

By: Bell

H.B. No. 167

A BILL TO BE ENTITLED

1 AN ACT
2 relating to a limitation on the maximum appraised value of real
3 property for ad valorem tax purposes of 105 percent of the appraised
4 value of the property for the preceding tax year.

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
9 real property [~~a homestead~~] to which Section 23.23 applies is the
10 ratio of the property's market value as determined by the appraisal
11 district or appraisal review board, as applicable, to the market
12 value of the property according to law. The appraisal ratio is not
13 calculated according to the appraised value of the property as
14 limited by Section 23.23.

15 SECTION 2. The heading to Section 23.23, Tax Code, is
16 amended to read as follows:

17 Sec. 23.23. LIMITATION ON APPRAISED VALUE OF REAL PROPERTY
18 [~~RESIDENCE HOMESTEAD~~].

19 SECTION 3. Section 23.23, Tax Code, is amended by amending
20 Subsections (a), (b), (c), and (e) and adding Subsections (c-1),
21 (c-2), and (c-3) to read as follows:

22 (a) Notwithstanding the requirements of Section 25.18 and
23 regardless of whether the appraisal office has appraised the
24 property and determined the market value of the property for the tax

1 year, an appraisal office may increase the appraised value of real
2 property [~~a residence homestead~~] for a tax year to an amount not to
3 exceed the lesser of:

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

7 (2) the sum of:

8 (A) five [~~10~~] percent of the appraised value of
9 the property for the preceding tax year;

10 (B) the appraised value of the property for the
11 preceding tax year; and

12 (C) the market value of all new improvements to
13 the property.

14 (b) When appraising real property [~~a residence homestead~~],
15 the chief appraiser shall:

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

17 (2) include in the appraisal records both the market
18 value of the property and the amount computed under Subsection
19 (a)(2).

20 (c) The limitation provided by Subsection (a) takes effect
21 on January 1 of the tax year following the first tax year in which
22 the owner owns the property on January 1, or, if the property
23 qualifies as the [~~to a~~] residence homestead of the owner under
24 Section 11.13 in the tax year in which the owner acquires the
25 property, the limitation takes effect on January 1 of the tax year
26 following that [~~the first~~] tax year [~~the owner qualifies the~~
27 ~~property for an exemption under Section 11.13~~]. Except as provided

1 by Subsection (c-1) or (c-2), the ~~[The]~~ limitation expires on
2 January 1 of the first tax year following the year in which ~~[that~~
3 ~~neither]~~ the owner of the property ceases to own the property.

4 (c-1) If property subject to a limitation under this section
5 qualifies for an exemption under Section 11.13 when the ownership
6 of the property is transferred to the owner's spouse or surviving
7 spouse, the limitation expires on January 1 of the first tax year
8 following the year in which ~~[when the limitation took effect nor]~~
9 the owner's spouse or surviving spouse ceases to own the property,
10 unless the limitation is further continued under this subsection on
11 the subsequent transfer to a spouse or surviving spouse ~~[qualifies~~
12 ~~for an exemption under Section 11.13]~~.

13 (c-2) If property subject to a limitation under Subsection
14 (a), other than a residence homestead, is owned by two or more
15 persons, the limitation expires on January 1 of the first tax year
16 following the year in which the ownership of at least a 50 percent
17 interest in the property is sold or otherwise transferred.

18 (c-3) For purposes of applying the limitation provided by
19 this section in the first tax year after the 2017 tax year in which
20 the property is appraised for taxation:

21 (1) the property is considered to have been appraised
22 for taxation in the 2017 tax year at a market value equal to the
23 appraised value of the property for that tax year;

24 (2) a person who acquired real property in a tax year
25 before the 2017 tax year is considered to have acquired the property
26 on January 1, 2017; and

27 (3) a person who qualified the property for an

1 exemption under Section 11.13 as the person's residence homestead
2 for any portion of the 2017 tax year is considered to have acquired
3 the property in the 2017 tax year.

4 (e) In this section, "new improvement" means an improvement
5 to real property [~~a residence homestead~~] made after the most recent
6 appraisal of the property that increases the market value of the
7 property and the value of which is not included in the appraised
8 value of the property for the preceding tax year. The term does not
9 include repairs to or ordinary maintenance of an existing structure
10 or the grounds or another feature of the property.

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

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

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

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

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

27 (2) one-half of the total dollar amount of any

1 residence homestead exemptions granted under Section 11.13(n), Tax
2 Code, in the year that is the subject of the study for each school
3 district;

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

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

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

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

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

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

1 (A) is within a reinvestment zone:

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

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

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

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

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

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

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

27 (9) a portion of the market value of property not

1 otherwise fully taxable by the district at market value because of:

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

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

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

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

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

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

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

26 SECTION 7. This Act takes effect January 1, 2018, but only
27 if the constitutional amendment proposed by the 85th Legislature,

1 Regular Session, 2017, to authorize the legislature to limit the
2 maximum appraised value of real property for ad valorem tax
3 purposes to 105 percent or more of the appraised value of the
4 property for the preceding tax year is approved by the voters. If
5 that amendment is not approved by the voters, this Act has no
6 effect.