
4 which the structure would have constituted a new improvement:

5 (1) the appraised value the property would have had in  
6 the preceding tax year if the casualty or damage had not occurred is  
7 considered to be the appraised value of the property for that year,  
8 regardless of whether that appraised value exceeds the actual  
9 appraised value of the property for that year as limited by  
10 Subsection (c); and

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

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

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

19 (g) In this subsection, "disaster recovery program" means  
20 the disaster recovery program administered by the General Land  
21 Office that is funded with community development block grant  
22 disaster recovery money authorized by the Consolidated Security,  
23 Disaster Assistance, and Continuing Appropriations Act, 2009 (Pub.  
24 L. No. 110-329), and the Consolidated and Further Continuing  
25 Appropriations Act, 2012 (Pub. L. No. 112-55). Notwithstanding  
26 Subsection (f)(2), and only to the extent necessary to satisfy the  
27 requirements of the disaster recovery program, a replacement

1 structure described by that subdivision is not considered to be a  
2 new improvement if to satisfy the requirements of the disaster  
3 recovery program it was necessary that:

4 (1) the square footage of the replacement structure  
5 exceed that of the replaced structure as that structure existed  
6 before the casualty or damage occurred; or

7 (2) the exterior of the replacement structure be of  
8 higher quality construction and composition than that of the  
9 replaced structure.

10 SECTION 4. Section 42.26(d), Tax Code, is amended to read as  
11 follows:

12 (d) For purposes of this section, the value of the property  
13 subject to the suit and the value of a comparable property or sample  
14 property that is used for comparison must be the market value  
15 determined by the appraisal district when the property is [~~a~~  
16 ~~residence homestead~~] subject to the limitation on appraised value  
17 imposed by Section 23.23 or 23.231.

18 SECTION 5. Sections 403.302(d) and (i), Government Code,  
19 are amended to read as follows:

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

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

26 (2) one-half of the total dollar amount of any  
27 residence homestead exemptions granted under Section 11.13(n), Tax

1 Code, in the year that is the subject of the study for each school  
2 district;

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

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

8 (A) is within a reinvestment zone created on or  
9 before May 31, 1999, or is proposed to be included within the  
10 boundaries of a reinvestment zone as the boundaries of the zone and  
11 the proposed portion of tax increment paid into the tax increment  
12 fund by a school district are described in a written notification  
13 provided by the municipality or the board of directors of the zone  
14 to the governing bodies of the other taxing units in the manner  
15 provided by former Section 311.003(e), Tax Code, before May 31,  
16 1999, and within the boundaries of the zone as those boundaries  
17 existed on September 1, 1999, including subsequent improvements to  
18 the property regardless of when made;

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

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

25 (5) the total dollar amount of any captured appraised  
26 value of property that:

27 (A) is within a reinvestment zone:

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

3 (ii) the project plan for which includes  
4 the alteration, remodeling, repair, or reconstruction of a  
5 structure that is included on the National Register of Historic  
6 Places and requires that a portion of the tax increment of the zone  
7 be used for the improvement or construction of related facilities  
8 or for affordable housing;

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

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

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

15 (7) the difference between the comptroller's estimate  
16 of the market value and the productivity value of land that  
17 qualifies for appraisal on the basis of its productive capacity,  
18 except that the productivity value estimated by the comptroller may  
19 not exceed the fair market value of the land;

20 (8) the portion of the appraised value of residence  
21 homesteads of individuals who receive a tax limitation under  
22 Section 11.26, Tax Code, on which school district taxes are not  
23 imposed in the year that is the subject of the study, calculated as  
24 if the residence homesteads were appraised at the full value  
25 required by law;

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

1 (A) action required by statute or the  
2 constitution of this state, other than Section 11.311, Tax Code,  
3 that, if the tax rate adopted by the district is applied to it,  
4 produces an amount equal to the difference between the tax that the  
5 district would have imposed on the property if the property were  
6 fully taxable at market value and the tax that the district is  
7 actually authorized to impose on the property, if this subsection  
8 does not otherwise require that portion to be deducted; or

9 (B) action taken by the district under Subchapter  
10 B or C, Chapter 313, Tax Code, before the expiration of the  
11 subchapter;

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

15 (11) the appraised value of property the collection of  
16 delinquent taxes on which is deferred under Section 33.06, Tax  
17 Code;

18 (12) the portion of the appraised value of property  
19 the collection of delinquent taxes on which is deferred under  
20 Section 33.065, Tax Code; and

21 (13) the amount by which the market value of property  
22 [~~a residence homestead~~] to which Section 23.23 or 23.231, Tax Code,  
23 applies exceeds the appraised value of that property as calculated  
24 under Section 23.23 or 23.231, Tax Code, as applicable [~~that~~  
25 ~~section~~].

26 (i) If the comptroller determines in the study that the  
27 market value of property in a school district as determined by the



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

24 SECTION 6. This Act applies only to the appraisal of real  
25 property for ad valorem tax purposes for a tax year that begins on  
26 or after the effective date of this Act.

27 SECTION 7. This Act takes effect January 1, 2018, but only

1 if the constitutional amendment proposed by the 85th Legislature,  
2 1st Called Session, 2017, to authorize the legislature to establish  
3 a lower limit on the maximum appraised value of residence  
4 homesteads for ad valorem tax purposes and to establish a limit on  
5 the value of other real property for those purposes is approved by  
6 the voters. If that amendment is not approved by the voters, this  
7 Act has no effect.